PART
1

Introduction to Management
aking movies: It is an art, a business, a team effort, and, always, a high-stakes gamble. There, standing in the middle of it all, is the director, managing what often feels like an unmanageable process. Though producing a film involves hundreds of people, when those box office receipts roll in over that closely scrutinized first weekend, responsibility for the movie's success or failure rests squarely on the director's shoulders.

Every movie tells a story, and the director must determine the story's essence. For example, Peter Jackson, the *Lord of the Rings* director, recalled “cracking the code” to J.R.R. Tolkien's massive trilogy when he realized that the plot, in its simplest form, was the story of Frodo carrying the ring to Mordor and then destroying it. That simple yet potent concept served as his touchstone during the years Jackson supervised all the many elements that go into films—screenplays, actors, costumes, sets and special effects, lighting, camera work, scores and soundtracks, and the editing of millions of feet of footage into a final product.

Alfred Hitchcock, the director who gave us *Psycho* among other masterpieces, once pointed out, “I didn't walk into this business without proper knowledge of it. I've been a technician; I've been an editor; I've been an art director; I've been a writer. I have a feeling for all these people.” Like Hitchcock, directors must have at least a working knowledge of the increasingly sophisticated techniques crews employ. Without that, directors cannot determine what is realistic to achieve and then effectively communicate with the professionals who work for them. But at the same time, directors need not get so caught up in the details that they lose sight of “the big picture.”

The best directors come to the set with considerable people skills. They need all of their understanding of human nature as they supervise casting, for instance, elicit the best possible performances from actors, or mediate differences of opinion. Even the most controlling of directors must know how to collaborate since film is fundamentally a collaborative enterprise. They must be open to suggestions, decide which ones make sense, and then reject the rest without discouraging and alienating the people who offered them. It all works best when everyone feels the movie is theirs, and the story they are telling is one that needs to be told.

Finally, directors can never forget they answer to investors, the group of individuals, a studio, or both. They have put up the millions of dollars it takes to make a film today because they believe (and it usually is a matter of faith) they will make a return on their investment. So, they expect the director to finish on time and to live within the budget. Investors, being businessmen first and foremost, expect the director will make the often inefficient and sometimes chaotic creative process as efficient and orderly as possible.

What a movie director is, when all is said and done, is a high-profile middle manager charged with turning dreams into a facsimile of reality and then making them pay for themselves.
CHAPTER

The Changing Paradigm of Management & Foundations of Learning Organizations

CHAPTER OUTLINE

The Definition of Management
Organizational Performance
Management Skills
Management Types
When Skills Fail
Manager Activities
Manager Roles
Managing in Small Businesses and Nonprofit Organizations
Management and the New Workplace
Forces on Organizations
New Management Competencies
Turbulent Times: Managing Crises and Unexpected Events
The Learning Organization
Managing the Technology-Driven Workplace
Management and Organization
Classical Perspective
Theory X and Theory Y
Total Quality Management (TQM)

LEARNING OBJECTIVES

After studying this chapter, you should be able to do the following:

1. Explain the difference between efficiency and effectiveness and their importance for organizational performance.

2. Define ten roles that managers perform in organizations.

3. Discuss the management competencies needed to deal with today’s turbulent environment, including issues such as diversity, globalization, rapid change, and the skills needed for crisis management.

4. Describe the learning organization and the changes in structure, empowerment, and information sharing managers make to support it.

5. Understand how historical forces influence the practice of management.

6. Identify and explain major developments in the history of management thought.

7. Describe the major components of the classical and humanistic management perspectives.

8. Discuss the scientific management perspective and its current use in organizations.

9. Define the role contingency plays in organizations.

10. Explain the major concepts total quality management.
CEO Michael Dell saw his company slip from its premiere position in 2001 and he to do something. He had been only 19 when he took $1,000 and started Dell Computers (Dell) from his University of Texas dorm room. He built the company based on the belief he could provide low-cost, made-to-order computers and sell them directly to consumers, thus cutting overhead costs related to inventory and sales commissions to outside sellers. The company took off, but in 1991, Dell made a tactical error that could have doomed the company. He decided to sell some computers at retailers such as CompUSA, Staples, and Sam’s Club. The company realized the mistake before it was too late. Since then, Dell has not wavered from its model. But new troubles loomed. In 2001, the personal computer (PC) market collapsed and sales were so sluggish that Dell was forced to lay off 1,700 employees, the first job elimination in its 16-year history. CEO Dell met with President Kevin Rollins privately that fall to make plans for Dell’s comeback. Based on sales figures, they felt Dell’s performance in the marketplace would improve, but their own performance was something else. Employee interviews showed Dell was seen as emotionally detached and too impersonal, while Rollins was seen as antagonistic and autocratic. No one felt loyalty to the leaders. Anger and resentment was building since the first mass firing. Half of the employees said they would quit if they got another job. Dell and Rollins realized they could not move the company back to its stellar performance without a motivated workforce and knew a mass staff exodus would doom them.¹

If you were Michael Dell, what would you do now to ensure your company’s comeback?
Dell Computer’s difficulties might seem exceptional, but Michael Dell is not the only CEO who has had to deal with uncertainty and change on an almost daily basis. Consider the strife and confusion in the music industry, where traditional recording labels and music stores are battling with online services like Kazaa and Grokster that let people download and share music free. The once-hot Tower Records declared bankruptcy due to the steep decline in music sales through traditional stores. Music industry lawsuits against the file sharing services and threats of legal action against consumers have not slowed the transition to online music.²

Managers in all organizations are continually dealing with uncertainty and unexpected events, whether they are something as small as the loss of a key employee or something as large and dramatic as a plant explosion. Moreover, the frequency and intensity of crises have increased over the past couple of decades, with a sharp increase in the rate of intentional acts such as product tampering, workplace violence, or terrorism.³

Solid management skills and actions are the key to helping any organization weather a crisis and remain healthy, inspired, and productive.

The nature of management is to cope with diverse and far-reaching challenges. Managers have to keep pace with advancing technology, find ways to incorporate the Internet and e-business into their strategies and business models, and remain competitive in the face of increasingly tough global competition, uncertain environments, cutbacks in personnel and resources, and massive worldwide economic, political, and social shifts. The growing diversity of the workforce creates other dynamics: How can managers maintain a strong corporate culture while supporting diversity, balancing work and family concerns, and coping with conflicting demands of all employees wanting a fair shot at power and responsibility? New ways of working, such as virtual teams and telecommuting, put additional demands on today's managers.

To navigate the turbulence of today's world, managers need to shift their mindsets. The field of management is undergoing a revolution that asks managers to do more with less, to engage whole employees, to see change rather than stability as the nature of things, and to create vision and cultural values that allow people to create a collaborative workplace. This new management approach is different from a traditional mindset that emphasizes tight top-down control, employee separation and specialization, and management by impersonal measurements and analysis. When people are struggling and fear for their jobs, as they were at Dell Computers after the layoffs, an impersonal, highly analytical approach could destroy the company faster than anything else.

Making a difference as a manager today and tomorrow requires integrating solid, tried-and-true management skills with new approaches that emphasize the human touch, enhance flexibility, and involve employees' hearts and minds as well as their bodies. Successful departments and organizations do not happen but are managed to be that way. Managers in every organization today face major challenges and have the opportunity to make a difference. For example, Lorraine Monroe made a difference at Harlem's Frederick Douglass Academy when she transformed it from one of the worst to one of the best schools in New York City. Stephen Quesnelle, head of quality programs at Mitel Corporation in Ottawa, Canada, made a difference when he organized “sacred cow hunts” to encourage employees to track down and do away with outdated policies and procedures holding the company back. Today, signs of energy, change, and renewal are everywhere at Mitel.⁴

These managers are common. Every day, managers solve difficult problems, turn organizations around, and achieve astonishing performances. To be successful, every organization needs skilled managers.

This textbook introduces and explains management processes and the changing ways of thinking about and perceiving the world, processes and ways that are becoming increasingly critical for managers of today and tomorrow. By reviewing the actions of
The Definition of Management

What do managers, such as Michael Dell, Stephen Quesnelle, and Lorraine Monroe, have in common? They get things done through their organizations. Managers create the conditions and environment that enable organizations to survive and thrive beyond the tenure of any specific supervisor or manager. Consider Elvis Presley Enterprises, Inc. Elvis died nearly 30 years ago, but managers have created and managed a successful organization with offices in Memphis, Tennessee, and Los Angeles, California, that continues, employing more than 300 people and bringing in millions of dollars in sales and admission fees to Graceland. The organization’s charitable arm supports a transitional housing program in Memphis, provides scholarships in the creative arts, and provides funding for many programs in the arts, education, and children’s services.

A key aspect of managing is recognizing the role and importance of others. Good managers know that the only way they can accomplish anything is through the organization’s people. Early twentieth-century management scholar Mary Parker Follett defined management as “the art of getting things done through people.”

More recently, management theorist Peter Drucker stated that the job of managers is to give direction to their organizations, provide leadership, and decide how to use organizational resources to accomplish goals.

Getting things done through people and other resources and providing leadership and direction are what managers do. These activities apply to top executives, such as Michael Dell, and to the leader of a security team, a supervisor of an accounting department, and a director of sales and marketing. Moreover, management is often considered universal because it uses organizational resources to accomplish goals and attain high performance in all profit and not-for-profit organizations. Thus, our definition of management is as follows:

**Management** is the effective and efficient attainment of organizational goals through planning, organizing, leading, and controlling organizational resources.

Two important ideas are in this definition: (1) the four functions of planning, organizing, leading, and controlling and (2) the attainment of organizational goals in an effective and efficient manner. Managers use a multitude of skills to perform these functions. Management’s conceptual, human, and technical skills are discussed later in the chapter. Exhibit 1.1 illustrates the process of how managers use resources to attain organizational goals. Though some management theorists identify additional management functions, such as staffing, communicating, or decision
CHAPTER 1  The Changing Paradigm of Management

making, those additional functions will be discussed as subsets of the four primary functions in Exhibit 1.1. Chapters of this book are devoted to the multiple activities and skills associated with each function, as well as to the environment, global competitiveness, and ethics, which influence how managers perform these functions.

Organizational Performance

The other part of our definition of management is the efficient and effective attainment of organizational goals. Management is important because organizations are important. In an industrialized society where complex technologies dominate, organizations bring together knowledge, people, and raw materials to perform tasks no individual could do alone. Without organizations, how could technology be provided that enables us to share information around the world in an instant, electricity be produced from huge dams and nuclear power plants, and thousands of DVDs be made available for our entertainment? Organizations pervade our society. Most college students will work in an organization, such as Sun Microsystems, Toronto General Hospital, Cinergy, or Hollywood Video. College students may be members of several organizations, such as a university, junior college, YMCA, church, fraternity, or sorority. College students deal with organizations every day: to renew a driver’s license, be treated in a hospital emergency room, buy food from a supermarket, eat in a restaurant, or buy new clothes. Managers are responsible for these organizations and for seeing that resources are used wisely to attain organizational goals.

Our formal definition of an organization is a goal-directed and deliberately structured social entity. Goal-directed means designed to achieve some outcome, such as make a profit (Old Navy, Verizon Communications), win pay increases for members (AFL-CIO), meet spiritual needs (Methodist church), or provide social satisfaction (college sorority). Deliberately structured means that tasks are divided and responsibility for their performance is assigned to organization members. Social entity means being made up of two or more people. These definitions apply to all organizations, including profit and not-for-profit. Small, offbeat, and not-for-profit organizations are more numerous than large, visible corporations and are as important to society.
Based on our definition of management, the manager's responsibility is to coordinate resources effectively and efficiently to accomplish the organization’s goals. **Organizational effectiveness** is the degree to which the organization achieves a *stated goal* or succeeds in accomplishing what it tries to do. Organizational effectiveness means providing a product or service that customers value. **Organizational efficiency** refers to the amount of resources used to achieve an organizational goal. It is based on how much raw material, money, and people are necessary for producing a given output volume. Efficiency can be calculated as the amount of resources used to produce a product or service.

Efficiency and effectiveness can rank high in the same organization. For example, during the tough economy of the early 2000s, companies like Eaton Corporation, which makes hydraulic and electrical devices, struggled to wring as much production as it could from scaled back factories and a reduced workforce. Managers initiated process improvements, outsourced some work to companies that could do it more cheaply, streamlined ordering and shipping procedures, and shifted work to the most efficient assembly lines. At Eaton, these adjustments enabled the company to cut costs, hold the line on prices, and meet its quality and output goals.\(^8\)

Sometimes, however, managers' efforts to improve efficiency can hurt organizational effectiveness. This is especially true in relation to severe cost cutting. At Delta Airlines, former CEO Ronald Allen dramatically increased cost efficiency by cutting spending on personnel, food, cleaning, and maintenance. Allen believed the moves were needed to rescue the company from a financial tailspin, but Delta fell to last place among major carriers in on-time performance, the morale of employees sank, and customer complaints about dirty planes and long lines at ticket counters increased by more than 75 percent.\(^9\)

Current CEO Gerald Grinstein came in with a goal to maintain the efficiencies instituted by Allen and to improve organizational effectiveness.

The ultimate responsibility of managers is to achieve high **performance**, which is the attainment of organizational goals by efficiently and effectively using resources.

### Management Skills

A manager’s job is complex and multidimensional and, as we shall see throughout this book, requires a range of skills. Though some management theorists propose a long list of skills, the necessary skills for managing a department or an organization can be summarized in three categories: conceptual, human, and technical.\(^10\) As illustrated in Exhibit 1.2, the application of these skills changes as managers move up in the organization. Though the degree of each skill necessary at different levels of an organization may vary, all managers must possess skills in each of these important areas to perform effectively. Joe Torre demonstrated proficiency in human and technical skills in his management of the New York Yankees, as shown on the following page.
Joe Torre was fired three times in a 15-year management career before signing on as manager of the New York Yankees. After an 18-year World Series drought, in his first year he guided the Yankees to six World Series during his nine years and he is the first Yankees manager to lead them to nine straight post-season appearances. Though Torre is the first to point out that the team’s success depends on a combination of factors, his management approach plays a big role.

Torre believes his years of dedication, learning, and growing as a manager finally paid off. One of the biggest lessons he learned is that success and winning differ. Success, says Torre, is “playing—or working—to the best of your ability.” His philosophy is that people should strive every day to fulfill their potential as individuals and as team members, and to help them do this requires a management approach that puts the needs and feelings of people first. Torre’s approach is based on knowing his team members as individuals and treating everyone with fairness, respect, and trust, the three elements he considers essential for productive work relationships. Torre does not give a lot of big motivational speeches. Instead, he relies on one-to-one communication. He watches, listens, and tries to understand the needs, motivations, and problems of each person, recognizing that what is going on in the players’ lives off the field affects their performance. When Torre needs to sort out a problem with a player, he does it privately. He never uses fear, manipulation, or public humiliation to motivate or control players.

In addition, Torre understands that every player sometimes hits a slump, and he does not treat players differently because they are playing poorly. “I’ve worked for organizations in the past that are real quick to jump off the bandwagon when things aren’t going well...,” says pitcher Mike Stanton. “With Joe, you don’t really have to look over your shoulder because you’ll lose confidence in yourself a long time before Joe loses confidence in you.” Torre sticks by his players, and he absorbs the flak from upper management without passing it on to the team. He does not burden players with a lot of strict rules, preferring to treat them as responsible adults who are all working toward a shared goal.

Torre’s emphasis on people and relationships has created a high-performance workplace where mistakes and failure are routinely accepted. It is the kind of workplace most organizations need in today’s volatile environment. They can achieve it, Torre says, by handling their jobs based on the values of “respect, trust, integrity, and commitment to our work and the people we work with.”

Management Types

Managers use conceptual, human, and technical skills to perform the four management functions of planning, organizing, leading, and controlling in all organizations whether they are large and small, manufacturing and service, profit and nonprofit, traditional and Internet-based. But managers’ jobs differ. Managers are responsible for different departments, work at different levels in the hierarchy; and meet different requirements for achieving high performance. Kevin Kurtz is a middle manager at Lucasfilm, where he works with employees to develop marketing campaigns for some of the entertainment company’s hottest films. Domenic Antonellis is CEO of the New England Confectionary Co. (NECCO), the company that makes those tiny pastel candy hearts stamped with phrases such as “Be Mine” and “Kiss Me.” Both are managers and must contribute to planning, organizing, leading, and controlling their organizations but in different amounts and ways.

TAKE A MOMENT

Go to the Manager’s Workbook on page 40 that pertains to management skills.

When Skills Fail

During turbulent times, managers have to stay on their toes and use all their skills and competencies to benefit the organization and its stakeholders, i.e., employees, customers,
Management Types

investors, and the community. In recent years, numerous, highly publicized examples have shown what happens when managers fail effectively and ethically to apply their skills to meet the demands of an uncertain, rapidly changing world. The profusion of company failures is alarming. Companies like Enron Corp., Tyco, and WorldCom were flying high in the 1990s but came crashing down under the weight of financial scandals. Others, such as Rubbermaid, Kmart, and Xerox are struggling because of years of management missteps.

Other critical management missteps include the following: poor communication skills and failure to listen; treating people only as instruments to be used; suppressing dissenting viewpoints; and the inability to build a management team characterized by mutual trust and respect.14

The financial scandals of the early twenty-first century, from Enron to mutual fund mismanagement, shows what can happen when, for instance, top managers pay more attention to money and Wall Street than they do to their employees and customers. As another example, consider what happened at The New York Times when it became publicly known that Jayson Blair, a rising young reporter, had fabricated and plagiarized many of his stories. Only then did top executives acknowledge the pervasive unhappiness that existed in the newsroom. Executive Editor Howell Raines, who had created an environment that favored certain editors and reporters and made others afraid to offer dissenting viewpoints or tell their managers the truth, resigned under pressure following the scandal. The Times continues to regain its footing and reclaim its honorable image.15 Adapting to turbulent conditions requires a tolerance of ambiguity.

Take a moment to fill out the instrument below to see your own tolerance for ambiguity.

Tolerance for Ambiguity Scale

Read each of the following statements. Rate each of them in terms of the extent to which you agree with the statement using the following scale:

<table>
<thead>
<tr>
<th>Completely Disagree</th>
<th>Neither Agree nor Disagree</th>
<th>Completely Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Place the number that best describes your degree of agreement in the blank to the left of each statement.

1. An expert who does not come up with a definite answer probably does not know much.

2. I would like to live in a foreign country for a while.

3. The sooner everyone acquires similar values and ideals the better.

4. A good teacher makes you wonder about your way of looking at things.

5. I like parties where I know most of the people more than ones where all or most of the people are complete strangers.

6. Teachers or supervisors who hand out vague assignments give a chance for one to show initiative and originality.

7. A person who leads an even, regular life, in which few surprises or unexpected happenings arise, has a lot to be grateful for.
8. Many of our most important decisions are based upon insufficient information.

9. All problems can be solved.

10. People who fit their lives to a schedule probably miss most of the joy of living.

11. A good job is one where what is to be done and how it is to be done are clear.

12. It is more fun to tackle a complicated problem than to solve a simple one.

13. In the long run, it is possible to get more done by tackling small, simple problems rather than large and complicated ones.

14. Often, the most interesting and stimulating people are those who do not mind being different and original.

15. What we are used to is always preferable to what is unfamiliar.

**Scoring:**

For odd-numbered questions, add the total points.

For even-numbered questions, use reverse scoring (7 minus the score), and add the total points.

Your score is the total of the even-numbered and odd-numbered questions.

This survey asks 15 questions about personal and work situations with ambiguity. You were asked to rate each situation on a scale of 1 to 7. A tolerant person would score 15 and an intolerant person 105. Scores ranging from 20 to 80 have been reported, with a mean of 45. Company managers had an average score of about 45, and nonprofit managers had an average score of about 43 though scores in both groups varied widely.

Typically, people who tolerate ambiguity (low score) will be comfortable in organizations characterized by rapid change, unclear authority, empowerment, and movement toward a learning organization. People with low tolerance for ambiguity (high score) are comfortable in more stable, well-defined situations. However, individuals can grow in the opposite direction of their score if they so choose.


**Manager Activities**

One of the most interesting findings about managerial activities is how busy managers are and how hectic the average workday can be. At Google, project manager Minnie Ingersoll never looks at her calendar more than five minutes in advance because her schedule is so frantic and things change so quickly. On a typical day, Ingersoll might have four meetings and a conference call before grabbing a quick lunch and catching up with work on her laptop. Managers at Google use scooters to zip back and forth to meetings in different buildings. Some top managers are even busier. Office Depot CEO Bruce Nelson typically works 14-hour days, visits stores in several different states each week, and is continuously tracking operations at 947 stores in eight time zones.

**Adventures in Multitasking.** Managerial activity is characterized by variety, fragmentation, and brevity. The manager’s involvements are so widespread and voluminous
that little time remains for quiet reflection. The average time spent on any one activity is fewer than nine minutes. Managers shift gears quickly. Significant crises are interspersed with trivial events in no predictable sequence. One example of two typical hours for general manager, Janet Howard, follows. Note the frequent interruptions and the brevity and variety of tasks.

7:30 A.M. Janet arrives at work and begins to plan her day.

7:37 A.M. A subordinate, Morgan Cook, stops in Janet’s office to discuss a dinner party the previous night and to review the cost-benefit analysis for a proposed enterprise resource planning (ERP) system.

7:45 A.M. Janet’s secretary, Pat, motions for Janet to pick up the telephone. “Janet, they had serious water damage at the downtown office last night. A pipe broke, causing about $50,000 damage. Everything will be back in shape in three days. Thought you should know.”

8:00 A.M. Pat brings in the mail. She asks instructions for formatting a report Janet gave her yesterday.

8:14 A.M. Janet gets a phone call from the accounting manager, who is returning a call from the day before. They talk about an accounting problem.

8:25 A.M. A Mr. Nance is ushered in. Mr. Nance complains that a sales manager mistreats his employees and something must be done. Janet rearranges her schedule to investigate this claim.

9:00 A.M. Janet returns to the mail. One letter is from an irate customer. Janet types out a helpful, restrained reply. Pat brings in phone messages.

9:15 A.M. Janet receives an urgent phone call from Larry Baldwin. They discuss lost business, unhappy subordinates, and a potential promotion.19

Life on Speed Dial. The manager performs a great deal of work at an unrelenting pace.20 Managers’ work is fast paced and requires great energy. The managers observed by Henry Mintzberg processed 36 pieces of mail each day, attended eight meetings, and took a tour through the building or plant. Technology such as e-mail, instant messaging, cell phones, and laptops have intensified the pace. Managers commonly receive hundreds of e-mail messages a day. As soon as a manager’s daily calendar is set, unexpected disturbances erupt. New meetings are required. During time away from the office, executives catch up on work-related reading, paperwork, and e-mails.

At O’Hare International Airport, an unofficial count one Friday found operations manager Hugh Murphy interacting with about 45 airport employees. In addition, he listened to complaints from local residents about airport noise, met with disgruntled executives of a French firm who built the airport’s new $128 million people-mover system, attempted to soothe a Hispanic city alderman who complained that Mexicana Airlines passengers were being singled out by overzealous tow-truck operators, toured the airport’s fire station, and visited the construction site for the new $20 million tower and all that was before the events of September 11, 2001, which changed airport operations and made them more complex. Hugh Murphy’s unrelenting pace is typical for managers.21 Management can be rewarding, but it can be frustrating and stressful, as discussed in the Focus on Leadership box on page 14.
Do You Want to Be a Manager?

The first training course aspiring managers at Federal Express (FedEx) take is called “Is Management for Me?” Becoming a manager is considered by most people to be a positive, forward-looking career move. Indeed, life as a manager has many appealing aspects. However, it has many challenges, and not every person will be happy and fulfilled in a management position. Here are some of the issues would-be managers should consider before deciding they want to pursue management careers:

The increased workload. Managers typically work 70-hour 80-hour weeks, and some work longer. A manager’s job always starts before a shift and ends hours after the shift is over. Matt Scott, a software engineer promoted to management at Fore Systems, Inc., found himself frustrated by the increased paperwork and crowded meeting schedule.

The unrelenting sense of obligation. A manager’s work is never done. Nancy Carreon, an associate partner for an architectural firm, sometimes wakes up in the middle of the night thinking about something she needs to do, so she gets up and does it. George Pollard, a senior human resources official at FedEx, says, “Managers are always on the clock. We’re representatives of [the company] even when we’re not at work.”

The headache of responsibility for other people. Many people get into management because they like the idea of having power, but the reality is that many managers feel overwhelmed by the responsibility of supervising and disciplining others. Laura Kelso, who thrives on the fast pace and responsibility of being a manager, says that the first time she had to fire someone, she agonized for weeks over how to do it. New managers are often astonished at the amount of time it takes to handle “people problems.” Kelly Cannell, who quit her job as a manager, puts it this way: “What’s the big deal about managing people? The big deal is that people are human…. To be a good manager, you have to mentor them, listen to their problems, counsel them, and at the end of the day you still have your own work on your plate…. Don’t take the responsibility lightly, because no matter what you think, managing people is not easy.”

Being caught in the middle. For many people, this is the most difficult aspect of management. Except for those in the top echelons, managers find themselves acting as a backstop, caught between upper management and the workforce. A computer software designer explains why she wanted out of management: “I didn’t feel comfortable touting the company line in organizational policies and technical decisions I disagreed with. It was very hard asking folks to do things I wouldn’t do myself, like put in gobs of overtime or travel at the drop of a hat.” Even when managers disagree with the decisions of top executives, they are responsible for implementing them.

For some people, the frustrations of management are not worth it. For others, management is a fulfilling and satisfying career choice and the emotional rewards can be great. One key to being happy as a manager may be carefully evaluating whether you can answer yes to the question, “Do I want to be a manager?”

Manager Roles

Mintzberg’s observations and subsequent research indicate that diverse manager activities can be organized into ten roles. A role is a set of expectations for a manager’s behavior. Exhibit 1.3 provides examples of each of the roles. These roles are divided into three conceptual categories: informational (managing by information), interpersonal (managing through people), and decisional (managing through action). Each role represents activities that managers undertake to ultimately accomplish the functions of planning, organizing, leading, and controlling. Though managers must separate their job components to understand their different roles and activities, the real job of management cannot be practiced as a set of independent parts; all the roles interact in the real world of management. As Mintzberg says, “The manager who only communicates or only conceives never gets anything done, while the manager who only ‘does’ ends up doing it all alone.”
### Managing in Small Businesses and Nonprofit Organizations

Small businesses are growing in importance. Hundreds of small businesses are opened every month by people who have found themselves squeezed out of the corporation due to downsizing, who voluntarily leave the corporate world to be their own bosses, or who seek a slower pace and a healthier balance between work and family life. Many small businesses are opened by women or minorities who find limited opportunities for advancement in large corporations. In addition, the Internet has opened new avenues for small business formation. The huge wave of dot-com start-ups in the late 1990s was driven by dreams of wealth and by the desire of people to get out of big corporations and start something new and exciting.

Today’s environment for small businesses is highly complicated. Advances in technology, globalization, government regulations, and increasing customer demands require that even the smallest of businesses have solid management expertise. However, small companies sometimes have difficulty developing the managerial dexterity needed to survive in a turbulent environment. One survey on trends and future developments in small businesses found that nearly half of respondents saw inadequate management skills as a threat to their companies, as compared to less than 25 percent of larger organizations. Managing small businesses and entrepreneurial start-ups will be discussed in detail in Appendix B.

### Exhibit 1.3: Ten Manager Roles

<table>
<thead>
<tr>
<th>Category</th>
<th>Role</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Informational</td>
<td>Monitor</td>
<td>Seek and receive information; scan periodicals and reports; maintain personal contacts.</td>
</tr>
<tr>
<td></td>
<td>Disseminator</td>
<td>Forward information to other organization members; send memos and reports; make phone calls.</td>
</tr>
<tr>
<td></td>
<td>Spokesperson</td>
<td>Transmit information to outsiders through speeches, reports, memos.</td>
</tr>
<tr>
<td>Interpersonal</td>
<td>Figurehead</td>
<td>Perform ceremonial and symbolic duties such as greeting visitors, signing legal documents.</td>
</tr>
<tr>
<td></td>
<td>Leader</td>
<td>Direct and motivate subordinates; train, counsel, and communicate with subordinates.</td>
</tr>
<tr>
<td></td>
<td>Liaison</td>
<td>Maintain information links both inside and outside organization; use mail, phone calls, meetings.</td>
</tr>
<tr>
<td>Decisional</td>
<td>Entrepreneur</td>
<td>Initiate improvement projects; identify new ideas; delegate idea responsibility to others.</td>
</tr>
<tr>
<td></td>
<td>Disturbance handler</td>
<td>Take corrective action during disputes or crises; resolve conflicts among subordinates; adapt to environmental crises.</td>
</tr>
<tr>
<td></td>
<td>Resource allocator</td>
<td>Decide who gets resources; schedule, budget, set priorities.</td>
</tr>
<tr>
<td></td>
<td>Negotiator</td>
<td>Represent department during negotiation of union contracts, sales, purchases, budgets; represent departmental interests.</td>
</tr>
</tbody>
</table>

Managers in small businesses tend to emphasize roles different from those of managers in large corporations. Managers in small companies often see their most important roles as spokespersons because they must promote the small, growing company to the outside world. The entrepreneur role is important in small businesses because managers have to be creative and help their organizations develop new ideas to remain competitive. Small business managers tend to rate lower on the leader and information processing roles, compared with their counterparts in large corporations. One CEO of a medium-sized company who has retained the entrepreneurial drive is David Neeleman of JetBlue, described in the Best Practices box below.

Nonprofit organizations (nonprofits) represent a major application of management talent. The American Red Cross, the Girl Scouts, Good Samaritan Ministries, Berea College, Parkland Memorial Hospital, the Boston Public Library, and the Nashville Symphony require excellent management. The functions of planning, organizing, leading, and controlling apply to nonprofits as they do to business organizations, and managers in nonprofit organizations use similar skills and perform similar activities. The primary difference is that managers in businesses direct their activities toward earning money for the company, but managers in nonprofits direct their efforts toward generating social impact. The unique characteristics and needs of nonprofit organizations created by this distinction present unique challenges for managers.25

**Best Practices**

**Jet Blue**

When was the last time you were on a plane being served coffee and biscotti by the airline’s CEO? And while you are filing out, he is on all fours, picking up garbage off the floor. That is not in the job description of most executives. But JetBlue’s David Neeleman—who’s worth $215 million—finds serving customers inflight snacks is the best way to stay in communication with them, and he hops a flight once a week. He found out customers would rather have TVs than meals and prefers leather seats to fabric.

JetBlue is only one of two sizable airlines making money, when the industry as a whole is losing $7 billion this year. “Our profit margins are 17.5 percent,” he boasts to customers. “Southwest’s was 3.9 percent.” Barely more than five years old, JetBlue started from scratch, is not unionized, and spends only 25 percent of revenues on labor, compared to Southwest’s 33 percent. JetBlue capitalized on a slump in the airline industry, hiring personnel who had been laid off like 45-year-old pilot Gary Correia, who made $80,000 at USAirways before he lost his job. Now at JetBlue, he makes $65,000, plus an additional 15 percent of that on profit sharing and gets stock options. He flies 80 hours a month and then helps flight attendants—and the occasional CEO—clean cabins after flights. A unionized pilot does not walk into the cabin except to the rest room. Flight attendants earn $20–30 per hour, and reservation-takers make $8.25 per hour and work from home, thus saving the company overhead.

Like Southwest, they have one type of plane, which saves on maintenance costs. Not only did Neeleman pioneer e-tickets, but he developed a “paperless” cockpit system to eliminate messy and time-consuming paper. All his careful planning and sleek innovations have made JetBlue second in cents per passenger mile: Southwest is 6.33, Jet is 6.43 and US Airways is 12.45 cents.

Neeleman started JetBlue after being fired from Southwest following the acquisition of his previous airline, Morris Air. He had too many ideas, was too wired to sit still in endless meetings, and felt handcuffed by too many rules. He was known for selling $299 Hawaii round-trip seats on Morris charter planes by hawking them at shopping malls.

A few years later, he had JetBlue in the sky, but not before he interviewed many current and previous airline executives, as well as studying their successes and failures. During the past year, the airline industry has seen some of its bleakest times, with several bankruptcies and Chapter 11 filings. JetBlue’s profits fell, but it is still only one of two airlines with any profit.

For Neeleman, customer contact once a week is not enough. He wants constant information on what is happening. He is paged on his Blackberry if any flight is late by more than one minute. His wife knows not to complain because he wears his Blackberry to bed every night.

Financial resources for nonprofit organizations typically come from government appropriations, grants, and donations rather than from the sale of products or services to customers. In businesses, managers focus on improving the organization's products and services to increase sales revenues. In nonprofits, however, services are typically provided to nonpaying clients, and a major problem for many organizations is securing a steady stream of funds to continue operating. Nonprofit managers, committed to serving clients with limited resources, must keep organizational costs as low as possible. Donors generally want their money to go directly to helping clients rather than for overhead costs. If nonprofit managers cannot demonstrate efficient use of resources, they might have a hard time securing additional donations or government appropriations.

In addition, since nonprofit organizations do not have a conventional bottom line, managers may struggle with the question of what constitutes results and effectiveness. Whereas it is easy to measure dollars and cents, nonprofit managers have to measure intangibles such as “improve public health” or “make a difference in the lives of the disenfranchised.” Gauging the performance of employees and managers is more difficult when the goal is providing a public service rather than increasing sales and profits. Managers in nonprofit organizations must market their services to attract clients and the volunteers and donors on whom they depend. An added complication is that volunteers and donors cannot be supervised and controlled in the same way a business manager deals with employees.

The roles defined by Mintzberg apply to nonprofit managers, but these roles may differ somewhat. We might expect managers in nonprofit organizations to place more emphasis on the roles of spokesperson (to sell the organization to donors and the public), leader (to build a mission-driven community of employees and volunteers), and resource allocator (to distribute government resources or grant funds that are often assigned from the top down).

Managers in all organizations—large corporations, small businesses, and nonprofit organizations—integrate and adjust the management functions and roles to meet new challenges within their own circumstances and to keep their organizations healthy. One way in which many organizations are meeting new challenges is through increased Internet usage. Some government agencies are using the Internet to cut bureaucracy, improve efficiency, and save money, as described in this chapter’s Digital, Inc. box.

**Management and the New Workplace**

Over the past decade or so, the central theme being discussed in management has been the pervasiveness of dramatic change. Rapid environmental shifts are causing fundamental transformations that have a dramatic impact on the manager’s job. These transformations are reflected in the transition to a new workplace, as illustrated in Exhibit 1.4.

The primary characteristic of the new workplace is that it is centered around bits rather than atoms, i.e., information and ideas rather than machines and physical assets. Low-cost computing power means ideas, documents, movies, music, and all sorts of other data can be zapped around the world at the speed of light. The digitization of business has radically altered the nature of work, employees, and the workplace. The old workplace is characterized by routine, specialized tasks and standardized control procedures. Employees typically perform their jobs in one specific company facility, such as an automobile factory located in Detroit or an insurance agency located in Des Moines. The organization is coordinated and controlled through the vertical hierarchy, with decision-making authority residing with upper-level managers.
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In the new workplace, by contrast, work is flows freely and flexibly. The shift is most obvious in e-commerce and high-tech organizations, which have to respond to changing markets and competition quickly. However, other organizations, such as McKinsey & Company, CNA Life, and Nokia, are incorporating mechanisms to enhance speed and flexibility. Empowered employees are expected to seize opportunities and solve problems as they emerge. Structures are flatter, and decision-making authority is pushed down to lower levels. The workplace is organized around networks rather than rigid hierarchies, and work is often virtual, with managers having to supervise and coordinate people who never come to work in the traditional sense. Thanks to modern information and communications technology, employees can perform their jobs from home or another remote location, at any time of the day or night. Flexible hours, telecommuting, and virtual teams are increasingly popular ways of working that require new skills from managers. Using virtual teams allows organizations to use the best people for a particular job, no matter where they are located, thus enabling a fast response to competitive pressures. When IBM needs to staff a project, for example, it gives a list of skills needed to the human resources department, which provides a pool of qualified people. The team leader assembles the best combination of people for the project, which can mean pulling people from different locations. IBM

Click Here for Lower Taxes

Government agencies are often thought of as plodding, inefficient bureaucracies that waste the public’s time as well as money. But new ideas are changing that perception, as some government agencies apply Internet technology to save taxpayers money and make their lives easier.

The U.S. Internal Revenue Service (IRS) (http://www.irs.gov) provides one of the best examples in the government or corporate world of a Web site that is central to the organization’s mission. Distributing tax forms has always been an expensive logistical nightmare for the IRS. Hordes of form pullers, envelope stuffers, label addressers, and so forth, are needed to process the millions of mail-in requests for various tax publications and forms. The cost of handling a single request is around three dollars. The IRS recognized the problem and made the distribution of tax forms a major focus when it opened its Web site in the mid-1990s. Today, more than 100 million tax forms are downloaded directly from the site, with each request costing the IRS (and the taxpayers) only a fraction of a penny. E-filing of tax returns saves additional time and expense for taxpayers and the IRS. State governments in the United States are tapping into the power of the Web by allowing people to renew drivers licenses, file for unemployment benefits, pay quarterly taxes, apply for various permits, find suitable nursing homes, and access a range of other services electronically.

The United States is by no means alone in moving to the Internet. In a study of global e-government success, the consulting and technology services firm Accenture identified Canada as a leader in tailoring government services that meet the needs of citizens as “customers.” The Canadian federal government site (http://canada.gc.ca) was the sixth most popular Internet site in the country in 2003. In Spain, the government is developing the first Internet ID card. Spanish citizens can insert the card into a reader attached to their home computers and order passports and other government services. Russia launched a $2.4 billion, 8-year-long e-Russia project in May of 2003 to stimulate internal cooperation between departments and to make more government information available to the public. Finally, the United Kingdom has a goal of having all public services available online by 2005.

The transition to the Internet is a welcome one for citizens around the world. A market research study of e-government services in 32 countries found that the number of Internet-using adults who have accessed government services online grew to 40 percent in 2003 and continues to increase. The Internet is helping to shatter the image of government workers as paper shufflers and replace it with one of people providing valuable public services.

estimates that about a third of its employees participate in virtual teams. Teams in today’s organizations may include outside contractors, suppliers, customers, competitors, and interim managers who are not affiliated with a specific organization but work on a project-by-project basis. The valued worker is one who learns quickly, shares knowledge, and is comfortable with risk, change, and ambiguity, as illustrated in the Focus on Skills box.

At Tech Target, Freedom to Leave Makes Employees Stay

Many companies proclaim to be more interested in employees’ performance than in their attendance, but few prove it as loudly as Tech Target, an interactive media company based in Needham, Massachusetts. For the 210 people who work there, no guidelines dictate work schedules, personal leave, sick days, or vacation time. Amazingly, employees have the freedom to come and go as they please. Sounds like a formula for disaster, right?

Contrary to what many people would think, Tech Target’s open-leave policy makes people more, not less, committed, responsible, and productive. Founder and CEO Greg Strakosch believes the open-leave policy is a competitive weapon, and he attributes increases in revenue largely to effects of the policy. For open-leave to work, managers have to reorient their approach. At Tech Target, supervisors set quarterly goals and timetables, and employees are given the freedom and independence to achieve them. Managers pay attention to results, not to time, and they learn to trust people to be aboveboard when it comes to managing their own activities. Tech Target’s employees appreciate open-leave for different reasons. For example, those with young children believe the policy eliminates the guilt and worry that accompanies being a good parent and employee, thus enabling them to be better at both.

Far from being lax, Tech Target sets high standards for performance and shows little tolerance for sloppy, lazy, or careless work habits. As Strakosch says, “We don’t carry people who underachieve.” Tech Target has a stringent hiring process because it wants to hire people with the right attitudes to function in the “loose yet tight” environment. For those who make the grade, it is a great arrangement. Where else could you take the afternoon off for a bike ride?

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Forces on Organizations

The most striking change now affecting organizations and management is technology. Consider that computing power has roughly doubled every 18 months over the past 30 years while the cost has been declining by half or more every 18 months. In addition, the Internet, which was little more than a curiosity to many managers a decade ago, has transformed the way business is done. Many organizations use digital networking technologies to tie together employees and company partners in far-flung operations. Companies are becoming interconnected, and managers have to learn how to coordinate relationships with other organizations, as shown below.

It used to be that movie studios made movies. Now software companies want to get in the business. Microsoft and its agent, Creative Artists Agency (CAA) approached Hollywood studios about collaborating on a Xbox video game “Halo” based movie. Managers are both Microsoft and the studios were working with people in a different industry and negotiations did not go as first thought. The auction Microsoft expected never materialized. Perhaps it was the $10 million dollar upfront cost the software company demanded. Or to have final creative control. Maybe it was the 60 first-class plane tickets for Microsoft people and friends to attend the movie’s opening. Based on these factors, within one day of reading the script five of seven studios dropped out. The remaining two, Universal Pictures and TwentyFirst Century Fox, moaned at the price. Finally, Microsoft and CAA hammered out a deal, though not final. Many in the industry saw it all as hubris on the part of both Microsoft and CAA, both not known for humility. Even if “Halo” is one of the most popular video franchises, ever, it still irked Hollywood that Microsoft demanded creative control, without investing one dime of its own on the project. Universal and Fox agreed to some deal with less financial restrictions—$5 million upfront, but acknowledge things may still fall apart over creative control. As a veteran movie exec said, “The one thing about Hollywood is that it is very hard to bully anyone when you are asking for that kind of price.”

The Internet and other new technologies are also tied closely to globalization. Global interconnections bring many opportunities to organizations, but they bring many threats, raise new risks, and accelerate complexity and competitiveness as well. Think about the trend toward outsourcing company activities to low-cost providers in other countries. U.S. companies have been sending manufacturing work to other countries for years to cut costs. Now, high-level knowledge work from U.S. organizations is being outsourced to countries like India, Malaysia, and South Africa. India’s Wipro Ltd., for example, writes software, performs consulting work, integrates back-office solutions, performs systems integration, and handles technical support for some of the biggest corporations in the United States, and they do it for 40 percent less than comparable U.S. companies can do the work. Diversity of the population and the workforce in the United States is another fact of life for all organizations. The general U.S. population, and thus the workforce, is growing more ethnically and racially diverse. In addition, generational diversity is a powerful force in today’s workplace, with employees of all ages working together on teams and projects in a way rarely seen in the past.

In the face of these transformations, organizations are learning to value change and speed over stability and efficiency. The fundamental paradigm during much of the twentieth century was a belief that things can be stable. In contrast, the new paradigm recognizes change and chaos as the natural order of things. Events in today’s world are turbulent and unpredictable, with small and large crises occurring on a more frequent basis. Rock star David Bowie has staked the newest phase of his career on that turbulence, as described on the following page.

Take ACTION
Practice adapting yourself to changes and new ways of thinking. Rather than arguing, ask questions of others.
When David Bowie was a huge rock star in the ‘70s, complete with flaming groupies, or a reformed punk artist in the ‘80s, he was never slated to become the smartest entrepreneur in the rock business. Of course, back then he was abusing drugs, which did not leave him much brainpower for the kinds of deals he is working now. Currently he is so clean he will not even take Advil because, as he says, “I have such an addictive personality.” With his newly clear intelligence and his own ability to be ahead of the times, he has secured continued success.

Influenced by the IPO craze, he raised $55 million by becoming the first big music star to take his music catalog/song royalties public, through 1997’s Bowie Bonds. Later, he started the high-tech company Ultrastar and his own Internet Service Provider (ISP) that happens to be his fan club (www.davidbowie.com). In 2004, Ultrastar created strategic alliances with several other companies, such as Circuit City’s digital music club MusicNow. Recently, starting his own record label called Iso, he has a short-term distribution agreement with Sony as he gets the label up and running.

His keen sense of music’s business environment makes him uneasy about the future. Not certain he even wants to be on a label in a few years, he thinks it will not work anymore by labels and distribution. “The absolute transformation of everything we ever thought about music will take place within ten years, and nothing is going to be able to stop it.... I’m truly confident that copyright, for instance, will no longer exist in ten years, and authorship and intellectual property is in for such a smashing.” He believes he has to take advantage of these last years of the music business as it has been. “You’d better be prepared for doing a lot of touring because that’s the only unique situation that’s going to be left.” Even with all the changes he expects, he is still looking forward to it. “It’s terribly exciting,” he says.

New Management Competencies

In the face of these transitions, managers have to rethink their approach to organizing, directing, and motivating employees. Today’s best managers give up their command-and-control mindset to embrace ambiguity and create organizations that are fast, flexible, adaptable, and relationship-oriented. The Digital, Inc. box describes the benefits one company has gained from a new approach to management. In many of today’s best companies, leadership is dispersed throughout the organization, and managers empower others to gain the benefit of their ideas and creativity. Moreover, managers often supervise employees who are scattered in various locations, requiring a new approach to leadership that focuses more on coaching and providing direction and support than on giving orders and ensuring that they are followed.

Success in the new workplace depends on the strength and quality of collaborative relationships. Rather than a single-minded focus on profits, today’s managers recognize the critical importance of staying connected to employees and customers. The Internet has given increased knowledge and power to consumers, so organizations have to remain flexible and adaptable to respond quickly to changing demands or competition. New ways of working emphasize collaboration across functions and hierarchical levels as well as with other companies. Team-building skills are crucial. Instead of managing a department of employees, many managers act as team leaders of continually shifting, temporary projects. At SEI Investments, all work is

CONCEPT CONNECTION

One of the hottest television shows of recent years is Donald Trump’s The Apprentice, where contestants vie for a $250,000-a-year job as president of one of Trump’s companies. On one hand, it seems like an exercise in backstabbing. However, on the other hand, it’s a search for a leader with new management competencies—one who knows how to be a team player and build collaborative relationships to help the organization benefit from everyone’s creativity and skills. In the photo, Trump chats with hopeful contestants for the hit show.
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distributed among 140 teams. Some are permanent, such as those that serve major customers or focus on specific markets, but many are designed to work on short-term projects or problems. Computer linkups, called pythons, drop from the ceiling. As people change assignments, they unplug their pythons, move their desks and chairs to a new location, plug into a new python, and get to work on the next project.\(^\text{35}\)

**TAKE A MOMENT**  
Go to the ethical dilemma on page 40 that pertains to managing in the new workplace

An important management challenge in the new workplace is to build a learning organization by creating an organizational climate that values experimentation and risk taking, applies current technology, tolerates mistakes and failure, and rewards nontraditional thinking and the sharing of knowledge. Everyone in the organization participates in identifying and solving problems, enabling the organization to experiment, improve, and increase its capability. The role of managers is not to make decisions but to create learning capability, where everyone is free to experiment and learn what works best. Sometimes, the best learning comes through failure, as shown in the Business Blooper box.

**Turbulent Times: Managing Crises and Unexpected Events**

Many managers may dream of working in an organization and a world where life seems relatively calm, orderly, and predictable, but their reality is one of increasing turbulence and disorder. Today's managers and organizations face various levels of crisis every day, everything from the loss of computer data, charges of racial discrimination, a factory fire, to workplace violence. However, these organizational crises have been compounded by crises on a more global level. Consider a few of the major events that have affected U.S. companies within the last few years:

1. The bursting of the dot-com bubble, which led to the failure of thousands of companies and the rapid decline of technology stocks
2. The massacre at Columbine High School, which prompted schools all over the country to form crisis teams to deal with school violence
3. The crash of high-flying Enron due to a complex series of unethical and illegal accounting gimmicks, and the subsequent investigations of numerous other corporations for similar financial shenanigans

**BUSINESS BLOOPER**

**Excite.com**

At 32, Joe Kraus has had more excitement than most, starting the search engine Excite.com with others in a garage after graduating from college. Worth upward of $500 a nano-second, Kraus watched it collapse quickly. He cashed out his stake, so he is not broke financially. After spending years building Excite.com, he was emotionally devastated when it fell apart. Mature beyond his years, Kraus understands what went wrong, including his own part. One problem: after the merger with @Home, the cable company dissolved in infighting. Strategic errors occurred, such as the $780 million cash acquisition of an online greeting card company. It seemed a reasonable price then until everything was devalued. Excite.com did not realize—as Google did—that businesses would pay to be part of a search engine. Kraus was “fried” after the experience. He backpacked around the world, came home, got married, had a son and has now re-emerged into the business world, co-founder of Jotspot, an application wiki—web pages that anyone can write to or edit. Hopefully, he is smarter and wiser after the exciting lessons he learned.

4. Terrorist attacks in New York City and Washington, D.C., that destroyed the World Trade Center, seriously damaged the Pentagon, killed thousands of people, and interrupted business around the world

5. Anthrax and ricin scares that altered companies' advertising and marketing plans as they weighed the public's perceptions of the U.S. mail

6. The uncertainty and confusion associated with reconstruction efforts following the war in Iraq, and continuing terrorist threats against the United States and its allies.

These and other events have brought the uncertainty and turbulence of today's world to the forefront of everyone's mind, and crisis management has become a critical skill for every manager.

Dealing with the unexpected has always been part of the manager's job, but our world has become so fast, interconnected, and complex that unexpected events happen more frequently and often with greater and more painful consequences. All of the new management skills and competencies we have discussed are important to managers in such an environment. In addition, crisis management places further demands on today's managers. Some of the most recent thinking on crisis management suggests the importance of five leadership skills:

1. Stay calm.
2. Be visible.
4. Tell the truth.
5. Know when to get back to business.

**Stay Calm.** Leaders' emotions are contagious, so leaders have to stay calm, focused, and optimistic about the future. Perhaps the most important part of a manager's job in a crisis situation is to absorb people's fears and uncertainties. Leaders have to suppress their own fears, doubts, and pain to encourage others. Though they acknowledge the difficulties, they must remain rock-steady and hopeful, which gives comfort, inspiration, and hope to others.

**Be Visible.** When people's worlds have become ambiguous and frightening, they need to feel someone is in control. The Monday following the September 11, 2001, terrorist attacks, Michael Dolan, the CEO of Young & Rubicam Advertising shook hands with every employee as he or she entered the headquarters. Crisis is a time when leadership cannot be delegated. When Russian President Vladimir Putin continued his holiday after the sinking of the submarine Kursk in August 2000, his reputation diminished worldwide.

**Put People Before Business.** The companies that weather a crisis best, whether the crisis is large or small, are those in which managers make people and human feelings their top priority. As Ray O’Rourke, managing director for global corporate affairs at Morgan Stanley, said following September 11, “...even though we are a financial services company, we didn't have a financial crisis on our hands; we had a human crisis. After that point, everything was focused on our people.”

**Tell the Truth.** Managers should get as much information from as many diverse sources as they can, do their best to determine the facts, and then be open and straightforward about what is going on. Following the collapse of Enron and charges of unethical and possibly illegal activities, top managers at Enron compounded the crisis by not covering up the truth. People often find out, and then you look worse for not fessing up.
destroying documents, refusing to be straightforward with employees and the media, and stonewalling investigators by pleading the Fifth Amendment. Managers at Arthur Andersen, Enron’s accounting firm, reportedly mishandled the crisis by destroying documents and pleading the Fifth Amendment.

**Know When to Get Back to Business.** Though managers should first deal with the physical and emotional needs of people, they need to get back to business as soon as possible. The company has to keep going, and there is a natural human tendency to want to rebuild and move forward. Business rejuvenation is a sign of hope and an inspiration to employees. Moments of crisis present excellent opportunities for looking forward and using the emotional energy that has emerged to build a better company.

This is a challenging time to be entering the management field. Throughout this book, you will learn much more about the new workplace, the new and dynamic roles managers are playing in the twenty-first century, and how you can be an effective manager in a complex, changing world.

**The Learning Organization**

One of the toughest challenges for managers today is to get people focused on adaptive change to meet the demands of a turbulent and rapidly changing environment. Many problems have no ready-made solutions and require that people throughout the company to think in new ways and learn new values and attitudes. This requires a new approach to management and a new kind of organization. Managers began thinking about the concept of the learning organization after the publication of Peter Senge’s book, *The Fifth Discipline: The Art and Practice of Learning Organizations.* Senge described the kind of changes managers needed to undergo to help their organizations adapt to an increasingly chaotic world. These ideas gradually evolved to describe characteristics of the organization. No single view existed of what the learning organization looks like. The learning organization is an attitude or philosophy about what an organization can become.

The learning organization can be defined as one in which everyone is engaged in identifying and solving problems, enabling the organization to experiment, change, and improve continuously, thus increasing its capacity to grow, learn, and achieve its purpose. The essential idea is problem solving, in contrast to the traditional organization designed for efficiency. In the learning organization, all employees look for problems, such as understanding special customer needs. Employees solve problems, which means putting things together in unique ways to meet a customer’s needs.

To develop a learning organization, managers make changes in all the subsystems of the organization. Three important adjustments to promote continuous learning are shifting to a team-based structure, employee empowerment, and information sharing. These three characteristics are illustrated in Exhibit 1.5 and each is described here.
Team-Based Structure. An important value in a learning organization is collaboration and communication across departmental and hierarchical boundaries. Self-directed teams are the basic building blocks of the structure. These teams are made up of employees with different skills who share or rotate jobs to produce an entire product or service. Traditional management tasks are pushed down to lower levels of the organization, with teams often taking responsibility for training, safety, scheduling, and decisions about work methods, pay and reward systems, and coordination with other teams. Although team leadership is critical, in learning organizations, the traditional boss is practically eliminated. People on the team are given the skills, information, tools, motivation, and authority to make decisions central to the team’s performance and to respond creatively and flexibly to new challenges or opportunities.

Employee Empowerment. Empowerment means unleashing the power and creativity of employees by giving them the freedom, resources, information, and skills to make decisions and perform effectively. Traditional management tries to limit employees, but empowerment expands their behavior. Empowerment may be reflected in self-directed work teams, quality circles, job enrichment, and employee participation groups as well as through decision-making authority, training, and information so people can perform jobs without close supervision.

In learning organizations, people are a manager’s primary source of strength, not a cost to be minimized. Companies that adopt this perspective believe in providing competitive wages and good working conditions, as well as investing time and money in training programs and opportunities for personal and professional development. In addition, they often provide a sense of employee ownership by sharing gains in productivity and profits.

Information Sharing. A learning organization is flooded with information. To identify needs and solve problems, people have to be aware of what is going on. They must understand the whole organization as well as their part in it. Formal data about budgets, profits, and departmental expenses must be available to everyone. “If you really want to respect individuals,” says Solectron Corp.’s Winston Chen, “you’ve got to let them know how they’re doing and let them know soon enough so they can do something about it.” Managers know that providing too much information is better than providing too little. In addition, managers encourage people throughout the organization to share information. For example, at Viant Inc., which helps companies build and maintain Web-based businesses, people are rewarded for their willingness to absorb and share knowledge. Rather than encouraging consultants to hoard specialized knowledge, CEO Bob Gett says, “We value you more for how much information you’ve given to the guy next to you.”

Managing the Technology-Driven Workplace

The shift to the learning organization goes hand-in-hand with the current transition to a technology-driven workplace. The physical world that Frederick Winslow Taylor and other proponents of scientific management measured determines less of what is valued in organizations and society. Our lives and organizations have been engulfed by information technology (IT). Ideas, information, and relationships are becoming more important than production machinery, physical products, and structured jobs. Many employees perform much of their work on computers and may work in virtual teams, connected electronically to colleagues around the world. Even in factories that produce physical goods, machines have taken over much of the routine and uniform work, freeing workers to use more of their minds and abilities. Managers and employees in today’s companies focus on opportunities rather than efficiencies, which requires they be flexible, creative, and unconstrained by rigid rules and structured tasks.
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The Shifting World of E-Business. Today, much business takes place by digital processes over a computer network rather than in physical space. E-business refers to the work an organization does by using electronic linkages (including the Internet) with customers, partners, suppliers, employees, or other key constituents. For example, organizations that use the Internet or other electronic linkages to communicate with employees or customers are engaged in e-business.

E-commerce specifically refers to business exchanges or transactions that occur electronically. E-commerce replaces or enhances the exchange of money and products with the exchange of data and information from one computer to another. Three types of e-commerce—business-to-consumer, business-to-business, and consumer-to-consumer—are illustrated in Exhibit 1.6.

Companies such as Gateway, Amazon.com, 800-Flowers, Expedia.com, and Progressive are engaged in business-to-consumer (B2C) e-commerce because they sell products and services to consumers over the Internet. Even though this is probably the most visible expression of e-commerce to the public, the fastest growing area of e-commerce is business-to-business (B2B) e-commerce, which refers to electronic transactions between organizations. Today, much B2B e-commerce takes place over the Internet. Large organizations such as Wal-Mart, General Electric, Carrier Corp., General Motors, and Ford Motor Company buy and sell billions of dollars worth of goods and services a year via public or private Internet linkages. For example, General Motors sells about 300,000 previously owned vehicles a year online through SmartAuction. Ford purchases a large portion of the steel it uses to build cars through e-Steel.

Some companies have taken e-commerce to high levels to achieve amazing performance. Dell Computers pioneered the use of end-to-end digital supply-chain networks to keep in touch with customers, take orders, buy components from suppliers, coordinate with manufacturing partners, and ship customized products directly to consumers. This trend is affecting every industry, prompting a group of consultants at a Harvard University conference to conclude that businesses today must “Dell or be

EXHIBIT 1.6
Three Types of E-commerce

- Business-to-Consumer (B2C) Selling Products and Services Online
- Business-to-Business (B2B) Transactions between Organizations
- Consumer-to-Consumer (C2C) Electronic Markets Created by Web-Based Intermediaries
These advances mean managers need to be technologically savvy and become responsible for managing a web of relationships that reaches far beyond the boundaries of the physical organization, building flexible e-links among a company and its employees, suppliers, partners, and customers.

The third area of e-commerce, consumer-to-consumer (C2C), is made possible when an Internet-based business acts as an intermediary between and among consumers. One of the best-known examples of C2C e-commerce is Web-based auctions such as those made possible by eBay. Internet auctions have created a large electronic marketplace where consumers can buy and sell directly with one another, often handling practically the entire transaction via the Web. In 2003, an estimated 30 million people bought and sold more than $20 billion in merchandise over eBay. Another growing area of C2C commerce is peer-to-peer file-sharing networks. Companies such as Kazaa and Gnutella provide the technology for swapping music files, video clips, software, and other files. Online music sharing, in particular, has zoomed in popularity, and though music companies and record retailers are currently engaged in a heated battle with file-sharing services, these companies are likely here to stay.

**Technology in the Workplace.** New electronic technologies shape the organization and how it is managed. A century ago, Taylor described the kind of worker needed in the iron industry: "Now one of the first requirements for a man who is fit to handle pig iron as a regular occupation is that he shall be so stupid and so phlegmatic that he more nearly resembles in his mental makeup the ox than any other type." The philosophy of scientific management was that managers structured and controlled jobs so carefully that thinking on the part of employees was not required; indeed, it was usually discouraged. How different things are today. Many organizations depend on employees' minds more than their physical bodies. In companies where the power of an idea determines success, managers' primary goal is to tap into the creativity and knowledge of every employee.

Technology provides the architecture that supports and reinforces this new workplace. For example, one approach to information management is enterprise resource planning (ERP) systems, which weave together all of a company's major business functions, such as order processing, product design, purchasing, inventory, manufacturing, distribution, human resources, receipts of payments, and the forecasts of future demand. ERP supports a companywide management system in which everyone, from the CEO down to a machine operator on the factory floor, has instant access to critical information. People can see the big picture and act quickly, based on timely information. Thus, ERP supports management attempts to harness and leverage organizational knowledge.

Peter Drucker coined the term **knowledge work** more than 40 years ago, but it is only in recent years that managers have genuinely recognized knowledge as an important organizational resource that should be managed just as they manage cash flow or raw materials. **Knowledge management** refers to the systematic efforts to find, organize, and make available a company's intellectual capital and to foster a culture of continuous learning and knowledge sharing so a company's activities build on what is known. IT plays an important role by enabling the storage and dissemination of data and information across the organization, but technology is only one part of a larger management system. A complete knowledge management system includes the technology for capturing and storing knowledge for easy access and the new management values that support risk taking, learning, and collaboration. Rather than seeing employees as production factors and looking for ways to use human and material resources for greatest efficiency, today's most successful managers cherish people for their ability to think, create, share knowledge, and build relationships.
CHAPTER 1

Management and Organization

A historical perspective on management provides a context or environment in which to interpret current opportunities and problems. However, studying history does not mean arranging events in chronological order; it means developing an understanding of the impact of societal forces on organizations. Studying history is a way to achieve strategic thinking, see the big picture, and improve conceptual skills. We will start by examining how social, political, and economic forces have influenced organizations and management practice.

Social forces refer to those aspects of a culture that guide and influence relationships among people. What do people value? What do people need? What are people’s behavior standards? These forces shape what is known as the social contract, which refers to the unwritten, common rules and perceptions about relationships among people and between employees and management.

A significant social force today is the changing attitudes, ideas, and values of Generation X and Generation Y employees. Generation X workers, in their thirties, have had a profound impact on the workplace, and Generation Y may have a greater one. These young workers, the most educated generation in the history of the United States, grew up technologically adept and globally conscious. Some trends sparked by Generation X and Y workers are completely reshaping the social contract. Career life cycles are getting shorter, with workers typically changing jobs every few years and changing careers several times during their lifetime. Some consultants predict that the traditional 20-year career-building cycle will transform into a 20-month skills-building process. Young workers expect access to cutting-edge technology, opportunities to learn and further their careers and personal goals, and the power to make substantive decisions and changes in the workplace. Finally, there is a growing focus on work/life balance, reflected in trends such as telecommuting, flextime, shared jobs, and organization-sponsored sabbaticals.

Political forces refer to the influence of political and legal institutions on people and organizations. Political forces include basic assumptions underlying the political system, such as the desirability of self-government, property rights, contract rights, the definition of justice, and the determination of innocence or guilt of a crime. The spread of capitalism throughout the world has dramatically altered the business landscape. The dominance of the free market system and growing interdependencies among the world’s countries require organizations to operate differently and managers to think in new ways. At the same time, strong anti-American sentiments in many parts of the world create challenges for U.S. companies and managers. Another potent political force is the empowerment of citizens throughout the world. Power is being diffused within and among countries as never before. People are demanding empowerment, participation, and responsibility in all areas of their lives, including their work.

Economic forces pertain to the availability, production, and distribution of resources in a society. Governments, military agencies, churches, schools, and business organizations in every society require resources to achieve their goals, and economic forces influence the allocation of scarce resources. The economy of the United States and other developed countries is shifting dramatically, with the sources of wealth, the fundamentals of distribution, and the nature of economic decision making undergoing significant changes. The emerging new economy is based largely on ideas, information, and knowledge rather than material resources. Supply chains and distribution of resources have been revolutionized by digital technology. Surplus inventories, which once could trigger recessions, are declining or completely disappearing. Shifts in the economic landscape are similar to those of many decades ago.

Another economic trend is the booming importance of small and mid-sized businesses, including start-ups, which early in the twenty-first century grew at three times
the rate of the national economy. “I call it ‘the invisible economy,’ yet it is the economy,” says David Birch of Cognetics Inc., a Cambridge, Massachusetts, firm that tracks business formation.62

A massive shift in the economy has upheavals of course. In the early 2000s, years of seemingly endless growth ground to a halt as stock prices fell, particularly for dot-com and technology companies. Numerous Internet-based companies went out of business, and organizations throughout the United States and Canada began laying off hundreds of thousands of workers. However, this economic downturn may be a stimulus for greater technological innovation and small business vitality.

Management practices and perspectives vary in response to these social, political, and economic forces in the larger society. During difficult times, managers have looked for ideas to help them cope with environmental turbulence and keep their organizations vital. A survey by Bain & Company, for example, found a dramatic increase in 2002 in the various management ideas and techniques used by managers in the surveyed companies. With a tough economy and rocky stock market, lingering anxieties over war and terrorism, and the public suspicion and skepticism resulting from corporate scandals, executives have been searching for any management tool that could help them get the most out of limited resources.63 This search for guidance is reflected in a proliferation of books, scholarly articles, and conferences dedicated to examining management fashions and trends.64

Exhibit 1.7 illustrates the evolution of significant management perspectives over time, each of which will be examined in the remainder of this chapter. The timeline reflects the dominant time period for each approach, but elements of each are still used in today’s organizations.

**Classical Perspective**

The practice of management can be traced to 3000 B.C. to the first government organizations developed by the Sumerians and Egyptians, but the formal study of management is relatively recent.65 The early study of management as we know it today began with what is now called the classical perspective.

The classical perspective on management emerged during the nineteenth and early twentieth centuries. The factory system that began to appear in the 1800s posed challenges that earlier organizations had not encountered. Problems arose in tooling the
plants, organizing managerial structure, training employees (many of them non-English-speaking immigrants), scheduling complex manufacturing operations, and dealing with increased labor dissatisfaction and resulting strikes.

These problems and the development of large, complex organizations demanded a new approach to coordination and control, and a “new subspecies of economic man—the salaried manager” was born. Between 1880 and 1920, the number of professional managers in the United States grew from 161,000 to more than a million. These professional managers began developing and testing solutions to the mounting challenges of organizing, coordinating, and controlling large numbers of people and increasing worker productivity. Thus, began the evolution of modern management with the classical perspective.

In this section, we will examine the classical perspective, with its emphasis on efficiency and organization, as well as other perspectives that emerged to address new concerns, such as employee needs and the role of the environment. Elements of each perspective are still used in organization design, although they have been adapted and revised to meet changing needs.

Efficiency is Everything. Pioneered by Frederick Winslow Taylor, scientific management postulates that decisions about organizations and job design should be based on precise, scientific study of individual situations. To use this approach, managers develop precise, standardized procedures for doing each job, select workers with appropriate abilities, train workers in the standard procedures, plan work, and provide wage incentives to increase output. Taylor's approach is illustrated by the unloading of iron from railcars and reloading finished steel for the Bethlehem Steel plant in 1898. Taylor calculated that with correct movements, tools, and sequencing, each man was capable of loading 47.5 tons per day instead of the typical 12.5 tons. He also worked out an incentive system that paid each man $1.85 per day for meeting the new standard, an increase from the previous rate of $1.15. Productivity at Bethlehem Steel shot up overnight. These insights established organizational assumptions that the role of management is to maintain stability and efficiency, with top managers doing the thinking and workers doing what they are told.

How to Get Organized. Another subfield of the classical perspective took a broader look at the organization. Whereas scientific management focused primarily on the technical core—on work performed on the shop floor—administrative principles looked at the design and functioning of the organization as a whole. For example, Henri Fayol proposed 66 principles of management, such as “each subordinate receives orders from only one superior” (unity of command) and “similar activities in an organization should be grouped together under one manager” (unity of direction). These principles formed the foundation for modern management practice and organization design.
The scientific management and administrative principles approaches were powerful and gave organizations fundamental new ideas for establishing high productivity and increasing prosperity. In particular, administrative principles contributed to the development of bureaucratic organizations, (Exhibit 1.8), which emphasized designing and managing organizations on an impersonal, rational basis through such elements as clearly defined authority and responsibility, formal recordkeeping, and uniform application of standard rules. Though the term *bureaucracy* has taken on negative connotations in today’s organizations, bureaucratic characteristics worked well for the needs of the Industrial Age.

*Bureaucracy* has taken on a negative meaning in today’s organizations and is associated with endless rules and red tape. We have all been frustrated by waiting in lines or following seemingly silly procedures. However, rules and other bureaucratic procedures provide a standardized way of dealing with employees. Everyone gets equal treatment, and everyone knows the rules. This has enabled many organizations to become extremely efficient.

One problem with the classical perspective, however, is that it failed to consider the social context and human needs. Many parts of this book relate research about the human needs of organizations. Exhibit 1.9 illustrates a number of management innovations that have become popular over the past 50 years. Note the trend of new management concepts from the behavioral sciences, increasing about 1970 and then again from 1980 to the present. The rapid pace of change and the increased pressure of global competition have spurred even greater interest in improved behavioral approaches to management.

**What About People?** Early work on industrial psychology and human relations received little attention because of the prominence of scientific management. However, a major breakthrough occurred with a series of experiments at a Chicago electric company, which came to be known as the *Hawthorne Studies*. Interpretations of these studies concluded that positive treatment of employees improved their motivation and productivity. The publication of these findings led to a revolution in worker treatment and laid the groundwork for subsequent work examining treatment of workers, leadership, motivation, and human resource management. From a historical perspective, whether the studies were academically sound is less important than that they stimulated an increased interest in looking at employees as more than extensions of production machinery. The interpretation that employees’ output increased when managers treated them positively started a revolution in worker treatment for improving organizational productivity. Despite flawed methodology or inaccurate conclusions, the findings provided the impetus

**Elements of Bureaucracy**

1. Labor is divided with clear definitions of authority and responsibility that are legitimized as official duties.
2. Positions are organized in a hierarchy of authority, with each position under the authority of a higher one.
3. All personnel are selected and promoted based on technical qualifications, which are assessed by examination or according to training and experience.
4. Administrative acts and decisions are recorded in writing. Recordkeeping provides organizational memory and continuity over time.
5. Management is separate from the ownership of the organization.
6. Managers are subject to rules and procedures that will ensure reliable, predictable behavior. Rules are impersonal and uniformly applied to all employees.

for the human relations movement. IBM was one of the earliest proponents of a human relations approach, as described in the Focus on Collaboration box. This approach shaped management theory and practice for well over a quarter of a century, and the belief that human relations is the best approach for increasing productivity persists today.

Abraham Maslow (1908–1970), a practicing psychologist, observed that his patients’ problems usually stemmed from an inability to satisfy their needs. Thus, he generalized his work and suggested a hierarchy of needs. Maslow’s hierarchy started with physiological needs and progressed to safety, belongingness, esteem, and, finally, self-actualization needs. Chapter 12 discusses his ideas in more detail.

### EXHIBIT 1.9

**Theory X and Theory Y**

**Assumptions of Theory X**
- The average human being has an inherent dislike of work and will avoid it if possible.
- Because of the human characteristic of dislike for work, most people must be coerced, controlled, directed, or threatened with punishment to get them to put forth adequate effort toward the achievement of organizational objectives.
- The average human being prefers to be directed, wishes to avoid responsibility, has relatively little ambition, and wants security above all.

**Assumptions of Theory Y**
- The expenditure of physical and mental effort in work is as natural as play or rest. The average human being does not inherently dislike work.
- External control and the threat of punishment are not the only means for bringing about effort toward organizational objectives. A person will exercise self-direction and self-control in the service of objectives to which he or she is committed.
- The average human being learns, under proper conditions, to accept and seek responsibility.
- The capacity to exercise a relatively high degree of imagination, ingenuity, and creativity in the solution of organizational problems is widely, not narrowly, distributed in the population.
- Under the conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilized.

### CONCEPT CONNECTION

In situations such as that shown here, studies were carried out at the Hawthorn plant of Western Electric plant to evaluate worker productivity. Professors Mayo and Roethlisberger evaluated conditions such as rest breaks and workday length, physical health, amounts of sleep and diet. Gradually the researchers began to realize they had created a change in supervisory style and human relations, which they believed was the true cause of the increased productivity.


**FOCUS ON COLLABORATION**

**Watson Opens the Door at IBM and Finds Happier Employees**

During the early 1900s, managers in most manufacturing companies were focused on reducing jobs to repetitive, standardized tasks, following the scientific management approach advocated by Taylor and others. However, the ideals that Thomas Watson, Sr. planted at IBM were based on a different approach, and they helped transform the company into a corporate giant.

In 1914, Watson joined a failing conglomerate that primarily made scales, coffee grinders, cheese slicers, and time clocks. The Computing-Tabulating-Recording component of the conglomerate grew quickly and soon overtook the other businesses. The name was changed to International Business Machines (IBM) in 1924. Rather than put the production system first, as Taylor advised, Watson vowed to make people the cornerstone of his corporate culture. He abolished piecework, spruced up factories, paid above-average wages, and borrowed money to fund in-house education programs. Foremost among his innovations was an open-door policy that encouraged any employee to take a complaint directly to himself. He almost guaranteed lifetime employment (even during the Great Depression) so workers would feel free to speak their minds. In the early years of Watson’s tenure with IBM, when the company did not have funds for generous benefit plans, Watson sponsored company picnics, complete with bands, to build spirit and keep workers motivated. As the company prospered, he passed the good times on. A group life insurance plan was launched in 1934, with survivor benefits and paid vacations added afterward.

The human relations approach to management was continued by Thomas Watson, Jr., who took over as CEO in 1956 and pushed the company into computers. Leading IBM through one of the longest and most spectacular periods of growth in business history, the younger Watson was known as a hard charger and a tough boss. However, he maintained his father’s emphasis on treating employees fairly. IBM became famous for putting all employees on salary and for its generous compensation and benefit plans, as well as the continued guarantee of lifetime employment. Watson liberally distributed stock options to his executives, but stopped taking them as early as 1957, saying, “We didn’t want to look like pigs.” Many factors were involved in IBM’s successful history. However, the early emphasis on treating employees well helped put the company on the map. Watson’s belief that a focus on people and meeting the needs of employees was the key to increased productivity and performance was ahead of its time.


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Douglas McGregor (1906–1964) had become frustrated with the early simplistic human relations notions while president of Antioch College in Ohio. He challenged the classical perspective and the early human relations assumptions about human behavior. Based on his experiences as a manager and consultant, his training as a psychologist, and the work of Maslow, McGregor formulated his Theory X and Theory Y, which are explained in Exhibit 1.10. McGregor believed that the classical perspective was based on Theory X assumptions about workers. He felt that a modified version of Theory X fit early human relations ideas. In other words, human relations ideas did not go far enough. McGregor proposed Theory Y as a more realistic view of workers for guiding management thinking.

**Theory X and Theory Y**

**Assumptions of Theory X.**

- The average human being has an inherent dislike of work and will avoid it if possible.
- Because of the human characteristic of dislike for work, most people must be coerced, controlled, directed, or threatened with punishment to get them to put forth adequate effort toward the achievement of organizational objectives.
- The average human being prefers to be directed, wishes to avoid responsibility, has relatively little ambition, and wants security above all.
Assumptions of Theory Y.

- The expenditure of physical and mental effort in work is as natural as play or rest. The average human being does not inherently dislike work.

- External control and the threat of punishment are not the only means for bringing about effort toward organizational objectives. A person will exercise self-direction and self-control in the service of objectives to which he or she is committed.

- The average human being learns, under proper conditions, to accept and seek responsibility.

- The capacity to exercise a relatively high degree of imagination, ingenuity, and creativity in the solution of organizational problems is widely, not narrowly, distributed in the population.

- Under the conditions of modern industrial life, the average human being’s intellectual potentialities are only partially utilized.\(^7\)
The point of Theory Y is that organizations can take advantage of the imagination and intellect of all their employees. Employees will exercise self-control and will contribute to organizational goals when given the opportunity. A few companies still use Theory X management, but many are trying Theory Y techniques.

These human relations and behavioral approaches added important contributions to the study of management and organizations. Behavioral approaches can help us understand how people work and how systems develop, such as the use of paper in different eras for organizations, as described in the Focus on Skills box.

However, the hierarchical system and bureaucratic approaches that developed during the Industrial Revolution remained the primary approach to organization design and functioning well into the 1980s. In general, this approach worked for most organizations until the past few decades. However, during the 1980s, it began to lead to problems. Increased competition, especially on a global scale, changed the playing field. North American companies had to find a better way.

The 1980s produced new corporate cultures that valued leanness, flexibility, rapid customer response, employee motivation, customer care, and quality products.

**FOCUS ON SKILLS**

**What Happened to Paperless?**

The next time you take a plane somewhere think of this: As the plane takes off, the flight info (type of plane, requested altitude, destination, radar ID) is printed on a stiff paper called a flight strip. As the plane flies up and down, though different air sectors, changes speeds, and so on, the air traffic controller jots down notes and moves that paper around on his desk. This is all done while watching a large radar console, talking to the 25 different planes the controller is in charge of, and jotting notes down on those other 24 flight strips. Air traffic control depends on technology and the good, old-fashioned paper and pencil. In this day of high-tech breakthroughs, why must airplane handling be done like breakfast orders at the all-night diner?

Several years ago Apple Computer Inc. studied paper on desks and found they have great meaning. People can wax eloquent about each pile and how important it is. The team found that piles represent active and ongoing thinking, that knowledge workers use desk space to organize thoughts they have not quite figured out yet what to do with or how to categorize, which is why they have not filed those papers away. Messy desks might be a sign of complex work and thinking.

Large organizations where complex reports are developed find that paper works better than electronic documents. With paper, professionals at the International Monetary Fund (IMF) bring each sheet and lay it out in front of the group. Pieces are passed around and are annotated and reassembled, tasks more cumbersome done on computers.

How did we get to this situation, anyway? The paper proliferation began at the end of the nineteenth century with the advent of large corporations and scientific management. Coping with new complexities of the industrial economy meant weekly sales reports, company newsletters, and an office manual. One innovation was the typewriter, which made creating documents quickly possible, especially when carbon paper arrived soon after. A secretary in a railroad company, for example, could type ten copies of the railroad schedule and send them to stations on the rail line. It was efficiency and control.

What to do with all this paper? They were stored in cumbersome cases or pigeonholes in secretaries desks. Along came Melvil Dewey, whose life was devoted to cataloging information. He is mostly remembered for founding the Dewey decimal system for organizing library books, but he also developed the vertical file, a place where all that paper could be filed and found, putting those railroad schedules, for example, under “S.”

Modern knowledge work is characterized by the pile rather than the file. People who pressure others to keep their desks clean are harking back to the nineteenth-century value of paper being best put away. Who needs files anyway, when computers are more efficient information storers? Even if you want them, you might be out of luck. Many organizations, including the federal courts across the country, are mandating paperless work.

So, the issue for modern workers is not to use less paper but to keep less paper. If the purpose of paper nowadays is to promote creative thinking, then once that thinking is expressed, the paper has served its purpose and is ready for the round file, i.e., the trash bin.

Over the past two decades, organizations have undergone more profound and far-reaching changes. The Internet and other advances in IT, globalization, rapid social and economic changes, and other challenges from the environment call for new management perspectives and more flexible approaches to organization design.

Do Not Forget the Environment. Many problems occur when all organizations are treated as similar, which was the case with scientific management and administrative principles approaches that attempted to design all organizations alike. The structures and systems that work in a conglomerate's retail division will not be appropriate for the manufacturing division. The organization charts and financial procedures best for an entrepreneurial Internet firm like eBay or MaMaMedia will not work for a large food processing plant.

Contingency means that one thing depends on other things, and for organizations to be effective, there must be a “goodness of fit” between their structure and the conditions in their external environment. What works in one setting may not work in another setting. There is no one best way. Contingency theory means “it depends.” For example, some organizations experience a certain environment, use a routine technology, and desire efficiency. In this situation, a management approach that uses bureaucratic control procedures, a hierarchical structure, and formal communication would be appropriate. Likewise, free-flowing management processes work best in an uncertain environment with a nonroutine technology. The correct management approach is contingent on the organization’s situation.

Today, almost all organizations operate in highly uncertain environments. Thus, we are involved in a significant transition, in which concepts of organizations and management are changing as dramatically as they were changed with the dawning of the Industrial Revolution.

Total Quality Management (TQM)
The quality movement in Japan emerged partly as a result of American influence after World War II. The ideas of W. Edwards Deming, known as the “father of the quality movement,” were initially scoffed at in America, but the Japanese embraced his theories and modified them to help rebuild their industries into world powers. Japanese companies achieved a significant departure from the American model by gradually shifting from an inspection-oriented approach to quality control toward an approach emphasizing employee involvement in the prevention of quality problems.

During the 1980s and into the 1990s, total quality management (TQM), which focuses on managing the total organization to deliver customer quality, was at the forefront in helping managers deal with global competition. The approach infuses quality values throughout every activity within a company, with front-line workers intimately involved in the process. Four significant elements of quality management are employee involvement, focus on the customer, benchmarking (noting where they are now and working toward higher quality), and continuous improvement.

Employee involvement means that TQM requires companywide participation in quality control. All employees are focused on the customer; TQM companies find out what customers want and try to meet their needs and expectations. Benchmarking refers to a process whereby companies find out how others do something better than they do and then imitate or improve on it. Continuous improvement is the implementation of small, incremental improvements in all organizational areas on an ongoing basis. TQM is not a quick fix, but companies, such as Motorola, Procter & Gamble, and DuPont have achieved astonishing results in efficiency, quality, and customer satisfaction through TQM. TQM is still an important part of today’s organizations, and many companies pursue challenging quality goals to demonstrate their commitment to improving quality.
For example, Six Sigma is a highly ambitious quality standard popularized by Motorola that specifies a goal of no more than 3.4 defects per million parts. Numerous companies, including DuPont, Texas Instruments, GE, and Nokia, pursue Six Sigma quality standards. Quality goals and initiatives will be discussed further in Chapter 15.

Manager’s Solution

This chapter introduced a number of important concepts and described the changing nature of management. High performance requires the efficient and effective use of organizational resources through the four management functions of planning, organizing, leading, and controlling. To perform the four functions, managers need three skills: conceptual, human, and technical.

Two characteristics of managerial work were explained in the chapter: managerial activities involving variety, fragmentation, and brevity and managers performing much work at an unrelenting pace. Managers are expected to perform activities associated with ten roles: the informational roles of monitor, disseminator, and spokesperson; the interpersonal roles of figurehead, leader, and liaison; and the decisional roles of entrepreneur, disturbance handler, resource allocator, and negotiator.

These management characteristics apply to small businesses, entrepreneurial start-ups, and nonprofit organizations as they do in large corporations. In addition, they are being applied in a new workplace and a rapidly changing world. In the new workplace, work flows freely and flexibly to encourage speed and adaptation, and empowered employees are expected to seize opportunities and solve problems. The workplace is organized around networks rather than vertical hierarchies, and work is often virtual. These changing characteristics have resulted from forces such as advances in technology and e-business, globalization, increased diversity, and a growing emphasis on change and speed over stability and efficiency. Managers need new skills and competencies in this environment. Leadership is dispersed and empowering. Customer relationships are critical, and most work is done by teams that work directly with customers. In the new workplace, managers focus on building relationships, which may include customers, partners, and suppliers. In addition, they strive to build learning capability throughout the organization. An emerging need is for leadership during crises and unexpected events. Managers in crisis situations should stay calm, be visible, put people before business, tell the truth, and know when to get back to business. Human skills become critical during times of turbulence and crisis.

This chapter examined the historical background leading up to new approaches to managing learning organizations and the digital workplace. An understanding of the evolution of management helps current and future managers understand where we are and continue to progress toward better management.

The three major perspectives on management that have evolved since the late 1800s are the classical perspective, the humanistic perspective, and the management science perspective. Recent extensions include the contingency view and TQM. The most recent thinking about organizations has been brought about by today's turbulent times and the shift to a new workplace.

Many managers are redesigning their companies toward the learning organization, which fully engages all employees in identifying and solving problems. The learning organization is characterized by a team-based structure, empowered employees, and open information. The learning organization represents a substantial departure from the traditional management hierarchy.

The shift to a learning organization goes hand-in-hand with today's transition to a technology-driven workplace. Ideas, information, and relationships are becoming more important than production machinery and physical assets, which requires new approaches to management. E-business is burgeoning as more economic activity takes place over digital computer networks rather than in physical space. Two specific management tools that support the digital workplace are ERP and knowledge management. Both require managers to think in new ways about the role of employees in the organization. Managers value employees for their ability to think, build relationships, and share knowledge, which is different from the scientific management perspective.

An excellent example of a leader during turbulent times is Michael Dell, CEO of Dell Computers, described in the chapter opening. Dell is off the critical list for now, but Michael Dell knows it can happen again if the company does not remain vigilant.

How Dell and Kevin Rollins handled the negative feedback says a lot about the company's style. While many CEOs would have shrugged off the stinging information, blaming selfish employees, Dell and Rollins met with the top 20 managers and dealt with the gripes, each offering their own frank and honest self-critique. Dell admitted to being shy and his pulling away sometimes could be seen as aloof and condescending. The company did not stop there but went out to all the company managers, several thousand people, and showed them the videotape of that intense meeting with top management. Dell and Rollins got desk-top props to remind them of needed behavior changes: Dell's plastic bulldozer helped him remember not to ram ideas through without consulting others, and Rollin's Curious George doll cautioned him to listen to
Discussion Questions

1. How do you feel about having a manager's responsibility in today's world characterized by uncertainty, ambiguity, and sudden changes or threats from the environment? Describe some skills and qualities important to managers under these conditions.

2. Assume you are a project manager at a biotechnology company, working with managers from research, production, and marketing on a major product modification. You notice that every memo you receive from the marketing manager has been copied to senior management. At every company function, she spends time talking to the big shots. You are also aware that sometimes when you and the other project members are slaving away over the project, she is playing golf with senior managers. What is your evaluation of her behavior? As project manager, what do you do?

3. Why do some organizations seem to have a new CEO every year or two, whereas others have top leaders who stay with the company for many years, e.g., Jack Welch's 20 years as CEO at GE? What factors about the manager or about the company might account for this difference?

4. What is the difference between efficiency and effectiveness? Which is more important for performance? Can managers improve both simultaneously?

5. A college professor told her students, “The purpose of a management course is to teach students about management and not to teach them to be managers.” Do you agree or disagree with this statement? Discuss.

6. Discuss some of the ways organizations and jobs have changed over the past ten years. How do these changes affect the manager's job and the skills a manager needs to be successful?

7. Based on your experience at work or school, describe some ways in which the principles of scientific management and bureaucracy are still used in organizations. Do you believe these characteristics will ever cease to be a part of organizational life? Discuss.

8. A management professor once said that for successful management, studying the present was most important, studying the past was next, and studying the future was least important. Do you agree? Why?

9. Why can an event, such as the Hawthorne Studies, be a major turning point in management history even if the idea is later shown to be in error? Discuss.

10. Which of the three characteristics of learning organizations do you find most appealing? Which would be hardest for you to adopt?

11. As technology drives more organizations, which do you think will become more important; the management of the human element of the organization or the management of technology? Discuss.

Manager's Workbook

Management Aptitude Questionnaire
Rate each of the following questions according to the following scale:

1. I am never like this.
2. I am rarely like this.
3. I am sometimes like this.
4. I am often like this.
5. I am always like this.

1. When I have a number of tasks or homework to do, I set priorities and organize the work around deadlines.
2. Most people would describe me as a good listener.
3. When I am deciding on a particular course of action (such as hobbies to pursue, languages to study, which job to take, special projects to be involved in), I typically consider the long-term (three years or more) implications of what I would choose to do.
4. I prefer technical or quantitative courses rather than those involving literature, psychology, or sociology.
5. When I have a serious disagreement with someone, I hang in there and talk it out until it is completely resolved.
6. When I have a project or assignment, I get into the details rather than the “big picture” issues.*
The following are various types of behavior that a manager may engage in when relating to subordinates. Read each statement and rate each one in terms of the extent to which you would use that behavior, according to the following scale.

1. Make a Great Effort to Do This
2. Tend to Do This
3. Tend to Avoid Doing This
4. Make a Great Effort to Avoid This

1. Closely supervise my subordinates to get better work from them.
2. Set the goals and objectives for my subordinates and sell them on the merits of my plans.
3. Set up controls to assure my subordinates are getting the job done.
4. Encourage my subordinates to set their own goals and objectives.
5. Make sure that my subordinates' work is planned out for them.
6. Check with my subordinates daily to see if they need any help.
7. Step in as soon as reports indicate that the job is slipping.
8. Push my people to meet schedules if necessary.
9. Have frequent meetings to keep in touch with what is going on.
10. Allow subordinates to make important decisions.

Scoring and Interpretation
Subtract each of your scores for Questions 4 and 10 from the number 5. Then, add the total points and mark your score on the scale.

8. Talking about ideas or concepts can get me enthused or excited.
9. The type of management course for which this book is used is a waste of time.
10. It is better to be polite and not to hurt people's feelings.
11. Data or things interest me more than people.

Scoring and Interpretation
Subtract your scores for questions 6, 10, 14, and 17 from the number 6, and then add the total points for the following sections.

1. Closely supervise my subordinates to get better work from them.
2. Set the goals and objectives for my subordinates and sell them on the merits of my plans.
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4. Encourage my subordinates to set their own goals and objectives.

These skills are three abilities needed to be a good manager. Ideally, a manager should be strong (though not necessarily equal) in all three. Anyone noticeably weaker in any of the skills should take courses and read to build up that skill. For further background on the three skills, please refer to Exhibit 1.2 on page 9.

Note: This exercise was contributed by Dorothy Marcic.

Manager’s Workbook

Theory X and Theory Y Scale
The following are various types of behavior that a manager may engage in when relating to subordinates. Read each statement and rate each one in terms of the extent to which you would use that behavior, according to the following scale.

1. Make a Great Effort to Do This
2. Tend to Do This
3. Tend to Avoid Doing This
4. Make a Great Effort to Avoid This

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2. Set the goals and objectives for my subordinates and sell them on the merits of my plans.
3. Set up controls to assure my subordinates are getting the job done.
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10. Allow subordinates to make important decisions.

Scoring and Interpretation
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Note: This exercise was contributed by Dorothy Marcic.
Manager’s Workshop

A. The Worst Manager

1. By yourself, think of the best and the worst managers you have had. Write down a few sentences to describe each.

   The best manager I ever had was....
   The worst manager I ever had was....

2. Divide into groups of 5–7 members. Share your experiences. Each group should choose a couple of examples to share with the whole group. Complete the table below as a group.

   3. What are the common problems managers have?

   4. Prepare a list of “words of wisdom” you would give as a presentation to a group of managers. What are some basic principles they should use to be effective?

<table>
<thead>
<tr>
<th>Management principle followed or broken</th>
<th>skills evident or missing</th>
<th>lessons to be learned</th>
<th>advice you would give managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>The best managers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The worst managers</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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Management in Practice: Ethical Dilemma

Can Management Afford to Look the Other Way?

Harry Rull had been with Shellington Pharmaceuticals for 30 years. After a tour of duty in the various plants and seven years overseas, Harry was back at headquarters, looking forward to his new role as vice president of U.S. marketing.

Two weeks into his new job, Harry received some unsettling news about one of the managers under his supervision. Over casual lunch conversation, the director of human resources mentioned that Harry should expect a phone call about Roger Jacobs, manager of new product development.
Jacobs had a history of being “pretty horrible” to his subordinates, she said, and one disgruntled employee had asked to speak to someone in senior management. After lunch, Harry did some follow-up work. Jacobs’s performance reviews had been stellar, but his personnel file contained a large number of notes documenting charges of Jacobs’s mistreatment of subordinates. The complaints ranged from “inappropriate and derogatory remarks” to subsequently dropped charges of sexual harassment. What was more disturbing was that the amount as well as the severity of complaints had increased with each of Jacobs’s ten years with Shellington.

When Harry questioned the company president about the issue, he was told, “Yeah, he’s had some problems, but you can’t just replace someone with an eye for new products. You’re a bottom-line guy; you understand why we let these things slide.” Not sure how to handle the situation, Harry met briefly with Jacobs and reminded him to “keep the team’s morale up.” Just after the meeting, Sally Barton from HR called to let him know that the problem she had mentioned over lunch had been worked out. However, she warned, another employee had now come forward demanding that her complaints be addressed by senior management.

**What Do You Do?**

1. Ignore the problem. Jacobs’s contributions to new product development are too valuable to risk losing him, and the problems over the past ten years have always worked themselves out anyway. No sense starting something that could make you look bad.

2. Launch a full-scale investigation of employee complaints about Jacobs, and make Jacobs aware that the documented history over the past ten years has put him on thin ice.

3. Meet with Jacobs and the employee to resolve the current issue, then start working with Sally Barton and other senior managers to develop stronger policies regarding sexual harassment and treatment of employees, including clear procedures for handling complaints.


**Surf the Net**

1. **Web research.** You will be asked in many of the “Surf the Net” exercises throughout the text to locate information on the Web. This exercise is designed to help you improve your Web research skills. After spending some time at one of the Web Tutorial links listed here, outline three new ideas you discovered that would help you find what you are looking for on the Web.

   UC Berkeley’s Teaching Library Internet Workshops: [http://www.lib.berkeley.edu/TeachingLib/Guides/Internet/FindInfo.html](http://www.lib.berkeley.edu/TeachingLib/Guides/Internet/FindInfo.html)

   University of South Carolina’s Basic Tutorial on Searching the Web: [http://www.sc.edu/beaufort/library/pages/bones/bones.shtml](http://www.sc.edu/beaufort/library/pages/bones/bones.shtml)

2. **Management occupations.** The U.S. Department of Labor’s Bureau of Labor Statistics uses the Standard Occupational Classification (SOC) system to classify workers into one of more than 820 occupations according to their occupational definition. To facilitate classification, occupations requiring similar job duties, skills, education, or experience are combined to form 23 major groups.

   Go to [http://stats.bls.gov/soc/soc_majo.htm](http://stats.bls.gov/soc/soc_majo.htm) to see the 23 major groups; choose the link for “Management Occupations.” Select one management occupation of interest to you under each of the four minor groups (11-1000 for Top Executives; 11-2000 for Advertising, Marketing, Promotions, Public Relations, and Sales Managers; 11-3000 for Operations Specialties Managers; and 11-9000 for Other Management Occupations). List the SOC number, occupation title, and description for the four occupations you selected.

**Case for Critical Analysis**

**Elektra Products, Inc.**

Barbara Russell, a manufacturing vice president, walked into the monthly companywide meeting with a light step and a hopefulness she had not felt in a long time. The company’s new, dynamic CEO was going to announce a new era of employee involvement and empowerment at Elektra Products, an 80-year-old, publicly held company that had once been a leading manufacturer and retailer of electrical products and supplies. In recent years, the company experienced a host of problems: market share was declining in the
face of increased foreign and domestic competition; new product ideas were few and far between; departments such as manufacturing and sales barely spoke to one another; morale was at an all-time low, and many employees were actively seeking other jobs. Everyone needed a dose of hope.

Martin Griffin, who had been hired to revive the failing company, briskly opened the meeting with a challenge: “As we face increasing competition, we need new ideas, new energy, new spirit to make this company great. And the source for this change is you, each one of you.” He then went on to explain that under the new empowerment campaign, employees would be getting more information about how the company was run and would be able to work with their fellow employees in new and creative ways. Martin proclaimed a new era of trust and cooperation at Elektra Products. Barbara felt the excitement stirring within her; but as she looked around the room, she saw many of the other employees, including her friend Simon, rolling their eyes. “Just another pile of corporate crap,” Simon said later. “One minute they try downsizing, the next reengineering. Then they dabble in restructuring. Now Martin wants to push empowerment. Garbage like empowerment is not a substitute for hard work and a little faith in the people who have been with this company for years. We made it great once, and we can do it again. Just get out of our way.” Simon had been a manufacturing engineer with Elektra Products for more than 20 years. Barbara knew he was loyal to the company, but he—and a lot of others like him—were going to be an obstacle to the empowerment efforts.

Top management assigned selected managers to several problem-solving teams to come up with ideas for implementing the empowerment campaign. Barbara loved her assignment as team leader of the manufacturing team and working on ideas to improve how retail stores got the merchandise they needed when they needed it. The team thrived, and trust blossomed among the members. They even spent nights and weekends working to complete their report. They were proud of their ideas, which they believed were innovative but easily achievable: permit a manager to follow a product from design through sales to customers; allow salespeople to refund up to $500 worth of merchandise on the spot; make information available to salespeople about future products; and swap sales and manufacturing personnel for short periods to let them get to know one another’s jobs.

When the team presented its report to department heads, Martin Griffin was enthusiastic. But shortly into the meeting he had to excuse himself because of a late-breaking deal with a major hardware store chain. With Martin absent, the department heads rapidly formed a wall of resistance. The director of human resources complained that the ideas for personnel changes would destroy the crafted job categories that had just been completed. The finance department argued that allowing salespeople to make $500 refunds would create a gold mine for unethical customers and salespeople. The legal department warned that providing information to salespeople about future products would invite industrial spying.

The team members were stunned. As Barbara mulled over the latest turn of events, she considered her options: keep her mouth shut; take a chance and confront Martin about her sincerity in making empowerment work; push slowly for reform and work for gradual support from the other teams; or look for another job and leave a company she cared about. Barbara realized there would be no easy choices and answers.

Questions
1. How might top management have done a better job changing Elektra Products into a new kind of organization? What might they do now to get the empowerment process back on track?
2. Can you think of ways Barbara could have avoided the problems her team faced in the meeting with department heads?
3. If you were Barbara Russell, what would you do now? Why?


Biz Flix

8 Mile

Jimmy “B-Rabbit” Smith, Jr. (Eminem) wants to be a successful rapper and to prove that a white man can create moving sounds. He works days at a plant run by the North Detroit Stamping Company and pursues his music at night, sometimes on the plant’s grounds. The film’s title refers to Detroit’s northern city boundary which divides Detroit’s white and African-American populations. This film gives a gritty look at Detroit’s hip-hop culture in 1995 and Jimmy’s desire to be accepted by it. Eminem’s original songs “Lose Yourself” and “8 Mile” received Golden Globe and Academy Award nominations.

This scene is an edited composite of two brief sequences involving the stamping plant. The first half of the scene appears early in the film as part of “The Franchise” sequence.

The second half appears in the last 25 minutes of the film as part of the “Papa Doc Payback” sequence. In the first part of the scene, Jimmy’s car will not start so he rides the city bus to work and arrives late. The second part occurs after he is beaten by Papa Doc (Anthony Mackie) and Papa Doc’s gang. Jimmy’s mother (Kim Basinger) returns to their trailer and tells him she won $3,200 at bingo. The film continues to its end with Jimmy’s last battle (a rapper competition).

What to Watch for and Ask Yourself
1. What is your perception of the quality of Jimmy’s job and his work environment?
2. What is the quality of Jimmy’s relationship with Manny, his foreman (Paul Bates)? Does it change? If it does, why?
3. How would you react to this type of work experience?
Penguins Have Always Been Cool. But Golf Shirts With a little flapping bird printed on them experienced a lull in coolness. In fact, their popularity remained frozen for two decades largely because they were worn by aging golfers. Now the penguins are back, flapping furiously—and, many would argue, coolly—on golf shirts and on a wide array of men’s and women’s clothing and accessories, including shirts, shoes, hats, belts, neckties, handbags, and bathing suits. These items represent the extreme makeover of a 50-year-old brand of clothing called Original Penguin. Now owned by Perry Ellis International, the Original Penguin brand of clothing is experiencing rejuvenation, thanks largely to Penguin’s vice president, Chris Kolbe.

Chris Kolbe knows that thawing out an old brand is a daunting task under the best circumstances. But the fashion industry is difficult, the pace is dizzying, and the turbulence can be terrifying. Kolbe’s activities as a manager are characterized by variety, fragmentation, and brevity. For example, in a single day, Kolbe may be expecting several hundred samples from sources around the globe to arrive in time for a fashion show. He may have to decide whether to extend credit to a retailer or to drop one retailer in favor of another. He may have to review ad copy, return calls from fashion magazines, thumb through swatches of fabric, welcome sales reps arriving for a meeting, and fix his own computer. “We are always way behind and scrambling,” he says with a chuckle. But Kolbe thrives on these activities because he is convinced that the time is right for his penguins to regain their place in the market among other legendary figures such as alligators and polo ponies, and he intends to make it happen.

Because the Penguin division is a tiny component of the much larger Perris Ellis company, Kolbe serves all the management functions of planning, organizing, leading, and controlling, often during the course of one work day. “I take personal responsibility and accountability for everything that has the Penguin brand on it,” Kolbe notes.

Kolbe fulfills all the roles of a top manager. He considers himself a hands-on manager, communicating constantly with his staff and keeping himself “involved in every detail so I don’t lose sight” of things. He develops relationships with employees so that they can work well together. “My job is really the A to Z in assembling a team of people who can focus on certain pieces of that business and deliver on the strategic goals for the company,” he explains. “I feel very fortunate to have such a good team.” He makes decisions about where to take the brand. Right now, he has his sights set on a more upscale market. He envisions his customers as comfortable suburbanites who want high-quality, fashionable casual clothing. But he does not worry too much about direct competitors in the clothing industry. Instead, he focuses on how Original Penguin can compete for consumer dollars. ”My role as vice president of Penguin really is…. I’m acting president of a very small division—a start-up company attached to a larger company,” Kolbe observes. “So I really took on the A to Z of running a brand or running a company, from the...creative vision of the brand, to marketing the brand, to the business operations and sales of the brand.”

As for that turbulence? Kolbe shrugs it off. “In every business there are roadblocks. So your ability to focus on the roadblock or work around the roadblock sometimes comes down to your ability to be successful.” This is true even when the roadblock happens to be a shipment of women’s flip-flops that has not arrived in time for the fashion show.

Questions
1. Describe the conceptual skills you think Chris Kolbe needs for his job as vice president of Original Penguin.
2. Suppose those flip-flops—or other components of the upcoming fashion show—do not arrive in time. Describe how Chris Kolbe might manage the situation.
3. What do you think is the most difficult part of Kolbe’s job? Why?