1 The Management Process Today

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

1. Describe what management is, why management is important, what managers do, and how managers use organizational resources efficiently and effectively to achieve organizational goals. **[LO 1-1]**
2. Distinguish among planning, organizing, leading, and controlling (the four principal managerial tasks), and explain how managers' ability to handle each one affects organizational performance. **[LO 1-2]**
3. Differentiate among three levels of management, and understand the tasks and responsibilities of managers at different levels in the organizational hierarchy. **[LO 1-3]**
4. Distinguish among three kinds of managerial skill, and explain why managers are divided into different departments to perform their tasks more efficiently and effectively. **[LO 1-4]**
5. Discuss some major changes in management practices today that have occurred as a result of globalization and the use of advanced information technology (IT). **[LO 1-5]**
6. Discuss the principal challenges managers face in today's increasingly competitive global environment. **[LO 1-6]**

MANAGEMENT SNAPSHOT

Tim Cook Succeeds Steve Jobs as CEO of Apple

What is High-Performance Management?

In 2011 Tim Cook took full management control of Apple as its CEO six weeks after Steve Jobs stepped down as its CEO before his untimely death. Cook had been Apple's longtime chief operating officer and had been responsible for organizing and controlling its global supply chain to bring its innovative products to market as quickly and efficiently as possible.[1] One of Apple's major strengths is to continuously introduce new and improved products such as its iPhones and iPads, often at six-month and yearly intervals, to offer customers more options and to stay ahead of the competition. Cook was acknowledged as the leader who controlled Apple's purchasing and manufacturing operations, and of course he had intimate knowledge of Apple's new product design and engineering. However, Steve Jobs had been the manager who ultimately decided what kinds of new products Apple would develop and the design of their hardware and software.

Starting with Apple's founding in 1977, Jobs saw his main task as leading the planning process to develop new and improved PCs. Although this was a good strategy, his management style was often arbitrary and overbearing. For example, Jobs often played favorites among the many project teams he created. His approach caused many conflicts and led to fierce competition, many misunderstandings, and growing distrust among members of the different teams.

Jobs's abrasive management style also brought him into conflict with John Sculley, Apple's CEO. Employees became unsure whether Jobs (the chairman) or Sculley was leading the company. Both managers were so busy competing for control of Apple that the task of ensuring its resources were being used efficiently was neglected. Apple's costs soared, and its performance and profits fell. Apple's directors became convinced Jobs's management style was the heart of the problem and asked him to resign.

After he left Apple, Jobs started new ventures such as PC maker NEXT to develop powerful new PCs and Pixar, the computer animation company, which become a huge success after it made blockbuster movies such as *Toy Story* and *Finding Nemo,* both distributed by Walt Disney. In both these companies Jobs developed a clear vision for managers to follow, and he built strong management teams to lead the project teams developing the new PCs and movies. Jobs saw his main task as planning the companies' future product development strategies. However, he left the actual tasks of leading and organizing to managers below him. He gave them the autonomy to put his vision into practice. In 1996 Jobs convinced Apple to buy NEXT and use its powerful operating system in new Apple PCs. Jobs began working inside Apple to lead its turnaround and was so successful that in 1997 he was asked to become its CEO. Jobs agreed and continued to put

the new management skills he had developed over time to good use.

The first thing he did was create a clear vision and goals to energize and motivate Apple employees. Jobs decided that, to survive, Apple had to introduce state-of-the-art, stylish PCs and related digital equipment. He delegated considerable authority to teams of employees to develop all the many different hardware and software components necessary to build the new products, but he also established strict timetables and challenging "stretch" goals, such as bringing new products to market as quickly as possible, for these teams. Moreover, he was careful to keep the different teams' activities separate; only he and his chief designers knew what the new products would actually look like and their capabilities—and his demand for secrecy increased over time.[2]

In 2003 Jobs announced that Apple was starting a new service called iTunes, an online music store from which people could download songs for 99 cents. At the same time Apple introduced its iPod music player, which can store thousands of downloaded songs, and it quickly became a runaway success. By 2006 Apple had gained control of 70% of the digital music player market and 80% of the online music download business, and its stock price soared to a new record level. The next milestone in Jobs's product strategy came in 2007 when he announced that Apple would introduce the iPhone. Once again he assembled different teams of engineers not only to develop the new phone's hardware and software but also to create an online iPhone applications platform where users could download applications to make their iPhones more valuable. In 2010 Jobs announced that Apple planned to introduce a new iPad tablet computer.

Since Cook assumed leadership of Apple, it has become apparent to its employees and shareholders that he brings a new, more open, and participative approach to managing the company. While Jobs was respected as a guru, magician, and ruler—someone to be revered as well as feared—Cook makes himself available to employees in Apple's cafeteria and talks directly to shareholders and analysts, something that Jobs had no time for. Cook has also worked to integrate Apple's global supply chain and project management functions with its engineering functions to break down the barriers between teams in the company and increase the flow of information between product units as the company grows and becomes more complex. Following Jobs, Cook's goal is for Apple to focus on introducing innovative new products and not to lose its commitment to being the leader in every market in which it competes. However, while Cook is a demanding boss, he is down to earth, approachable, and well respected, as opposed to Jobs who became increasingly isolated, forbidding, and secretive as time went on.

Overview

The story of Steve Jobs's and Tim Cook's rise to the top of Apple illustrates many challenges facing people who become managers: Managing a company is a complex activity, and effective managers must possess many kinds of skills, knowledge, and abilities. Management is an unpredictable process. Making the right decision is difficult; even effective managers often make mistakes, but the most effective managers, like Jobs and Cook, learn from their mistakes and continually strive to find ways to increase their companies' performance. In 2013 Cook was facing a host of new competitive challenges.

In this chapter we look at what managers do and what skills and abilities they must develop to manage their organizations successfully. We also identify the different kinds of managers that organizations need and the skills and abilities they must develop to succeed. Finally, we identify some challenges managers must address if their organizations are to grow and prosper.

What Is Management?

When you think of a manager, what kind of person comes to mind? Do you see someone who, like Tim Cook, can determine the future prosperity of a large for-profit company? Or do you see the administrator of a not-for-profit organization, such as a community college, library, or charity, or the person in charge of your local Walmart store or McDonald's restaurant, or the person you answer to if you have a part-time job? What do all these people have in common? First, they all work in organizations. Organizations are collections of people who work together and coordinate their actions to achieve a wide variety of goals or desired future outcomes.[3] Second, as managers, they are the people responsible for supervising and making the most of an organization's human and other resources to achieve its goals.

organizations Collections of people who work together and coordinate their actions to achieve a wide variety of goals or desired future outcomes.

management The planning, organizing, leading, and controlling of human and other resources to achieve organizational goals efficiently and effectively.

Management, then, is the planning, organizing, leading, and controlling of human and other resources to achieve organizational goals efficiently and effectively. An organization's *resources* include assets such as people and their skills, know-how, and experience; machinery; raw materials; computers and information technology; and patents, financial capital, and loyal customers and employees.

LO 1-1 Describe what management is, why management is important, what managers do, and how managers utilize organizational resources efficiently and effectively to achieve organizational goals.

Achieving High Performance: A Manager's Goal

One of the most important goals that organizations and their members try to achieve is to provide some kind of good or service that customers value or desire. The principal goal of CEO Tim Cook is to manage Apple so it creates a continuous stream of new and improved goods and services—such as more powerful phones and tablets and to provide excellent quality customer service and support versatility that customers are willing to buy. In 2013 Apple still led the field in many of these areas but competitors like Samsung and Google were quickly catching up. Apple managers are currently working to make its hardware, software, and support service the most competitive in its industry. Similarly, the principal goal of doctors, nurses, and hospital administrators is to increase their hospital's ability to make sick people well—and to do so cost-effectively. Likewise, the principal goal of each McDonald's restaurant manager is to produce burgers, salads, fries, coffees, and drinks that people want to pay for and enjoy so they become loyal return customers.

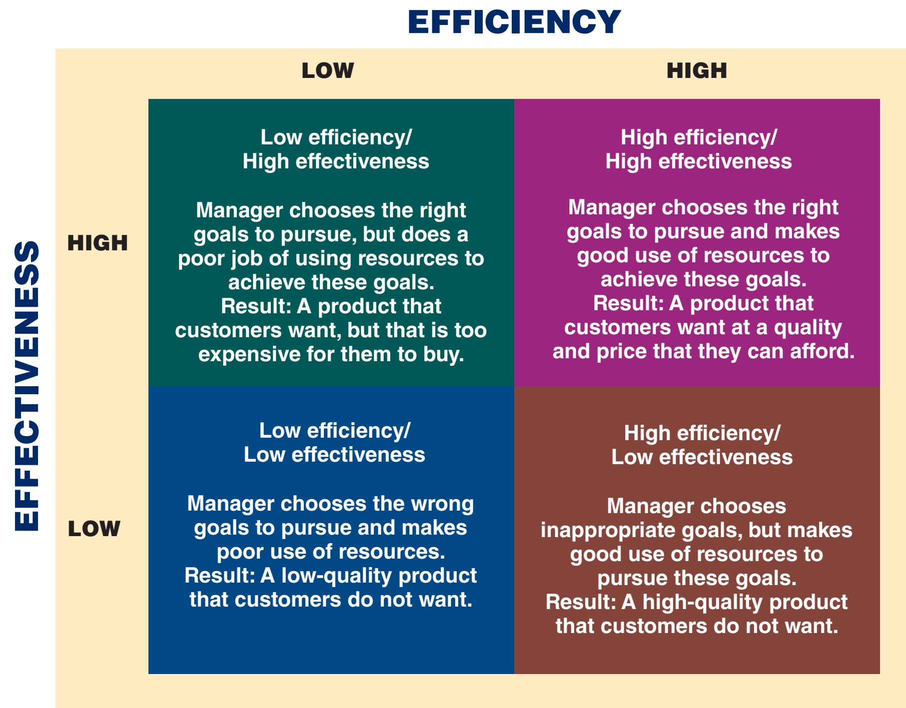
organizational performance A measure of how efficiently and effectively a manager uses resources to satisfy customers and achieve organizational goals.

efficiency A measure of how well or how productively resources are used to achieve a goal.

Organizational performance is a measure of how efficiently and effectively managers use available resources to satisfy customers and achieve organizational goals. Organizational performance increases in direct proportion to increases in efficiency and effectiveness (see Figure 1.1). What are efficiency and effectiveness?

Efficiency is a measure of how productively resources are used to achieve a goal.[4] Organizations are efficient when managers minimize the amount of input resources (such as labor, raw materials, and component parts) or the amount of time needed to produce a given output of goods or services. For example, McDonald's develops ever more efficient fat fryers that not only reduce the amount of oil used in cooking, but also speed up the cooking of french fries. UPS develops new work routines to reduce delivery time, such as instructing drivers to leave their truck doors open when going short distances. Tim Cook instructed Apple's engineers not only to develop ever more compact, powerful, and multipurpose mobile devices but also to find cost-effective ways to do so. A manager's responsibility is to ensure that an organization and its members perform as efficiently as possible all the work activities needed to provide goods and services to customers.

Figure 1.1
Efficiency, Effectiveness, and Performance in an Organization



High-performing organizations are efficient *and* effective.

effectiveness
A measure of the appropriateness of the goals an organization is pursuing and the degree to which the organization achieves those goals.

Effectiveness is a measure of the *appropriateness* of the goals that managers have selected for the organization to pursue and the degree to which the organization achieves those goals. Organizations are effective when managers choose appropriate goals and then achieve them. Some years ago, for example, managers at McDonald's decided on the goal of providing breakfast service to attract more customers. The choice of this goal has proved smart: Sales of breakfast food now account for more than 30% of McDonald's revenues and are still increasing because sales of its new lines of coffees and fruit drinks have risen sharply. Cook's goal is to create a continuous flow of innovative PC and digital entertainment products. High-performing organizations, such as Apple, McDonald's, Walmart, Intel, Home Depot, Accenture, and Habitat for Humanity are simultaneously efficient and effective. Effective managers are those who choose the right organizational goals to pursue and have the skills to utilize resources efficiently.

Why Study Management?

Today more students are competing for places in business courses than ever before; the number of people wishing to pursue Master of Business Administration (MBA) degrees—today's passport to an advanced management position—either on campus or from online universities and colleges is at an all-time high. Why is the study of management currently so popular?[5]

First, in any society or culture resources are valuable and scarce; so the more efficient and effective use that organizations can make of those resources, the greater the relative well-being and prosperity of people in that society. Because managers decide how to use many of a society's most valuable resources—its skilled employees, raw materials like oil and land, computers and information systems,

and financial assets—they directly impact the well-being of a society and the people in it. Understanding what managers do and how they do it is of central importance to understanding how a society creates wealth and affluence for its citizens.

Second, although most people are not managers, and many may never intend to become managers, almost all of us encounter managers because most people have jobs and bosses. Moreover, many people today work in groups and teams and have to deal with coworkers. Studying management helps people deal with their bosses and their coworkers. It reveals how to understand other people at work and make decisions and take actions that win the attention and support of the boss and coworkers. Management teaches people not yet in positions of authority how to lead coworkers, solve conflicts between them, achieve team goals, and thus increase performance.

Third, in any society, people are in competition for a very important resource—a job that pays well and provides an interesting and satisfying career; and understanding management is one important path toward obtaining this objective. In general, jobs become more interesting the more complex or responsible they are. Any person who desires a motivating job that changes over time might therefore do well to develop management skills and become promotable. A person who has been working for several years and then returns to school for an MBA can usually, after earning the degree, find a more interesting, satisfying job that pays significantly more than the previous job. Moreover, salaries increase rapidly as people move up the organizational hierarchy, whether it is a school system, a large for-profit business organization, or a not-for-profit charitable or medical institution.

Indeed, the salaries paid to top managers are enormous. For example, the CEOs and other top executives or managers of companies such as Apple, Walt Disney, GE, and McDonald's receive millions in actual salary each year. However, even more staggering is the fact that many top executives also receive bonuses in the form of valuable stock or shares in the company they manage, as well as stock options that give them the right to sell these shares at a certain time in the future.[6] If the value of the stock goes up, the managers keep the difference between the option price at which they obtained the stock (say, $10) and what it is worth later (say, $33). For example, when Steve Jobs became CEO of Apple again in 1997, he accepted a salary of only $1 a year. However, he was also awarded stock options that, with the fast rise in Apple's stock price throughout the 2000s, are worth billions of dollars today (he was also given the free use of a $90 million jet).[7] In 2010 Goldman Sachs paid its top managers stock bonuses worth $16.2 billion, and its CEO Lloyd Blankfein received Goldman Sachs stock worth over $8 billion—but this was only half the value of the stock that JPMorgan Chase CEO Jamie Dimon received from his company![8] These incredible amounts of money provide some indication of both the responsibilities and the rewards that accompany the achievement of high management positions in major companies—and go to any entrepreneur who successfully creates and manages a small business that dominates its market. What is it that managers actually do to receive such rewards?[9]

Essential Managerial Tasks

The job of management is to help an organization make the best use of its resources to achieve its goals. How do managers accomplish this objective? They do so by performing four essential managerial tasks: *planning, organizing, leading,* and *controlling*. The arrows linking these tasks in Figure 1.2 suggest the sequence in which managers typically perform them. French manager Henri Fayol first outlined the nature of these managerial activities around the turn of the 20th

LO 1-2 Distinguish among planning, organizing, leading, and controlling (the four principal managerial tasks), and explain how managers' ability to handle each one affects organizational performance.

century in *General and Industrial Management,* a book that remains the classic statement of what managers must do to create a high-performing organization.[10]

Managers at all levels and in all departments—whether in small or large companies, for-profit or not-for-profit organizations, or organizations that operate in one country or throughout the world—are responsible for performing these four tasks, which we look at next. How well managers perform these tasks determines how efficient and effective their organizations are.

Planning

planning Identifying and selecting appropriate goals; one of the four principal tasks of management.

To perform the planning task, managers identify and select appropriate organizational goals and courses of action; they develop *strategies* for how to achieve high performance. The three steps involved in planning are (1) deciding which goals the organization will pursue, (2) deciding what strategies to adopt to attain those goals, and (3) deciding how to allocate organizational resources to pursue the strategies that attain those goals. How well managers plan and develop strategies determines how effective and efficient the organization is—its performance level.[11]

As an example of planning in action, consider the situation confronting Michael Dell, founder and CEO of Dell Computer, who in 2013 was struggling to increase the PC sales of his company given competition from HP, Apple, and Acer. In 1984 the 19-year-old Dell saw an opportunity to enter the PC market by assembling PCs and selling them directly to customers. Dell began to plan how to put his idea into practice. First, he decided that his goal was to sell an inexpensive PC, to undercut the prices charged by companies like Apple, Compaq, and HP. Second, he had to choose a course of action to achieve this goal. He decided to sell PCs directly to customers by telephone and so bypass expensive computer stores that sold Compaq and Apple PCs. He also had to decide how to obtain low-cost components and how to tell potential customers about his products. Third, he had to decide how to allocate his limited funds (he had only $5,000) to buy labor and other resources. He hired three people and worked with them around a table to assemble his PCs.

Figure 1.2
Four Tasks of Management

Michael Dell sits in the dorm room at the University of Texas–Austin, where he launched his personal computer company as a college freshman. When he visited, the room was occupied by freshmen Russell Smith (left) and Jacob Frith, both from Plano, Texas.

Thus to achieve his goal of making and selling low-price PCs, Dell had to plan, and as his organization grew, his plans changed and became progressively more complex. After setbacks during the 2000s that saw HP, Apple, and a new Taiwanese company, Acer, achieve competitive advantage over Dell in performance, styling, or pricing, Dell and his managers actively searched for new strategies to better compete against agile rivals and help the company regain its position as the highest-performing PC maker. In 2013 Dell was still locked in a major battle with its competitors, and its performance had not recovered despite attempts to introduce innovative new models of laptops and digital devices. Dell needed a new approach to planning to compete more effectively; and new strategies Dell has followed in the 2010s include more powerful customized lines of new laptops, and a major focus on providing computer hardware, software, and consulting geared to the need of corporate customers.

strategy A cluster of decisions about what goals to pursue, what actions to take, and how to use resources to achieve goals.

As the battle between Dell, HP, Acer, and Apple suggests, the outcome of planning is a strategy, a cluster of decisions concerning what organizational goals to pursue, what actions to take, and how to use resources to achieve these goals. The decisions that were the outcome of Michael Dell's original planning formed a *low-cost strategy*. A low-cost strategy is a way of obtaining customers by making decisions that allow an organization to produce goods or services more cheaply than its competitors so it can charge lower prices than they do. Throughout its history, Dell has continuously refined this strategy and explored new ways to reduce costs. Dell became the most profitable PC maker as a result of its low-cost strategy, but when HP and Acer also lowered their costs, it lost its competitive advantage and its profits fell. By contrast, since its founding Apple's strategy has been to deliver to customers new, exciting, and unique computer and digital products, such as its iPods, iPhones, and its new iPads—a strategy known as *differentiation*.[12] Although this strategy almost ruined Apple in the 1990s when customers bought inexpensive Dell PCs rather its premium-priced PCs, today Apple's sales have boomed as customers turn to its unique PCs and digital products. To fight back, Dell has been forced to offer more exciting, stylish products—hence its decision to introduce powerful customized PCs.

Planning strategy is complex and difficult, especially because planning is done under uncertainty when the result is unknown so that either success or failure is a possible outcome of the planning process. Managers take major risks when they commit organizational resources to pursue a particular strategy. Dell enjoyed great success in the past with its low-cost strategy; but presently Apple is performing spectacularly with its differentiation strategy and hurting competitors such as HP, Sony, Nokia, and Blackberry. In Chapter 6 we focus on the planning process and on the strategies organizations can select to respond to opportunities or threats in an industry. The story of the way Joe Coulombe, the founder of Trader Joe's, used his abilities to plan and make the right decisions to create the strategies necessary for his and his new organization's success is discussed in the following "Manager as a Person" box.

MANAGER AS A PERSON

Joe Coulombe Knows How to Make an Organization Work

Trader Joe's, an upscale specialty supermarket chain, was started in 1967 by Joe Coulombe, who owned a few convenience stores that were fighting an uphill battle against the growing 7-11 chain. 7-11 offered customers a wider selection of lower-priced products, and Coulombe had to find a new way to manage his small business if it was going to survive. As he began planning new strategies to help his small business grow, he was struck by the fact that there might be a niche for supplying specialty products, such as wine, drinks, and gourmet foods, which were more profitable to sell; moreover, he would no longer be competing against giant 7-11. Coulombe changed the name of his stores to Trader Joe's and stocked them with every variety and brand of California wine produced at the time. He also began to offer fine foods like bread, crackers, cheese, fruits, and vegetables to complement and encourage wine sales.

Pictured is Trader Joe's first New York City store that opened in 2006. Founder Joe Coulombe's approach to motivating and rewarding his employees to provide excellent customer service paid off in a city where the prices of food and drink are so high that customers were delighted to shop in stores with a great ambiance and friendly customer service.

From the beginning Coulombe realized that good planning was only the first step in successfully managing his small, growing company. He knew that to encourage customers to visit his stores and buy high-priced gourmet products, he needed to give them excellent customer service. So he had to motivate his salespeople to perform at a high level. His approach was to decentralize authority, empowering salespeople to take responsibility for meeting customer needs. Rather than forcing employees to follow strict operating rules and to obtain the consent of their superiors in the hierarchy of authority, employees were given autonomy to make decisions and provide personalized customer service. Coulombe's approach led employees to feel they "owned" their supermarkets, and he worked to develop a store culture based on values and norms about providing excellent customer service and developing personalized relationships with customers. Today many employees and customers are on first-name terms.

Coulombe led by example and created a store environment in which employees are treated as individuals and feel valued as people. For example, the theme behind the design of his stores was to create the feeling of a Hawaiian resort: He and his employees wear loud Hawaiian shirts, store managers are called captains, and the store decor uses lots of wood and contains tiki huts where employees give customers food and drink samples and interact with them. Once again, this helped create strong values and norms that emphasize personalized customer service.

Finally, Joe Coulombe's approach from the beginning was to create a policy of promotion from within the company so that the highest-performing salespeople could rise to become store captains and beyond in the organization. He had

always recognized the need to treat employees (people) in a fair and equitable way to encourage them to develop the customer-oriented values and norms needed to provide personalized customer service. He decided that full-time employees should earn at least the median household income for their communities, which averaged $7,000 a year in the 1960s and is $48,000 today—an astonishingly high amount compared to the pay of employees of regular supermarkets such as Kroger's and Safeway. Moreover, store captains, who are vital in helping create and reinforce Trader Joe's store culture, are rewarded with salaries and bonuses that can exceed $100,000 a year. And all salespeople know that as the store chain expands, they may also be promoted to this level. In 2014 Trader Joe's had over 400 stores in 33 states and was still expanding because Coulombe's approach to managing his small business created the right foundation for an upscale specialty supermarket to grow and prosper.

Organizing

organizing Structuring working relationships in a way that allows organizational members to work together to achieve organizational goals; one of the four principal tasks of management.

organizational structure A formal system of task and reporting relationships that coordinates and motivates organizational members so they work together to achieve organizational goals.

Organizing is structuring working relationships so organizational members interact and cooperate to achieve organizational goals. Organizing people into departments according to the kinds of job-specific tasks they perform lays out the lines of authority and responsibility between different individuals and groups. Managers must decide how best to organize resources, particularly human resources.

The outcome of organizing is the creation of an organizational structure, a formal system of task and reporting relationships that coordinates and motivates members so they work together to achieve organizational goals. Organizational structure determines how an organization's resources can be best used to create goods and services. As his company grew, for example, Michael Dell faced the issue of how to structure his organization. Early on he was hiring 100 new employees a week and deciding how to design his managerial hierarchy to best motivate and coordinate managers' activities. As his organization grew to become one of the largest global PC makers, he and his managers created progressively more complex forms of organizational structure to help it achieve its goals. We examine the organizing process in detail in Chapter 9.

Leading

leading Articulating a clear vision and energizing and enabling organizational members so they understand the part they play in achieving organizational goals; one of the four principal tasks of management.

An organization's *vision* is a short, succinct, and inspiring statement of what the organization intends to become and the goals it is seeking to achieve—its desired future state. In leading, managers articulate a clear organizational vision for the organization's members to accomplish, and they energize and enable employees so everyone understands the part he or she plays in achieving organizational goals. Leadership involves managers using their power, personality, influence, persuasion, and communication skills to coordinate people and groups so their activities and efforts are in harmony. Leadership revolves around encouraging all employees to perform at a high level to help the organization achieve its vision and goals. Another outcome of leadership is a highly motivated and committed workforce. Employees responded well to Michael Dell's hands-on leadership style, which has resulted in a hardworking, committed workforce. Managers at Apple appreciate the way Steve Jobs, and now Tim Cook, have adopted a leadership style based on a willingness to delegate authority to project teams and to help

controlling Evaluating how well an organization is achieving its goals and taking action to maintain or improve performance; one of the four principal tasks of management.

managers resolve differences that could easily lead to bitter disputes and power struggles. We discuss the issues involved in managing and leading individuals and groups in Chapters 9 through 12.

Controlling

In controlling, the task of managers is to evaluate how well an organization has achieved its goals and to take any corrective actions needed to maintain or improve performance. For example, managers monitor the performance of individuals, departments, and the organization as a whole to see whether they are meeting desired performance standards. Michael Dell learned early in his career how important this is; if standards are not being met, managers seek ways to improve performance.

Ken Chenault, pictured here, is the president and CEO of American Express Company. Promoted in 1997, he climbed the ranks from its Travel Related Services Company thanks to his even temper and unrelenting drive. Respected by colleagues for his personality, most will say they can't remember him losing his temper or raising his voice. His open-door policy for subordinates allows him to mentor AmEx managers and encourages all to enter and speak their minds.

The outcome of the control process is the ability to measure performance accurately and regulate organizational efficiency and effectiveness. To exercise control, managers must decide which goals to measure—perhaps goals pertaining to productivity, quality, or responsiveness to customers—and then they must design control systems that will provide the information necessary to assess performance—that is, determine to what degree the goals have been met. The controlling task also helps managers evaluate how well they themselves are performing the other three tasks of management— planning, organizing, and leading—and take corrective action.

Michael Dell had difficulty establishing effective control systems because his company was growing so rapidly and he lacked experienced managers. In the 1990s Dell's costs suddenly soared because no systems were in place to control inventory, and in 1994 poor quality control resulted in a defective line of new laptop computers—some of which caught fire. To solve these and other control problems, Dell hired hundreds of experienced managers from other companies to put the right control systems in place. As a result, by 2000 Dell was able to make computers for over 10% less than its competitors, which created a major source of competitive advantage. At its peak, Dell drove competitors out of the market because it had achieved a 20% cost advantage over them.[13] However, we noted earlier that through the 2000s rivals such as HP and Acer also learned how to reduce their operating costs, and this shattered Dell's competitive advantage. Controlling, like the other managerial tasks, is an ongoing, dynamic, always-changing process that demands constant attention and action. We cover the most important aspects of the control task in Chapters 13 and 14.

The four managerial tasks—planning, organizing, leading, and controlling—are essential parts of a manager's job. At all levels in the managerial hierarchy, and across all jobs and departments in an organization, effective management means performing these four activities successfully—in ways that increase efficiency and effectiveness.

Levels and Skills of Managers

To perform the four managerial tasks efficiently and effectively, organizations group or differentiate their managers in two main ways—by level in hierarchy and by type of skill. First, they differentiate managers according to their level or rank in the organization's hierarchy of authority. The three levels of managers are first-line managers, middle managers, and top managers—arranged in a hierarchy. Typically first-line managers report to middle managers, and middle managers report to top managers.

department A group of people who work together and possess similar skills or use the same knowledge, tools, or techniques to perform their jobs.

Second, organizations group managers into different departments (or functions) according to their specific job-related skills, expertise, and experiences, such as a manager's engineering skills, marketing expertise, or sales experience. A department, such as the manufacturing, accounting, engineering, or sales department, is a group of managers and employees who work together because they possess similar skills and experience or use the same kind of knowledge, tools, or techniques to perform their jobs. Within each department are all three levels of management. Next we examine why organizations use a hierarchy of managers and group them, by the jobs they perform, into departments.

LO 1-3 Differentiate among three levels of management, and understand the tasks and responsibilities of managers at different levels in the organizational hierarchy.

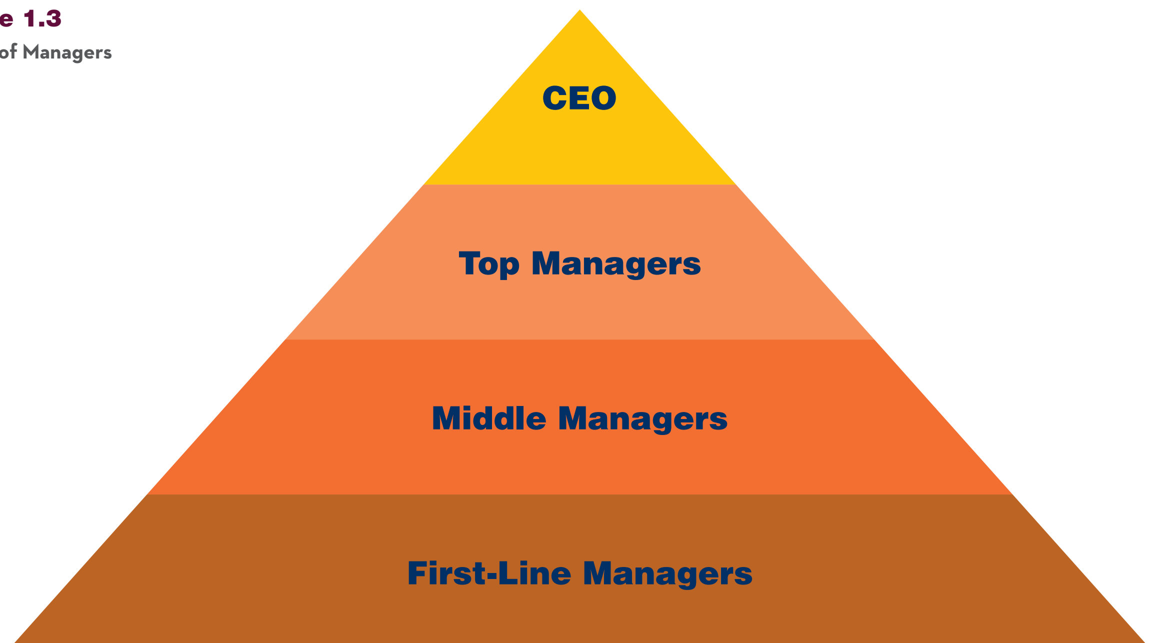
Levels of Management

Organizations normally have three levels of management: first-line managers, middle managers, and top managers (see Figure 1.3). Managers at each level have different but related responsibilities for using organizational resources to increase efficiency and effectiveness.

first-line manager A manager who is responsible for the daily supervision of nonmanagerial employees.

At the base of the managerial hierarchy are first-line managers, often called *supervisors*. They are responsible for daily supervision of the nonmanagerial employees who perform the specific activities necessary to produce goods and services. First-line managers work in all departments or functions of an organization.

Figure 1.3
Levels of Managers



Examples of first-line managers include the supervisor of a work team in the manufacturing department of a car plant, the head nurse in the obstetrics department of a hospital, and the chief mechanic overseeing a crew of mechanics in the service function of a new car dealership. At Dell, first-line managers include the supervisors responsible for controlling the quality of its computers or the level of customer service provided by telephone salespeople. When Michael Dell started his company, he personally controlled the computer assembly process and thus acted as a first-line manager or supervisor.

middle manager A manager who supervises first-line managers and is responsible for finding the best way to use resources to achieve organizational goals.

Supervising the first-line managers are middle managers, responsible for finding the best way to organize human and other resources to achieve organizational goals. To increase efficiency, middle managers find ways to help first-line managers and nonmanagerial employees better use resources to reduce manufacturing costs or improve customer service. To increase effectiveness, middle managers evaluate whether the organization's goals are appropriate and suggest to top managers how goals should be changed. Often the suggestions that middle managers make to top managers can dramatically increase organizational performance. A major part of the middle manager's job is developing and fine-tuning skills and know-how, such as manufacturing or marketing expertise, that allow the organization to be efficient and effective. Middle managers make thousands of specific decisions about the production of goods and services: Which first-line supervisors should be chosen for this particular project? Where can we find the highest-quality resources? How should employees be organized to allow them to make the best use of resources?

Behind a first-class sales force, look for the middle managers responsible for training, motivating, and rewarding the salespeople. Behind a committed staff of high school teachers, look for the principal who energizes them to find ways to obtain the resources they need to do outstanding and innovative jobs in the classroom.

top manager A manager who establishes organizational goals, decides how departments should interact, and monitors the performance of middle managers.

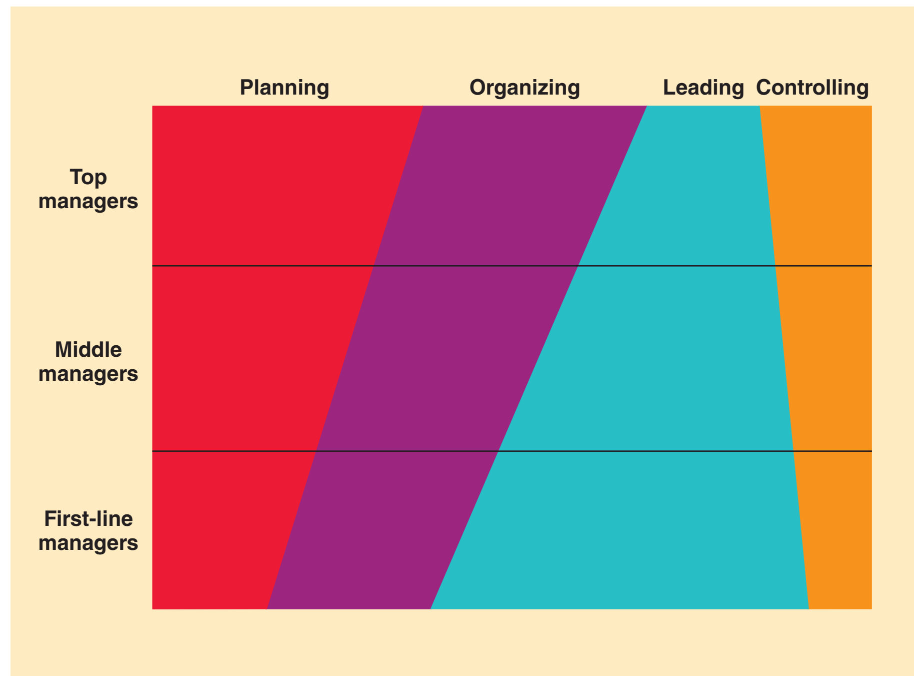
In contrast to middle managers, top managers are responsible for the performance of *all* departments.[14] They have *cross-departmental responsibility*. Top managers establish organizational goals, such as which goods and services the company should produce; they decide how the different departments should interact; and they monitor how well middle managers in each department use resources to achieve goals.[15] Top managers are ultimately responsible for the success or failure of an organization, and their performance (like that of Michael Dell or Tim Cook) is continually scrutinized by people inside and outside the organization, such as other employees and investors.[16]

The *chief executive officer (CEO)* is a company's most senior and important manager, the one all other top managers report to. Today the term *chief operating officer (COO)* refers to the company's top manager, such as Tim Cook, who was groomed by Steve Jobs to take over as CEO. Together the CEO and COO are responsible for developing good working relationships among the top managers of various departments (manufacturing and marketing, for example); usually these top managers have the title "vice president." A central concern of the CEO is the creation of a smoothly functioning top management team, a group composed of the CEO, the COO, and the vice presidents most responsible for achieving organizational goals.[17] Tim Cook has worked hard to build such a team at Apple to counter threats from competitors.

top management team A group composed of the CEO, the COO, and the vice presidents of the most important departments of a company.

The relative importance of planning, organizing, leading, and controlling—the four principal managerial tasks—to any particular manager depends on the manager's position in the managerial hierarchy.[18] The amount of time managers

Figure 1.4
Relative Amount of Time That Managers Spend on the Four Managerial Tasks



spend planning and organizing resources to maintain and improve organizational performance increases as they ascend the hierarchy (see Figure 1.4).[19] Top managers devote most of their time to planning and organizing, the tasks so crucial to determining an organization's long-term performance. The lower that managers' positions are in the hierarchy, the more time the managers spend leading and controlling first-line managers or nonmanagerial employees.

LO 1-4 Distinguish among three kinds of managerial skill, and explain why managers are divided into different departments to perform their tasks more efficiently and effectively.

Managerial Skills

Both education and experience enable managers to recognize and develop the personal skills they need to put organizational resources to their best use. Michael Dell realized from the start that he lacked sufficient experience and technical expertise in marketing, finance, and planning to guide his company alone. Thus he recruited experienced managers from other IT companies, such as IBM and HP, to help build his company. Research has shown that education and experience help managers acquire and develop three types of skills: *conceptual, human,* and *technical.*[20]

conceptual skills The ability to analyze and diagnose a situation and to distinguish between cause and effect.

Conceptual skills are demonstrated in the general ability to analyze and diagnose a situation and to distinguish between cause and effect. Top managers require the best conceptual skills because their primary responsibilities are planning and organizing.[21] By all accounts, Steve Jobs was chosen as CEO to transform Apple, and he then picked Tim Cook to succeed him, because of his ability to identify new opportunities and mobilize managers and other resources to take advantage of those opportunities.

Formal education and training are important in helping managers develop conceptual skills. Business training at the undergraduate and graduate (MBA) levels provides many of the conceptual tools (theories and techniques in marketing,

finance, and other areas) that managers need to perform their roles effectively. The study of management helps develop the skills that allow managers to understand the big picture confronting an organization. The ability to focus on the big picture lets managers see beyond the situation immediately at hand and consider choices while keeping in mind the organization's long-term goals.

Today continuing management education and training, including training in advanced IT, are an integral step in building managerial skills because theories and techniques are constantly being developed to improve organizational effectiveness, such as total quality management, benchmarking, and web-based organization and business-to-business (B2B) networks. A quick scan through a magazine such as *Forbes* or *Fortune* reveals a host of seminars on topics such as advanced marketing, finance, leadership, and human resource management that are offered to managers at many levels in the organization, from the most senior corporate executives to middle managers. Microsoft, IBM, Oracle, and many other organizations designate a portion of each manager's personal budget to be used at the manager's discretion to attend management development programs.

In addition, organizations may wish to develop a particular manager's abilities in a specific skill area—perhaps to learn an advanced component of departmental skills, such as international bond trading, or to learn the skills necessary to implement total quality management. The organization thus pays for managers to attend specialized programs to develop these skills. Indeed, one signal that a manager is performing well is an organization's willingness to invest in that manager's skill development. Similarly, many nonmanagerial employees who are performing at a high level (because they have studied management) are often sent to intensive management training programs to develop their management skills and to prepare them for promotion to first-level management positions.

human skills The ability to understand, alter, lead, and control the behavior of other individuals and groups.

Human skills include the general ability to understand, alter, lead, and control the behavior of other individuals and groups. The ability to communicate, to coordinate, and to motivate people, and to mold individuals into a cohesive team distinguishes effective from ineffective managers. By all accounts, Tim Cook and Michael Dell possess a high level of these human skills.

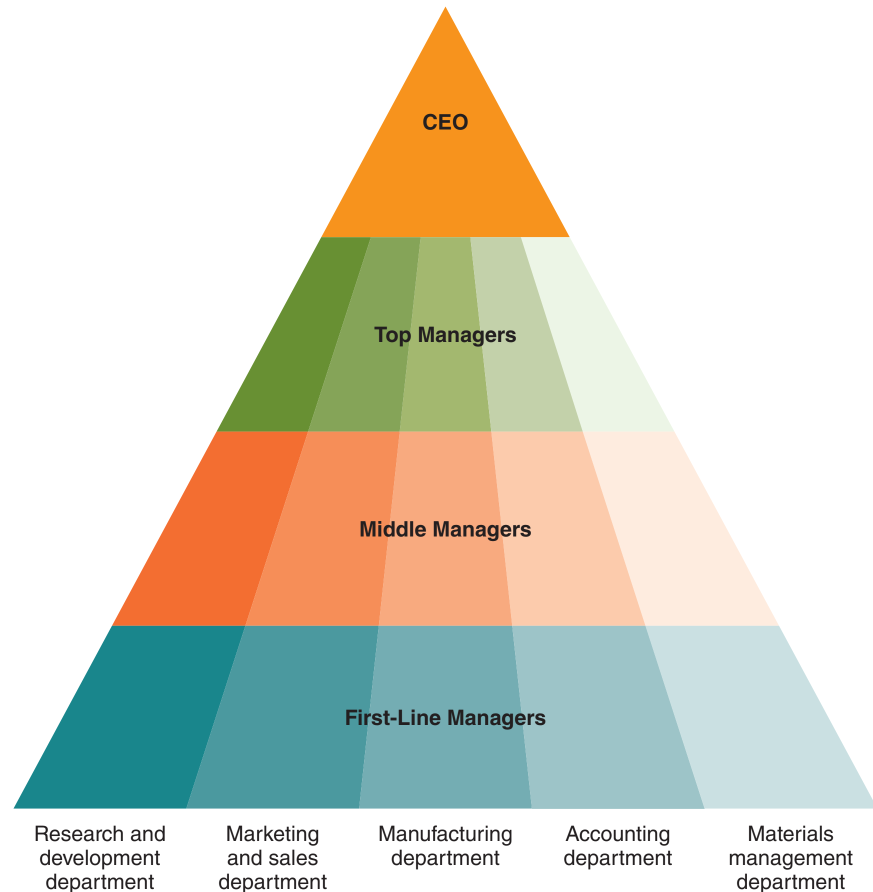
Like conceptual skills, human skills can be learned through education and training, as well as be developed through experience.[22] Organizations increasingly utilize advanced programs in leadership skills and team leadership as they seek to capitalize on the advantages of self-managed teams.[23] To manage personal interactions effectively, each person in an organization needs to learn how to empathize with other people—to understand their viewpoints and the problems they face. One way to help managers understand their personal strengths and weaknesses is to have their superiors, peers, and subordinates provide feedback about their job performance. Thorough and direct feedback allows managers to develop their human skills.

technical skills The job-specific knowledge and techniques required to perform an organizational role.

Technical skills are the *job-specific* skills required to perform a particular type of work or occupation at a high level. Examples include a manager's specific manufacturing, accounting, marketing, and increasingly, IT skills. Managers need a range of technical skills to be effective. The array of technical skills managers need depends on their position in their organization. The manager of a restaurant, for example, may need cooking skills to fill in for an absent cook, accounting and bookkeeping skills to keep track of receipts and costs and to administer the payroll, and aesthetic skills to keep the restaurant looking attractive for customers.

As noted earlier, managers and employees who possess the same kinds of technical skills typically become members of a specific department and are known as,

Figure 1.5
Types and Levels of Managers



for example, marketing managers or manufacturing managers.[24] Managers are grouped into different departments because a major part of a manager's responsibility is to monitor, train, and supervise employees so their job-specific skills and expertise increase. Obviously this is easier to do when employees with similar skills are grouped into the same department because they can learn from one another and become more skilled and productive at their particular job.

Figure 1.5 shows how an organization groups managers into departments on the basis of their job-specific skills. It also shows that inside each department, a managerial hierarchy of first-line, middle, and top managers emerges. At Dell, for example, Michael Dell hired experienced top managers to take charge of the marketing, sales, and manufacturing departments and to develop work procedures to help middle and first-line managers control the company's explosive sales growth. When the head of manufacturing found he had no time to supervise computer assembly, he recruited experienced manufacturing middle managers from other companies to assume this responsibility.

core competency
The specific set of departmental skills, knowledge, and experience that allows one organization to outperform another.

Today the term core competency is often used to refer to the specific set of departmental skills, knowledge, and experience that allows one organization to outperform its competitors. In other words, departmental skills that create a core competency give an organization a *competitive advantage*. Dell, for example, was the first PC maker to develop a core competency in materials management that allowed it to produce PCs at a much lower cost than its competitors—a major

source of competitive advantage. Similarly, 3M is well known for its core competency in research and development (R&D) that allows it to innovate new products at a faster rate than its competitors, and Xerox has been working to strengthen its ability to provide a full-range of imaging services that can be customized to meet the needs of each of the companies it serves.

Effective managers need all three kinds of skills—conceptual, human, and technical—to help their organizations perform more efficiently and effectively. The absence of even one type of managerial skill can lead to failure. One of the biggest problems that people who start small businesses confront, for example, is their lack of appropriate conceptual and human skills. Someone who has the technical skills to start a new business does not necessarily know how to manage the venture successfully. Similarly, one of the biggest problems that scientists or engineers who switch careers from research to management confront is their lack of effective human skills. Ambitious managers or prospective managers are constantly in search of the latest educational contributions to help them develop the conceptual, human, and technical skills they need to perform at a high level in today's changing and increasingly competitive global environment.

Developing new and improved skills through education and training has become a priority for both aspiring managers and the organizations they work for. As we discussed earlier, many people are enrolling in advanced management courses; but many companies, such as Microsoft, GE, and IBM, have established their own colleges to train and develop their employees and managers at all levels. Every year these companies put thousands of their employees through management programs designed to identify the employees who the company believes have the competencies that can be developed to become its future top managers. Most organizations closely link promotion to a manager's ability to acquire the competencies that a particular company believes are important.[25] At Apple and 3M, for example, the ability to successfully lead a new product development team is viewed as a vital requirement for promotion; at Accenture and IBM, the ability to attract and retain clients is viewed as a skill their IT consultants must possess. We discuss the various kinds of skills managers need to develop in most of the chapters of this book.

Recent Changes in Management Practices

The tasks and responsibilities of managers have been changing dramatically in recent years. Two major factors that have led to these changes are global competition and advances in information technology. Stiff competition for resources from organizations both at home and abroad has put increased pressure on all managers to improve efficiency and effectiveness. Increasingly, top managers are encouraging lower-level managers to look beyond the goals of their own departments and take a cross-departmental view to find new opportunities to improve organizational performance. Modern IT gives managers at all levels and in all areas access to more and better information and improves their ability to plan, organize, lead, and control. IT also gives employees more job-related information and allows them to become more skilled, specialized, and productive.[26]

Restructuring and Outsourcing

To utilize IT to increase efficiency and effectiveness, CEOs and top management teams have been restructuring organizations and outsourcing specific

organizational activities to reduce the number of employees on the payroll and make more productive use of the remaining workforce.

restructuring
Downsizing an organization by eliminating the jobs of large numbers of top, middle, and first-line managers and nonmanagerial employees.

Restructuring involves simplifying, shrinking, or downsizing an organization's operations to lower operating costs, as both Dell and Xerox have been forced to do. The financial crisis that started in 2009 forced most companies—large and small, and profit and nonprofit—to find ways to reduce costs because their customers are spending less money, so their sales and revenues decrease. Restructuring can be done by eliminating product teams, shrinking departments, and reducing levels in the hierarchy, all of which result in the loss of large numbers of jobs of top, middle, or first-line managers, as well as nonmanagerial employees. Modern IT's ability to improve efficiency has increased the amount of downsizing in recent years because IT makes it possible for fewer employees to perform a particular work task. IT increases each person's ability to process information and make decisions more quickly and accurately, for example. U.S. companies are spending over $100 billion a year to purchase advanced IT that can improve efficiency and effectiveness. We discuss the many dramatic effects of IT on management in Chapter 13 and throughout this book.

Restructuring, however, can produce some powerful negative outcomes. It can reduce the morale of remaining employees, who worry about their own job security. And top managers of many downsized organizations realize that they downsized too far when their employees complain they are overworked and when increasing numbers of customers complain about poor service.[27] Dell faced this charge in the 2010s as it continued to reduce the number of its customer service representatives and outsource their jobs to India to lower costs.

outsourcing
Contracting with another company, usually abroad, to have it perform an activity the organization previously performed itself.

Outsourcing involves contracting with another company, usually in a low-cost country abroad, to have it perform a work activity the organization previously performed itself, such as manufacturing, marketing, or customer service. Outsourcing increases efficiency because it lowers operating costs, freeing up money and resources that can be used in more effective ways—for example, to develop new products.

The need to respond to low-cost global competition has speeded outsourcing dramatically in the 2000s. Over 3 million U.S. jobs in the manufacturing sector have been lost since 2000 as companies have moved their operations to countries such as China, Taiwan, and Malaysia. Tens of thousands of high-paying IT jobs have also moved abroad, to countries like India and Russia, where programmers work for one-third the salary of those in the United States. Dell employs over 12,000 customer service reps in India, for example.[28]

Large for-profit organizations today typically employ 10% to 20% fewer people than they did 10 years ago because of restructuring and outsourcing. Ford, IBM, AT&T, HP, Dell, and DuPont are among the thousands of organizations that have streamlined their operations to increase efficiency and effectiveness. The argument is that the managers and employees who have lost their jobs will find employment in new and growing U.S. companies where their skills and experience will be better utilized. For example, the millions of manufacturing jobs that have been lost overseas will be replaced by higher-paying U.S. jobs in the service sector that are made possible because of the growth in global trade. At the same time, many companies have experienced growing problems with outsourcing in the 2010s, and the move to insource jobs (that is, to bring them back to the United States) has been increasing as discussed in the following "Managing Globally."

MANAGING GLOBALLY

First Outsourcing, Now Insourcing

Outsourcing has become a major global strategic imperative over the last decades; to survive against low-cost competitors U.S. companies have been forced to find ways to reduce costs by moving manufacturing overseas. First, millions of unskilled manufacturing jobs were outsourced to countries in Asia and Central America; then semiskilled and skilled jobs in engineering and information technology followed. There is a huge talented workforce in countries such as India and China, where millions of workers have the skills to satisfy job requirements and are willing to work for a fraction of what companies must pay workers in the United States.

Boeing embraces insourcing: the first Boeing 787 Dreamliner is being built at Boeing's Paine Field near Everett, Washington.

In some areas, such as the production of clothes and shoes and the assembly of electronic devices such as iPhones and PCs that are labor intensive, countries such as the United States will never be able to regain a competitive advantage because of low labor costs overseas. However, there are other areas in which companies that depend on a reliable supply of high-quality components and finished products have experienced problems with outsourcing production abroad, and many companies have or are in the process of moving back production to the United States—the process of insourcing. There are many reasons for this: Some relate to quality issues and some relate to the enormous problems that most electronics companies experienced after the disastrous flooding in Thailand and the tsunami that struck Japan cut off the supply of vital components. Thousands of U.S. companies were unable to obtain the chips and memory circuits necessary to maintain production, and they became backlogged with orders and lost billions in potential sales.

Boeing experienced firsthand the problems in controlling quality and product development during the building of the Boeing 787 Dreamliner that was finally delivered to its first customer in 2011. Boeing had experienced great success with outsourcing the production of many important components when it developed its previous new airliner, the 777. To tap into the skills of engineers in countries abroad and to reduce costs, Boeing decided early in development of the 787 to work closely with its suppliers who invested in the equipment and facilities necessary to meet Boeing's demands. Its Dreamliner team has about 50 suppliers from the United States and around the world; the partnership features six companies from Japan, six from Britain, five from France, two from Germany, two from Sweden, and one each from South Korea and Italy.[29] They make sections of the fuselage, landing gear, parts of the wing, pumps, valves, engines, brakes, doors, waste systems, escape slides, tires, tubing, cabin lighting, and ducts.

Boeing announced the first of several important delays in delivery dates of key components with overseas suppliers in 2007.[30] A major setback was a problem that

arose in 2009 when major structural problems were found in the design of the assembly connecting the wing to the fuselage. Boeing was forced to postpone the date of introduction of the innovative new 787, and when it was finally delivered, it was over two years late to market.

In 2012 it was still having the problem of obtaining components fast enough to ramp up production of the 787 in order to better meet customer demand, and in 2013 the new fleet of Dreamliners was grounded until a major battery problem was solved. It is reevaluating its outsourcing strategy and has already decided to insource production of more components in order to obtain more control over its global supply chain. Like many other companies Boeing has seen the disadvantages of offshore production, including shipping costs, logistical problems, and quality issues. And many U.S. companies are working with their employees and unions to establish pay rates that will make it practical to insource production of many complex or bulky products. For example, GE worked with its unions to establish an agreement that would allow it to bring back to the United States the manufacturing of water heaters and many of the complex components that go into its appliances. Similarly, Caterpillar announced that it would reorganize global production of excavators and triple the volume of excavators made in the United States for export to the Americas. Every manufacturing job brought back to the United States is valuable, especially in a recession.[31] The growing rate of insourcing provides a signal to all U.S. companies that they need to have a second source of supply to ensure they do not suffer when unexpected problems from natural and political factors arise quickly and disrupt their manufacturing activities.

Empowerment and Self-Managed Teams

empowerment
The expansion of employees' knowledge, tasks, and decision-making responsibilities.

The second principal way managers have sought to increase efficiency and effectiveness is by empowering lower-level employees and moving to self-managed teams. Empowerment is a management technique that involves giving employees more authority and responsibility over how they perform their work activities. The way in which John Deere, the well-known tractor manufacturer, empowered its employees illustrates how this technique can help raise performance. The employees who assemble Deere's vehicles possess detailed knowledge about how Deere products work. Deere's managers realized these employees could become persuasive salespeople if they were given training. So groups of these employees were given intensive sales training and sent to visit Deere's customers and explain to them how to operate and service the company's new products. While speaking with customers, these newly empowered "salespeople" also collect information that helps Deere develop new products that better meet customers' needs. The new sales jobs are temporary; employees go on assignment but then return to the production line, where they use their new knowledge to find ways to improve efficiency and quality.

Lonnie Love, an Illinois farmer, checks out the custom wiring job on his John Deere tractor. Technicians, such as the one working on Love's tractor, add irreplaceable know-how to help John Deere's sales force.

LO 1-5 Discuss some major changes in management practices today that have occurred as a result of globalization and the use of advanced information technology (IT).

Often companies find that empowering employees can lead to so many kinds of performance gains that they use their reward systems to promote empowerment. For example, Deere's moves to empower employees were so successful that the company negotiated a new labor agreement with its employees to promote empowerment. The agreement specifies that pay increases will be based on employees' learning new skills and completing college courses in areas such as computer programming that will help the company increase efficiency and quality. Deere has continued to make greater use of teams throughout the 2010s, and its profits have soared because its competitors cannot match its user-friendly machines that are the result of its drive to respond to its customers' needs.

IT is being increasingly used to empower employees because it expands employees' job knowledge and increases the scope of their job responsibilities. Frequently IT allows one employee to perform a task that was previously performed by many employees. As a result, the employee has more autonomy and responsibility. IT also facilitates the use of a self-managed team, a group of employees who assume collective responsibility for organizing, controlling, and supervising their own work activities.[32] Using IT designed to give team members real-time information about each member's performance, a self-managed team can often find ways to accomplish a task more quickly and efficiently. Moreover, self-managed teams assume many tasks and responsibilities previously performed by first-line managers, so a company can better utilize its workforce.[33] First-line managers act as coaches or mentors whose job is not to tell employees what to do but to provide advice and guidance and help teams find new ways to perform their tasks more efficiently.[34] Using the same IT, middle managers can easily monitor what is happening in these teams and make better resource allocation decisions as a result. We discuss self-managed teams in more detail in Chapter 11.

self-managed team A group of employees who assume responsibility for organizing, controlling, and supervising their own activities and monitoring the quality of the goods and services they provide.

Challenges for Management in a Global Environment

Because the world has been changing more rapidly than ever before, managers and other employees throughout an organization must perform at higher and higher levels.[35] In the last 20 years, rivalry between organizations competing domestically (in the same country) and globally (in countries abroad) has increased dramatically. The rise of global organizations, organizations that operate and compete in more than one country, has pressured many organizations to identify better ways to use their resources and improve their performance. The successes of the German chemical companies Schering and Hoechst, Italian furniture manufacturer Natuzzi, Korean electronics companies Samsung and LG, Brazilian plane maker Embraer, and Europe's Airbus Industries are putting pressure on companies in other countries to raise their level of performance to compete successfully against these global organizations.

LO 1-6 Discuss the principal challenges managers face in today's increasingly competitive global environment.

Even in the not-for-profit sector, global competition is spurring change. Schools, universities, police forces, and government agencies are reexamining their operations because looking at how activities are performed in other countries often reveals better ways to do them. For example, many curriculum and teaching changes in the United States have resulted from the study of methods that Japanese and European school systems use. Similarly, European and Asian hospital systems have learned much from the U.S. system—which may be the most effective, though not the most efficient, in the world.

global organizations Organizations that operate and compete in more than one country.

Today managers who make no attempt to learn from and adapt to changes in the global environment find themselves reacting rather than innovating, and their organizations often become uncompetitive and fail. Four major challenges stand out for managers in today's world: building a competitive advantage, maintaining ethical standards, managing a diverse workforce, and utilizing new information systems and technologies.

Building Competitive Advantage

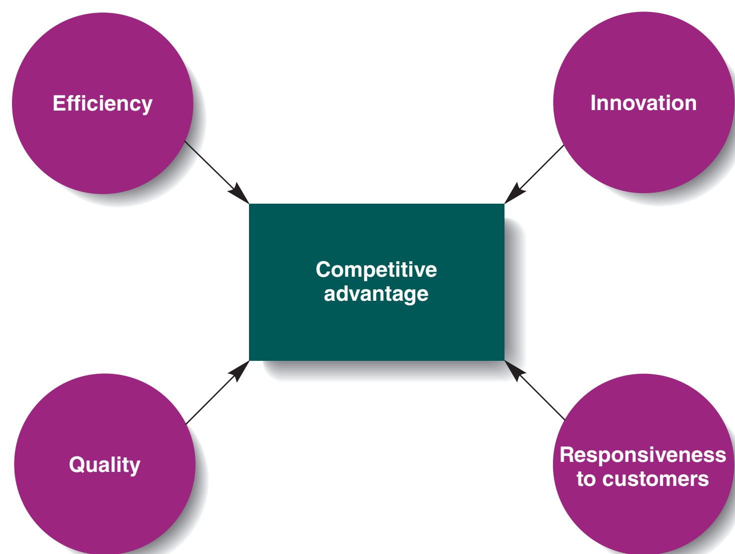
competitive advantage The ability of one organization to outperform other organizations because it produces desired goods or services more efficiently and effectively than they do.

What are the most important lessons for managers and organizations to learn if they are to reach and remain at the top of the competitive environment of business? The answer relates to the use of organizational resources to build a competitive advantage. Competitive advantage is the ability of one organization to outperform other organizations because it produces desired goods or services more efficiently and effectively than its competitors. The four building blocks of competitive advantage are superior *efficiency, quality, innovation,* and *responsiveness to customers* (see Figure 1.6).

Organizations increase their efficiency when they reduce the quantity of resources (such as people and raw materials) they use to produce goods or services. In today's competitive environment, organizations continually search for new ways to use their resources to improve efficiency. Many organizations are training their workforces in the new skills and techniques needed to operate heavily computerized assembly plants. Similarly, cross-training gives employees the range of skills they need to perform many different tasks; and organizing employees in new ways, such as in self-managed teams, lets them make good use of their skills. These are important steps in the effort to improve productivity. Japanese and German companies invest far more in training employees than do American or Italian companies.

Managers must improve efficiency if their organizations are to compete successfully with companies operating in Mexico, China, Malaysia, and other countries where employees are paid comparatively low wages. New methods

Figure 1.6
Building Blocks of Competitive Advantage



must be devised either to increase efficiency or to gain some other competitive advantage—higher-quality goods, for example—if outsourcing and the loss of jobs to low-cost countries are to be prevented.

The challenge from global organizations such as Korean electronics manufacturers, Mexican agricultural producers, and European design and financial companies also has increased pressure on companies to develop the skills and abilities of their workforces in order to improve the quality of their goods and services. One major thrust to improving quality has been to introduce the quality-enhancing techniques known as *total quality management (TQM).* Employees involved in TQM are often organized into quality control teams and are responsible for finding new and better ways to perform their jobs; they also must monitor and evaluate the quality of the goods they produce. We discuss ways of managing TQM successfully in Chapter 14.

Today companies can win or lose the competitive race depending on their *speed*—how fast they can bring new products to market—or their *flexibility*—how easily they can change or alter the way they perform their activities to respond to actions of their competitors. Companies that have speed and flexibility are agile competitors: Their managers have superior planning and organizing abilities; they can think ahead, decide what to do, and then speedily mobilize their resources to respond to a changing environment. We examine how managers can build speed and flexibility in their organizations in later chapters. Michael Dell and Tim Cook are working hard to make Dell and Apple agile companies that can react to the technological changes taking place in a digital world—their problem is how to maintain their competitive advantage against HP and Google.

innovation The process of creating new or improved goods and services or developing better ways to produce or provide them.

Innovation, the process of creating new or improved goods and services that customers want or developing better ways to produce or provide goods and services, poses a special challenge. Managers must create an organizational setting in which people are encouraged to be innovative. Typically innovation takes place in small groups or teams; management decentralizes control of work activities to team members and creates an organizational culture that rewards risk taking. For example, a team composed of Apple and Nike employees came up with the idea for a new model of iPod that would be able to record and measure the distance its owner had run, among other things, and the companies formed an alliance to make it.[36] Managing innovation and creating a work setting that encourages risk taking are among the most difficult managerial tasks.

Organizations compete for customers with their products and services, so training employees to be responsive to customers' needs is vital for all organizations, but particularly for service organizations. Retail stores, banks, and hospitals, for example, depend entirely on their employees to perform behaviors that result in high-quality service at a reasonable cost.[37] As many countries (the United States, Canada, and Switzerland are just a few) move toward a more service-based economy (in part because of the loss of manufacturing jobs to China, Malaysia, and other countries with low labor costs), managing behavior in service organizations is becoming increasingly important. Many organizations are empowering their customer service employees and giving them the authority to take the lead in providing high-quality customer service. As noted previously, empowering nonmanagerial employees and creating self-managed teams change the role of first-line managers and lead to more efficient use of organizational resources.

Sometimes the best efforts of managers to revitalize their organization's fortunes fail; and faced with bankruptcy, the directors of these companies are forced to appoint a new CEO who has a history of success in rebuilding a company.

turnaround management
The creation of a new vision for a struggling company based on a new approach to planning and organizing to make better use of a company's resources and allow it to survive and prosper.

Turnaround management is the creation of a new vision for a struggling company using a new approach to planning and organizing to make better use of a company's resources and allow it to survive and eventually prosper—something Apple's Steve Jobs excelled at. It involves developing radical new strategies such as how to reduce the number of products sold or change how they are made and distributed, or close corporate and manufacturing operations to reduce costs. Organizations that appoint turnaround CEOs are generally experiencing a crisis because they have become inefficient or ineffective; sometimes this is because of poor management over a continuing period, and sometimes it occurs because a competitor introduces a new product or technology that makes their own products unattractive to customers. For example, when Apple introduced the iPhone in 2007, sales of the former best-selling Motorola Razr cell phone plummeted because customers demand state-of-the-art products. Motorola has not recovered although it introduced new phones using Google's Android platform in 2009. Similarly, sales of BlackBerry and Nokia smartphones have plunged while those of Samsung have soared as it has introduced a line of Galaxy smartphones that can compete with the iPhone.

Achieving a competitive advantage requires that managers use all their skills and expertise, as well as their companies' other resources, to find new and improved ways to improve efficiency, quality, innovation, and responsiveness to customers. We revisit this theme often as we examine the ways managers plan strategies, organize resources and activities, and lead and control people and groups to increase efficiency and effectiveness.

Maintaining Ethical and Socially Responsible Standards

Managers at all levels, especially after the recent economic crisis, are under considerable pressure to make the best use of resources to increase the level at which their organizations perform.[38] For example, top managers feel pressure from shareholders to increase the performance of the entire organization to boost its stock price, improve profits, or raise dividends. In turn, top managers may pressure middle managers to find new ways to use organizational resources to increase efficiency or quality and thus attract new customers and earn more revenues—and then middle managers hit on their department's supervisors.

Pressure to increase performance can be healthy for an organization because it leads managers to question how the organization is working, and it encourages them to find new and better ways to plan, organize, lead, and control. However, too much pressure to perform can be harmful.[39] It may induce managers to behave unethically, and even illegally, when dealing with people and groups inside and outside the organization.[40]

A purchasing manager for a nationwide retail chain, for example, might buy inferior clothing as a cost-cutting measure or ignore the working conditions under which products are made to obtain low-priced products. These issues faced the managers of companies that make footwear and clothing in the 1990s, when customers learned about the sweatshop conditions in which garment and shoe workers around the world labored. Today companies such as Nike, Walmart, and Apple are trying to stop sweatshop practices and prevent managers abroad from adopting work practices that harm their workers. They now employ hundreds of inspectors who police the factories overseas that make the products they sell and who can terminate contracts with suppliers when they behave in an unethical or

illegal way. Nevertheless, in a 2010 report Apple revealed that its investigations showed that sweatshop conditions still existed in some of the factories it used abroad. Apple said that at least 55 of the 102 factories were ignoring Apple's rule that staff cannot work more than 60 hours a week, for example. Apple is continuing its efforts to reduce these abuses.[41]

Similarly, to secure a large foreign contract, a sales manager in a large company, such as in the defense or electronics industry, might offer bribes to foreign officials to obtain lucrative contracts—even though this is against the law. In 2010, for example, German electronic equipment maker Siemens agreed to pay $1.4 billion in fines to settle claims that it paid bribes and kickbacks to organizations around the world between 2001 and 2007. Securities and Exchange Commission (SEC) Chairman Christopher Cox alleged, "Siemens paid staggering amounts of money to circumvent the rules and gain business. Now, they will pay for it with the largest settlement in the history of the Foreign Corrupt Practices Act since it became law in 1977."[42]

The issue of social responsibility, discussed in Chapter 3, centers on deciding what obligations a company has toward the people and groups affected by its activities—such as employees, customers, or the cities in which it operates. Some companies have strong views about social responsibility; their managers believe they should protect the interests of others. But some managers may decide to act in an unethical way and put their own interests first, hurting others in the process. A recent example showing why managers must always keep the need to act in an ethical and socially responsible way at the forefront of their decision making is profiled in the following "Ethics in Action" box.

ETHICS IN ACTION

"What Goes Around Comes Around": How Dishonest Top Managers Can Corrupt Any Organization—Even a Court

Court judges at the federal, state, or county level are expected to possess the highest ethical standards and abide by the rule of law; they are the top managers who organize and control the legal system and the courts. Why should ordinary citizens believe they are protected by the legal system and their individual rights will be upheld fairly and objectively if they cannot trust their judges? Then imagine the shock citizens of Luzerne County in the heart of Pennsylvania's struggling coal country experienced in 2009 when an FBI investigation revealed that two respected county judges, Mark Ciavarella and Michael Conahan, had conspired to use the managerial power of their office to profit financially by sending thousands of teenagers to jail.

How these managers controlled the county's judicial organization for this unethical and illegal purpose was revealed when investigators found that the number of youths entering detention in Luzerne County was two to three times higher than in similar counties—and these teens were being jailed for trivial violations. A boy who shoplifted a $4 bottle of nutmeg was jailed, for example, and so was the boy with him, who was charged with conspiracy to shoplift because he was physically present. A girl who created a MySpace page that taunted her school administrator was also incarcerated.

Pictured are disgraced former judges Mark Ciavarella and Michael Conahan as they leave the courtroom building during their trial, which accused them of benefiting financially from giving thousands of teenagers illegal jail terms.

Judges Ciavarella and Conahan's plan to subvert the court's organization and control system worked as follows. At that time Conahan controlled the county court and its budget, and Ciavarella controlled sentencing in the juvenile court. As the top managers of the court system, they were largely unsupervised. Over time they worked together to shut down the old county-run juvenile detention center by refusing to send teens there and cutting off its funding. Meanwhile they created their own organization, a privately owned detention center built by the judges' corrupt associates, to replace the facility. Then the judges contracted with the county to pay $58 million to use their detention center for 10 years. The judges admitted they took "at least" $2.6 million in payoffs from their private youth detention center and tried to hide this dishonest income by creating false income tax records.

Most of the teens sentenced were on trial for minor first offenses, and their time in court to defend themselves often lasted for only minutes. Most were unrepresented because their parents were told it was "unnecessary to have a lawyer"; as a consequence one boy remained locked up for over two years. The Pennsylvania Supreme Court has expunged the records of over 2,000 youths who were sent into detention by Ciavarella because of his unethical behavior. "They sold their oath of offices to the highest bidders and engaged in ongoing schemes to defraud the public of honest services that were expected from them," said Deron Roberts, chief of the FBI's Scranton office.[43]

In 2009 these corrupt ex-justices agreed to a plea bargain in which they would spend seven years in jail and pay back millions of dollars. This plea bargain collapsed in 2009 when the presiding judge decided it was too lenient, and in 2010 they faced charges that could lead them to spend decades in jail.[44] In fact, in August 2011, Ciavarella received a 28-year sentence; unethical managers eventually face the consequences of their unsavory actions.

Managing a Diverse Workforce

A major challenge for managers everywhere is to recognize the ethical need and legal requirement to treat human resources fairly and equitably. Today the age, gender, race, ethnicity, religion, sexual preference, and socioeconomic composition of the workforce presents new challenges for managers. To create a highly trained and motivated workforce, as well as to avoid lawsuits, managers must establish human resource management (HRM) procedures and practices that are legal and fair and do not discriminate against any organizational members.[45] Today most organizations understand that to motivate effectively and take advantage of the talents of a diverse workforce, they must make promotion opportunities available to each and every employee.[46] Managers must recognize the performance-enhancing possibilities of a diverse workforce, such as the ability to take advantage of the skills and experiences of different kinds of people.[47] Accenture provides a good example of a company that has utilized the potential of its diverse employees.

Global consulting company Accenture is a first-mover in taking advantage of the diverse skills and knowledge of its consultants to create teams that can provide the customized solutions needed to best satisfy clients such as large overseas companies.

Accenture is a global management consulting company that serves the IT needs of thousands of client companies located in over 120 countries around the world. A major driving force behind Accenture's core organizational vision is to manage and promote diversity in order to improve employee performance and client satisfaction. At Accenture, managers at all levels realize consultants bring distinct experiences, talents, and values to their work, and a major management initiative is to take advantage of that diversity to encourage collaboration between consultants to improve the service Accenture provides to each of its clients. Because Accenture's clients are also diverse by country, religion, ethnicity, and so forth, it tries to match its teams of consultants to the attributes of its diverse clients.

Accenture provides hundreds of diversity management training programs to its consultants each year using its 13 teams of global human capital and diversity experts, who collaborate to create its programs. Accenture also encourages each of its consultants to pursue opportunities to "work across different geographies, workforces, and generations to create agile global leaders."[48] In 2010 one-third of its global workforce was composed of women, who also hold 16% of its management positions at all levels. Accenture chooses to buy from suppliers who can also demonstrate their commitment to diversity, and in 2010 nearly $300 million or 15% of Accenture's purchasing came from small minority- or women-owned suppliers. The firm also provides diversity training programs to its suppliers and prospective suppliers around the world to show them how diversity can increase their efficiency and effectiveness. In all these ways, Accenture uses its expertise in managing diversity to promote individual and organizational performance—one reason it has become the most successful and fast-growing consultancy company in the world.

Managers who value their diverse employees not only invest in developing these employees' skills and capabilities but also succeed best in promoting performance over the long run. Today more organizations are realizing that people are their most important resource and that developing and protecting human resources is the most important challenge for managers in a competitive global environment. Kevin Rollins, a former CEO of Dell, commented, "I've seen firsthand the power of a diverse workforce. Leveraging the similarities and differences of all team members enables Dell to develop the best products, provide a superior customer experience, and contribute in meaningful ways to the communities where we do business."[49] And as Takahiro Moriguchi of Union Bank of California said when accepting a national diversity award for his company when he was its CEO, "By searching for talent from among the disabled, both genders, veterans, gay, all ethnic groups and all nationalities, we gain access to a pool of ideas, energy, and creativity as wide and varied as the human race itself."[50] We discuss the many issues surrounding the management of a diverse workforce in Chapter 3.

Utilizing IT and E-Commerce

As we have discussed, another important challenge for managers is to continually utilize efficient and effective new IT that can link and enable managers and

UPS Dispatch Coordinator Jim McCauley shows driver Muamer Pleh how many stops he will be making in his next delivery run—all made possible by the company's new software that allows each driver to plan the most efficient delivery route each day, which saves the company time and money.

employees to better perform their jobs—whatever their level in the organization. One example of how IT has changed the jobs of people at all organizational levels comes from UPS, where, until 2006, its drivers relied on maps, note cards, and their own experience to plan the fastest way to deliver hundreds of parcels each day. This changed after UPS invested over $600 million to develop a computerized route optimization system that each evening plans each of its 56,000 drivers' routes for the next day in the most efficient way by, for example, minimizing the number of left turns that waste both time and gas. The program has been incredibly successful and has been continuously updated so that by 2010 UPS drivers covered tens of million fewer miles each month while they delivered ever-increasing numbers of packages faster.

Increasingly, new kinds of IT enable not just individual employees but also self-managed teams by giving them important information and allowing virtual interactions around the globe using the Internet. Increased global coordination helps improve quality and increase the pace of innovation. Microsoft, Hitachi, IBM, and most companies now search for new IT that can help them build a competitive advantage. The importance of IT is discussed in detail in Chapters 13 and throughout the text you will find icons that alert you to examples of how IT is changing the way companies operate.

Summary and Review

WHAT IS MANAGEMENT? A manager is a person responsible for supervising the use of an organization's resources to meet its goals. An organization is a collection of people who work together and coordinate their actions to achieve a wide variety of goals. Management is the process of using organizational resources to achieve organizational goals effectively and efficiently through planning, organizing, leading, and controlling. An efficient organization makes the most productive use of its resources. An effective organization pursues appropriate goals and achieves these goals by using its resources to create goods or services that customers want. **[LO 1-1]**

MANAGERIAL TASKS The four principal managerial tasks are planning, organizing, leading, and controlling. Managers at all levels of the organization and in all departments perform these tasks. Effective management means managing these activities successfully. **[LO 1-2]**

LEVELS AND SKILLS OF MANAGERS Organizations typically have three levels of management. First-line managers are responsible for the day-to-day supervision of nonmanagerial employees. Middle managers are responsible for developing and utilizing organizational resources efficiently and effectively. Top managers have cross-departmental responsibility. Three main kinds of managerial skills are conceptual, human, and technical. The need to develop and build technical skills leads organizations to divide managers into departments according to

their job-specific responsibilities. Top managers must establish appropriate goals for the entire organization and verify that department managers are using resources to achieve those goals. [LO 1-3, 1-4]

RECENT CHANGES IN MANAGEMENT PRACTICES To increase efficiency and effectiveness, many organizations have altered how they operate. Managers have restructured and downsized operations and outsourced activities to reduce costs. Companies are also empowering their workforces and using self-managed teams to increase efficiency and effectiveness. Managers are increasingly using IT to achieve these objectives. [LO 1-5]

CHALLENGES FOR MANAGEMENT IN A GLOBAL ENVIRONMENT Today's competitive global environment presents many interesting challenges to managers. One of the main challenges is building a competitive advantage by increasing efficiency; quality; speed, flexibility, and innovation; and customer responsiveness. Other challenges are behaving in an ethical and socially responsible way toward people inside and outside the organization, managing a diverse workforce, and utilizing new IT. [LO 1-6]

Management *in Action*

TOPICS FOR DISCUSSION AND ACTION

Discussion

1. Describe the difference between efficiency and effectiveness, and identify real organizations that you think are, or are not, efficient and effective. [LO 1-1]
2. In what ways can managers at each of the three levels of management contribute to organizational efficiency and effectiveness? [LO 1-3]
3. Identify an organization that you believe is high-performing and one that you believe is low-performing. Give five reasons why you think the performance levels of the two organizations differ so much. [LO 1-2, 1-4]
4. What are the building blocks of competitive advantage? Why is obtaining a competitive advantage important to managers? [LO 1-5]
5. In what ways do you think managers' jobs have changed the most over the last 10 years? Why have these changes occurred? [LO 1-6]

Action

6. Choose an organization such as a school or a bank; visit it; then list the different organizational resources it uses. How do managers use these resources to maintain and improve its performance? [LO 1-2, 1-4]
7. Visit an organization, and talk to first-line, middle, and top managers about their respective management roles in the organization and what they do to help the organization be efficient and effective. [LO 1-3, 1-4]
8. Ask a middle or top manager, perhaps someone you already know, to give examples of how he or she performs the managerial tasks of planning, organizing, leading, and controlling. How much time does he or she spend in performing each task? [LO 1-3]
9. Like Mintzberg, try to find a cooperative manager who will allow you to follow him or her around for a day. List the roles the manager plays, and indicate how much time he or she spends performing them. [LO 1-3, 1-4]

BUILDING MANAGEMENT SKILLS

Thinking about Managers and Management [LO 1-2, 1-3, 1-4]

Think of an organization that has provided you with work experience and the manager to whom you reported (or talk to someone who has had extensive work experience); then answer these questions:

1. Think about your direct supervisor. Of what department is he or she a member, and at what level of management is this person?
2. How do you characterize your supervisor's approach to management? For example, which particular management tasks and roles does this person perform most often? What kinds of management skills does this manager have?
3. Do you think the tasks, roles, and skills of your supervisor are appropriate for the particular job he or she performs? How could this manager improve his or her task performance? How can IT affect this?
4. How did your supervisor's approach to management affect your attitudes and behavior? For example, how well did you perform as a subordinate, and how motivated were you?
5. Think about the organization and its resources. Do its managers use organizational resources effectively? Which resources contribute most to the organization's performance?
6. Describe how the organization treats its human resources. How does this treatment affect the attitudes and behaviors of the workforce?
7. If you could give your manager one piece of advice or change one management practice in the organization, what would it be?
8. How attuned are the managers in the organization to the need to increase efficiency, quality, innovation, or responsiveness to customers? How well do you think the organization performs its prime goals of providing the goods or services that customers want or need the most?

MANAGING ETHICALLY [LO 1-1, 1-3]

Think about an example of unethical behavior that you observed in the past. The incident could be something you experienced as an employee or a customer or something you observed informally.

Questions

1. Either by yourself or in a group, give three reasons why you think the behavior was unethical. For example, what rules or norms were broken? Who benefited or was harmed by what took place? What was the outcome for the people involved?
2. What steps might you take to prevent such unethical behavior and encourage people to behave in an ethical way?

SMALL GROUP BREAKOUT EXERCISE [LO 1-2, 1-3, 1-4]

Opening a New Restaurant

Form groups of three or four people, and appoint one group member as the spokesperson who will communicate your findings to the entire class when called on by the instructor. Then discuss the following scenario:

You and your partners have decided to open a large, full-service restaurant in your local community; it will be open from 7 a.m. to 10 p.m. to serve breakfast, lunch, and dinner. Each of you is investing $50,000 in the venture, and together you have secured a bank loan for $300,000 to begin

operations. You and your partners have little experience in managing a restaurant beyond serving meals or eating in restaurants, and you now face the task of deciding how you will manage the restaurant and what your respective roles will be.

1. Decide what each partner's managerial role in the restaurant will be. For example, who will be responsible for the necessary departments and specific activities? Describe your managerial hierarchy.
2. Which building blocks of competitive advantage do you need to establish to help your restaurant succeed? What criteria will you use to evaluate how successfully you are managing the restaurant?
3. Discuss the most important decisions that must be made about (a) planning, (b) organizing, (c) leading, and (d) controlling to allow you and your partners to use organizational resources effectively and build a competitive advantage.
4. For each managerial task, list the issues to solve, and decide which roles will contribute the most to your restaurant's success.

BE THE MANAGER [LO 1-2, 1-5]

Problems at Achieva

You have just been called in to help managers at Achieva, a fast-growing Internet software company that specializes in business-to-business (B2B) network software. Your job is to help Achieva solve some management problems that have arisen because of its rapid growth.

Customer demand to license Achieva's software has boomed so much in just two years that more than 50 new software programmers have been added to help develop a new range of software products. Achieva's growth has been so swift that the company still operates informally, its organizational structure is loose and flexible, and programmers are encouraged to find solutions to problems as they go along. Although this structure worked well in the past, you have been told that problems are arising.

There have been increasing complaints from employees that good performance is not being recognized in the organization and that they do not feel equitably treated. Moreover, there have been complaints about getting managers to listen to their new ideas and to act on them. A bad atmosphere is developing in the company, and recently several talented employees left. Your job is to help Achieva's managers solve these problems quickly and keep the company on the fast track.

Questions

1. What kinds of organizing and controlling problems is Achieva suffering from?
2. What kinds of management changes need to be made to solve them?

BLOOMBERG BUSINESSWEEK CASE IN THE NEWS [LO 1-1, 1-2, 1-3, 1-6]

Costco CEO Craig Jelinek Leads the Cheapest, Happiest Company in the World

Joe Carcello has a great job. The 59-year-old has an annual salary of $52,700, gets five weeks of vacation a year, and is looking forward to retiring on the sizable nest egg in his 401(k), which his employer augments with matching funds. After 26 years at his company, he's not worried about layoffs. In 2009, as the recession deepened, his bosses handed out raises. "I'm just grateful to come here to work every day," he says.

This wouldn't be remarkable except that Carcello works in retail, one of the stingiest industries in America, with some of the most dissatisfied workers. On May 29, Wal-Mart Stores (WMT) employees in Miami, Boston, and the San Francisco Bay Area began a week-long strike. (A Walmart spokesman told MSNBC the strike was a "publicity stunt.") Workers at an Amazon.com (AMZN) fulfillment center in Leipzig, Germany, also recently held strikes to demand higher pay and better benefits. (An Amazon spokesman says its employees earn more than the average warehouse

worker.) In its 30-year history, Carcello's employer, Costco, has never had significant labor troubles.

Costco Wholesale (COST), the second-largest retailer in the U.S. behind Walmart, is an anomaly in an age marked by turmoil and downsizing. Known for its $55-a-year membership fee and its massive, austere warehouses stocked floor to ceiling with indulgent portions of everything from tilapia to toilet paper, Costco has thrived over the last five years. While competitors lost customers to the Internet and weathered a wave of investor pessimism, Costco's sales have grown 39 percent and its stock price has doubled since 2009. The hot streak continued through last year's retirement of widely admired cofounder and Chief Executive Officer Jim Sinegal. The share price is up 30 percent under the leadership of its new, plain-spoken CEO, Craig Jelinek.

Despite the sagging economy and challenges to the industry, Costco pays its hourly workers an average of $20.89 an hour, not including overtime (vs. the minimum wage of $7.25 an hour). By comparison, Walmart said its average wage for full-time employees in the U.S. is $12.67 an hour. Eighty-eight percent of Costco employees have company-sponsored health insurance; Walmart says that "more than half" of its do. Costco workers with coverage pay premiums that amount to less than 10 percent of the overall cost of their plans. It treats its employees well in the belief that a happier work environment will result in a more profitable company. "I just think people need to make a living wage with health benefits," says Jelinek. "It also puts more money back into the economy and creates a healthier country. It's really that simple."

The Issaquah (Wash.) headquarters of Costco, 20 miles from Seattle, radiate frugality. The floor of the executive wing is covered in faded blue carpet, and in the boardroom, six faux-wood tables—which would look at home in a public school teachers' lounge—are jammed together. On the walls are several Van Gogh and Picasso prints (less than $15 at Art.com), along with two badly staged photographs of the company's board of directors. In one, a picture of Jelinek's head has been awkwardly taped onto the frame, hovering above a Weber grill.

Jelinek earned $650,000 in 2012, plus a $200,000 bonus and stock options worth about $4 million, based on the company's performance. That's more than Sinegal, who made $325,000 a year. By contrast, Walmart CEO Mike Duke's 2012 base salary was $1.3 million; he was also awarded a $4.4 million cash bonus and $13.6 million in stock grants.

No-frills is the defining style of the 627 Costco warehouses around the world. Each stocks around 4,000 different products, and almost everything is marked up 14 percent or less over cost. Items like diapers, suitcases, and wine, which it sells under its in-house Kirkland Signature brand, get a maximum 15 percent bump. All of the stock sits on industrial shelving that the company internally calls "the steel," or in piles that spill from pallets. After accounting for expenses such as real estate costs and wages, Costco barely ekes out a profit on many of its products. Eighty percent of its gross profit comes from membership fees; customers renew their memberships at a rate of close to 90 percent, the company says. It raised its fee by 10 percent in 2011 to few complaints.

"They are buying and selling more olive oil, more cranberry juice, more throw rugs than just about anybody," says David Schick, an analyst at Stifel Nicolaus. And that allows Costco to get bulk discounts from its suppliers, often setting the industry's lowest price. Even Amazon can't beat Costco's prices, which means that "showrooming," or browsing in stores but buying online for the better price, isn't much of a concern for Jelinek.

Costco's constitutional thrift makes its generous pay and health packages all the more remarkable. About 4 percent of its workers, including those who give away samples and sell mobile phones, are part-time and employed by contractors, though Costco says it seeks to ensure they have above-industry-average pay. And while Walmart, Amazon, and others actively avoid unionization, Costco, while not exactly embracing it, is comfortable that the International Brotherhood of Teamsters represents about 15 percent of its U.S. employees. "They are philosophically much better than anyone else I have worked with," says Rome Aloise, a Teamsters vice president.

Costco may be a different species than most big-box chains, but it shares genetic material with Walmart, Kmart, Kohl's (KSS), and Target (TGT), all born in 1962 to cater to the boundless consumer appetites of an expanding middle class. The companies had the same inspiration: FedMart, whose founder, Sol Price, opened some of the first discount department stores in San Diego in the early 1950s, for the first time pairing diverse merchandise and bargain basement prices under a single roof. In the wake of FedMart's collapse after a failed acquisition,

Price and his son Robert created Price Club in 1976. The new store stocked only a few thousand products, all in large quantity, and marked everything up a set amount in the belief that retailers added only limited value; prices should reflect that. Price, who died in 2009, was a demanding boss known for knocking fragile merchandise onto the floor if it blocked customer sightlines. Yet he had a devotion to fair labor practices: He solicited the Teamsters to represent his employees. “Sol’s message was always very much the same if you saw through the rough exterior,” says Paul Latham, the vice president of marketing and membership services at Costco, who, like many Costco executives, started his career working for Price. “It was about creating value, about treating your employees and customers well, and respecting your vendors—and ultimately rewarding your shareholders in the process.”

Sinegal was one of Price’s top lieutenants. He brought the Price Club model to Washington in 1983 to start Costco with local attorney Jeff Brotman. Price Club and Costco merged in 1992, and though the combination was troubled and Price left soon after, Sinegal maintained Price’s pro-labor principles. Costco went public in 1985, and over the years, Wall Street repeatedly asked it to reduce wages and health benefits. Sinegal instead boosted them every three years.

Jelinek has a strong opinion about one of Costco’s best-known products, the $1.50 hot dog the company makes in a facility in California’s Central Valley and distributes to all of its North American warehouses. “I’m a purist,” he says, noting that he has a hot dog for lunch every day when he’s traveling. “No mustard. No ketchup. I savor that hot dog. I eat ’em plain.” He says he never touches the pizza. (It’s good, he says, he just doesn’t care for it.)

Like his predecessor, Jelinek, 59, preaches simplicity, and he has a propensity for aphorisms ending with “good things will happen to you.” “This isn’t Harvard grad stuff,” he says. “We sell quality stuff at the best possible price. If you treat consumers with respect and treat employees with respect, good things are going to happen to you.” He vows to continue Sinegal’s legacy and doesn’t seem to mind a widespread characterization of himself as a “Jim clone.” “We don’t want to be casualties like some of these other big retailers, like the Sears of the world and Kmart and Circuit City. We are in for the long haul,” he says.

As CEO, his biggest move is increasing Costco’s international presence. Over the next two years, Costco will open its first locations in France and Spain. Two-thirds of Costco’s expansion over the next five years will be international, according to Galanti, with a focus on Japan, Taiwan, and South Korea. Jelinek’s strategy is to require Costco’s suppliers to give it global deals, even if it upsets their relationships with other retailers in different countries. “If you are going to do business with us, you are not going to say that we can’t sell to you in this country,” he says. “They are not really respecting our business if they do that.” Another challenge for Jelinek is making his voice heard over Sinegal’s. Even after his official retirement in early 2012, the co-founder stuck around as an adviser for another year, sitting in on meetings and surreptitiously funneling questions through Joseph Portera, executive vice president of Costco’s eastern division. Jelinek concedes he’s in a peculiar position, considering Sinegal’s presence and the iron-like grip he had over the company, but he says he’s happy to have his former boss around. “It’s kind of like, your dad is still your dad, no matter how old he is. So it’s been great. He lets me run the business, and every once in a while he says, ‘Have you rethought this?’”

Another pressing issue is the age of the company’s executive team, most of whom are in their late 50s. “We’re all old,” says Brotman, who is 70. Jelinek says his team talks about succession planning constantly and recently expanded a program to ready the next wave of company leaders. It will have to look inside, since Costco does not hire business school graduates—thanks to another idiosyncrasy meant to preserve its distinct company culture. It cultivates employees who work the floor in its warehouses and sponsors them through graduate school. Seventy percent of its warehouse managers started at the company by pushing carts and ringing cash registers. Employees rarely leave: The company turnover rate is 5 percent among employees who have been there over a year, and less than 1 percent among the executive ranks. That’s impressive, but it also suggests the company does not have a regular influx of outside views. Even John Matthews, vice president in charge of human resources, calls the company “awfully inbred.”

Sol Price’s virtuous cycle continues to work for the company—happy employees are more productive, effective workers. Jelinek is content to focus on the future of Costco, vowing to keep prices low, volumes high, and his employees happy. “As long as you continue to take care of the

customer, take care of employees, and keep your expenses in line, good things are going to happen to you," he says. "I don't ever want us to become irrelevant. I hope when I'm 90, and this company is around 30 years from now, I can go eat a hot dog at a Costco food court and hear someone say, 'I remember you.'"

Questions

1. How does CEO Jelinek's management approach resemble that of former CEO Sinegal?
2. How would you describe Costco's approach to planning and strategy?
3. What is Costco's approach to managing its workforce? How has this approach influenced the culture and values of the company?

Source: Brad Stone, "Costco CEO Craig Jelinek Leads the Cheapest, Happiest Company in the World," *Bloomberg Businessweek,* www.businessweek.com, accessed June 6, 2013.

APPENDIX A History of Management Thought

The systematic study of management began in the closing decades of the 19th century, after the Industrial Revolution had swept through Europe and America. In the new economic climate, managers of all types of organizations—political, educational, and economic—were increasingly turning their focus toward finding better ways to satisfy customers' needs. Many major economic, technical, and cultural changes were taking place at this time. With the introduction of steam power and the development of sophisticated machinery and equipment, the Industrial Revolution changed the way goods were produced, particularly in the weaving and clothing industries. Small workshops run by skilled workers who produced hand-manufactured products (a system called *crafts production*) were being replaced by large factories in which sophisticated machines controlled by hundreds or even thousands of unskilled or semiskilled workers made products. For example, raw cotton and wool that in the past families or whole villages working together had spun into yarn were now shipped to factories where workers operated machines that spun and wove large quantities of yarn into cloth.

Owners and managers of the new factories found themselves unprepared for the challenges accompanying the change from small-scale crafts production to large-scale mechanized manufacturing. Moreover, many of the managers and supervisors in these workshops and factories were engineers who had only a technical orientation. They were unprepared for the social problems that occur when people work together in large groups (as in a factory or shop system). Managers began to search for new techniques to manage their organizations' resources, and soon they began to focus on ways to increase the efficiency of the worker–task mix. They found help from Frederick W. Taylor.

scientific management
The systematic study of relationships between people and tasks to increase efficiency.

F. W. Taylor and Scientific Management

Frederick W. Taylor (1856–1915) is best known for defining the techniques of scientific management, the systematic study of relationships between people and tasks for the purpose of redesigning the work process to increase efficiency. Taylor was a manufacturing manager who eventually became a consultant and taught other managers how to apply his scientific management techniques. Taylor believed that if the amount of time and effort that each worker expends to produce a unit of output (a finished good or service) can be reduced by increasing specialization and the division of labor, the production process will become more efficient. Taylor believed the way to create the most efficient division of

Frederick W. Taylor, founder of scientific management, and one of the first people to study the behavior and performance of people in the workplace.

labor could best be determined by using scientific management techniques, rather than intuitive or informal rule-of-thumb knowledge. Based on his experiments and observations as a manufacturing manager in a variety of settings, he developed four principles to increase efficiency in the workplace:[1]

- Principle 1: *Study the way workers perform their tasks, gather all the informal job knowledge that workers possess, and experiment with ways of improving the way tasks are performed.*

  To discover the most efficient method of performing specific tasks, Taylor studied in great detail and measured the ways different workers went about performing their tasks. One of the main tools he used was a time and motion study, which involves the careful timing and recording of the actions taken to perform a particular task. Once Taylor understood the existing method of performing a task, he then experimented to increase specialization; he tried different methods of dividing up and coordinating the various tasks necessary to produce a finished product. Usually this meant simplifying jobs and having each worker perform fewer, more routine tasks. Taylor also sought to find ways to improve each worker's ability to perform a particular task—for example, by reducing the number of motions workers made to complete the task, by changing the layout of the work area or the type of tool workers used, or by experimenting with tools of different sizes.

- Principle 2: *Codify the new methods of performing tasks into written rules and standard operating procedures.*

  Once the best method of performing a particular task was determined, Taylor specified that it should be recorded so that the procedures could be taught to all workers performing the same task. These rules could be used to further standardize and simplify jobs—essentially, to make jobs even more routine. In this way efficiency could be increased throughout an organization.

- Principle 3: *Carefully select workers so that they possess skills and abilities that match the needs of the task, and train them to perform the task according to the established rules and procedures.*

  To increase specialization, Taylor believed workers had to understand the tasks that were required and be thoroughly trained in order to perform a task at the required level. Workers who could not be trained to this level were to be transferred to a job where they were able to reach the minimum required level of proficiency.[2]

- Principle 4: *Establish a fair or acceptable level of performance for a task, and then develop a pay system that provides a reward for performance above the acceptable level.*

  To encourage workers to perform at a high level of efficiency, and to provide them with an incentive to reveal the most efficient techniques for performing a task, Taylor advocated that workers benefit from any gains in performance. They should be paid a bonus and receive some percentage of the performance gains achieved through the more efficient work process.

By 1910, Taylor's system of scientific management had become nationally known and in many instances faithfully and fully practiced.[3] However, managers

in many organizations chose to implement the new principles of scientific management selectively. This decision ultimately resulted in problems. For example, some managers using scientific management obtained increases in performance, but rather than sharing performance gains with workers through bonuses as Taylor had advocated, they simply increased the amount of work that each worker was expected to do. Many workers experiencing the reorganized work system found that as their performance increased, managers required them to do more work for the same pay. Workers also learned that increases in performance often meant fewer jobs and a greater threat of layoffs because fewer workers were needed. In addition, the specialized, simplified jobs were often monotonous and repetitive, and many workers became dissatisfied with their jobs.

From a performance perspective, the combination of the two management practices—(1) achieving the right mix of worker–task specialization and (2) linking people and tasks by the speed of the production line—resulted in huge savings in cost and huge increases in output that occur in large, organized work settings. For example, in 1908, managers at the Franklin Motor Company using scientific management principles redesigned the work process, and the output of cars increased from 100 cars a month to 45 cars a day; workers' wages, however, increased by only 90%.[4]

Taylor's work has had an enduring effect on the management of production systems. Managers in every organization, whether it produces goods or services, now carefully analyze the basic tasks that workers must perform and try to create a work environment that will allow their organizations to operate most efficiently. We discuss this important issue in Chapter 7.

Weber's Bureaucratic Theory

Side by side with scientific managers studying the person–task mix to increase efficiency, other researchers were focusing on how to increase the efficiency with which organizations were managed. Max Weber, a German professor of sociology, outlined his famous principles of bureaucracy—a formal system of organization and administration designed to ensure efficiency and effectiveness—and created bureaucratic theory. A bureaucratic system of administration is based on five principles:

bureaucracy A formal system of organization and administration designed to ensure efficiency and effectiveness.

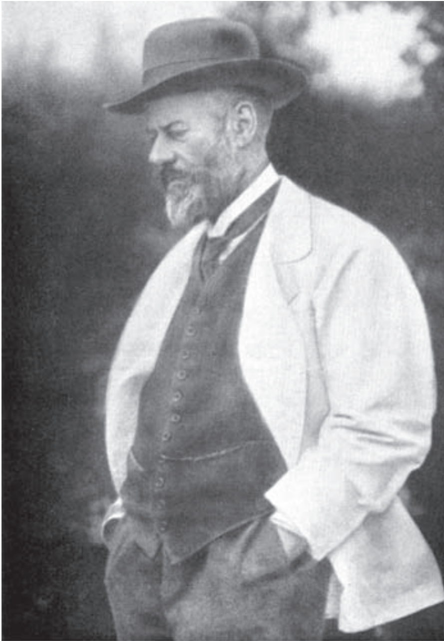
authority The power to hold people accountable for their actions and to allocate organizational resources.

- Principle 1: *In a bureaucracy, a manager's formal authority derives from the position he or she holds in the organization.*

  Authority is the power to hold people accountable for their actions and to make decisions concerning the use of organizational resources. Authority gives managers the right to direct and control their subordinates' behavior to achieve organizational goals. In a bureaucratic system of administration, obedience is owed to a manager, not because of any personal qualities—such as personality, wealth, or social status—but because the manager occupies a position that is associated with a certain level of authority and responsibility.[5]

- Principle 2: *In a bureaucracy, people should occupy positions because of their performance, not because of their social standing or personal contacts.*

  This principle was not always followed in Weber's time and is often ignored today. Some organizations and industries are still affected by social networks in which personal contacts and relations, not job-related skills, influence hiring and promotion decisions.



Max Weber developed the principles of bureaucracy during Germany's burgeoning industrial revolution to help organizations increase their efficiency and effectiveness.

- Principle 3: *The extent of each position's formal authority and their responsibilities, and their relationship to other positions in an organization, should be clearly specified.*

When the tasks and authority associated with various positions in the organization are clearly specified, managers and workers know what is expected of them and what to expect from each other. Moreover, an organization can hold all its employees strictly accountable for their actions when they know their exact responsibilities.

- Principle 4: *Authority can be exercised effectively in an organization when positions are arranged hierarchically, so employees know whom to report to and who reports to them.*[6]

Managers must create an organizational hierarchy of authority that makes it clear who reports to whom and to whom managers and workers should go if conflicts or problems arise. This principle is especially important in the armed forces, FBI, CIA, and other organizations that deal with sensitive issues involving possible major repercussions. It is vital that managers at high levels of the hierarchy be able to hold subordinates accountable for their actions.

- Principle 5: *Managers must create a well-defined system of rules, standard operating procedures, and norms so that they can effectively control behavior within an organization.*

rules Formal written instructions specifying to be taken.

standard operating procedures (SOPs) Specific sets of rules about how to perform a particular task.

norms Unwritten informal codes of conduct that prescribe how people should act in particular situations and are considered important by most members of a group or organization.

Rules are formal written instructions that specify actions to be taken under different circumstances to achieve specific goals (for example, if A happens, do B). Standard operating procedures (SOPs) are specific sets of written instructions about how to perform a certain aspect of a task. A rule might state that at the end of the workday employees are to leave their machines in good order, and a set of SOPs specifies exactly how they should do so, itemizing which machine parts must be oiled or replaced. Norms are unwritten, informal codes of conduct that prescribe how people should act in particular situations. For example, an organizational norm in a restaurant might be that waiters should help each other if time permits.

Rules, SOPs, and norms provide behavioral guidelines that increase the performance of a bureaucratic system because they specify the best ways to accomplish organizational tasks. Companies such as McDonald's and Walmart have developed extensive rules and procedures to specify the behaviors required of their employees, such as "Always greet the customer with a smile."

Weber believed that organizations that implement all five principles establish a bureaucratic system that improves organizational performance. The specification of positions and the use of rules and SOPs to regulate how tasks are performed make it easier for managers to organize and control the work of subordinates. Similarly, fair and equitable selection and promotion systems improve managers' feelings of security, reduce stress, and encourage organizational members to act ethically and further promote the interests of the organization.[7]

If bureaucracies are not managed well, many problems can result. Sometimes managers allow rules and SOPs, "bureaucratic red tape," to become so cumbersome that decision making becomes slow and inefficient and organizations are unable to change. When managers rely too much on rules to solve problems and

not enough on their own skills and judgment, their behavior becomes inflexible. A key challenge for managers is to use bureaucratic principles to benefit, rather than harm, an organization.

The Work of Mary Parker Follett

If F. W. Taylor is considered the father of management thought, Mary Parker Follett (1868–1933) serves as its mother.[8] Much of her writing about management and the way managers should behave toward workers was a response to her concern that Taylor was ignoring the human side of the organization. She pointed out that management often overlooks the multitude of ways in which employees can contribute to the organization when managers allow them to participate and exercise initiative in their everyday work lives.[9] Taylor, for example, never proposed that managers involve workers in analyzing their jobs to identify better ways to perform tasks, or even ask workers how they felt about their jobs. Instead, he used time and motion experts to analyze workers' jobs for them. Follett, in contrast, argued that because workers know the most about their jobs, they should be involved in job analysis and managers should allow them to participate in the work development process.

Mary Parker Follett, an early management thinker who advocated, "Authority should go with knowledge . . . whether it is up the line or down."

Follett proposed, "Authority should go with knowledge . . . whether it is up the line or down." In other words, if workers have the relevant knowledge, then workers, rather than managers, should be in control of the work process itself, and managers should behave as coaches and facilitators—not as monitors and supervisors. In making this statement, Follett anticipated the current interest in self-managed teams and empowerment. She also recognized the importance of having managers in different departments communicate directly with each other to speed decision making. She advocated what she called "cross-functioning": members of different departments working together in cross-departmental teams to accomplish projects—an approach that is increasingly utilized today.[10] She proposed that knowledge and expertise, not managers' formal authority deriving from their position in the hierarchy, should decide who would lead at any particular moment. She believed, as do many management theorists today, that power is fluid and should flow to the person who can best help the organization achieve its goals. Follett took a horizontal view of power and authority, rather than viewing the vertical chain of command as being most essential to effective management. Thus, Follett's approach was very radical for its time.

The Hawthorne Studies and Human Relations

Probably because of its radical nature, Follett's work went unappreciated by managers and researchers until quite recently. Most continued to follow in the footsteps of Taylor, and to increase efficiency, they studied ways to improve various characteristics of the work setting, such as job specialization or the kinds of tools workers used.

Workers in a telephone manufacturing plant, in 1931. Around this time, researchers at the Hawthorne Works of the Western Electric Company began to study the effects of work setting characteristics—such as lighting and rest periods—on productivity. To their surprise, they discovered that workers' productivity was affected more by the attention they received from researchers than by the characteristics of the work setting—a phenomenon that became known as the Hawthorne effect.

One series of studies was conducted from 1924 to 1932 at the Hawthorne Works of the Western Electric Company.[11] This research, now known as the Hawthorne studies, was initiated as an attempt to investigate how characteristics of the work setting—specifically the level of lighting or illumination—affect worker fatigue and performance. The researchers conducted an experiment in which they systematically measured worker productivity at various levels of illumination.

The experiment produced some unexpected results. The researchers found that regardless of whether they raised or lowered the level of illumination, productivity increased. In fact, productivity began to fall only when the level of illumination dropped to the level of moonlight, a level at which presumably workers could no longer see well enough to do their work efficiently.

As you can imagine, the researchers found these results very puzzling. They invited a noted Harvard psychologist, Elton Mayo, to help them. Mayo proposed another series of experiments to solve the mystery. These experiments, known as the relay assembly test experiments, were designed to investigate the effects of other aspects of the work context on job performance, such as the effect of the number and length of rest periods and hours of work on fatigue and monotony.[12] The goal was to raise productivity.

During a two-year study of a small group of female workers, the researchers again observed that productivity increased over time, but the increases could not be solely attributed to the effects of changes in the work setting. Gradually, the researchers discovered that, to some degree, the results they were obtaining were influenced by the fact that the researchers themselves had become part of the experiment. In other words, the presence of the researchers was affecting the results because the workers enjoyed receiving attention and being the subject of study and were willing to cooperate with the researchers to produce the results they believed the researchers desired.

Hawthorne effect
Workers' productivity is affected more by observation or attention received than by physical work setting.

human relations movement
Advocates behavior and leadership training of supervisors to elicit worker cooperation and improve productivity.

Subsequently, it was found that many other factors also influence worker behavior, and it was not clear what was actually influencing the Hawthorne workers' behavior. However, this particular effect—which became known as the Hawthorne effect—seemed to suggest that the attitudes of workers toward their managers affect the level of workers' performance. In particular, the significant finding was that a manager's behavior or leadership approach can affect performance. This finding led many researchers to turn their attention to managerial behavior and leadership. If supervisors could be trained to behave in ways that would elicit cooperative behavior from their subordinates, then productivity could be increased. From this view emerged the human relations movement, which advocates that supervisors be behaviorally trained to manage subordinates in ways that elicit their cooperation and increase their productivity.

The importance of behavioral or human relations training became even clearer to its supporters after another series of experiments—the bank wiring

room experiments. In a study of workers making telephone-switching equipment, researchers Elton Mayo and F. J. Roethlisberger discovered that the workers, as a group, had deliberately adopted a norm of output restriction to protect their jobs. Other group members subjected workers who violated this informal production norm to sanctions. Those who violated group performance norms and performed above the norm were called "ratebusters"; those who performed below the norm were called "chisellers."

The experimenters concluded that both types of workers threatened the group as a whole. Ratebusters threaten group members because they reveal to managers how fast the work can be done. Chisellers are looked down on because they are not doing their share of the work. Work-group members discipline both ratebusters and chisellers in order to create a pace of work that the workers (not the managers) think is fair. Thus, the work group's influence over output can be as great as the supervisors' influence. Since the work group can influence the behavior of its members, some management theorists argue that supervisors should be trained to behave in ways that gain the goodwill and cooperation of workers so that supervisors, not workers, control the level of work-group performance.

One of the main implications of the Hawthorne studies was that the behavior of managers and workers in the work setting is as important in explaining the level of performance as the technical aspects of the task. Managers must understand the workings of the informal organization, the system of behavioral rules and norms that emerge in a group, when they try to manage or change behavior in organizations. Many studies have found that, as time passes, groups often develop elaborate procedures and norms that bond members together, allowing unified action either to cooperate with management in order to raise performance or to restrict output and thwart the attainment of organizational goals.[13] The Hawthorne studies demonstrated the importance of understanding how the feelings, thoughts, and behavior of work-group members and managers affect performance. It was becoming increasingly clear to researchers that understanding behavior in organizations is a complex process that is critical to increasing performance.[14] Indeed, the increasing interest in the area of management known as organizational behavior, the study of the factors that have an impact on how individuals and groups respond to and act in organizations, dates from these early studies.

informal organization The system of behavioral rules and norms that emerge in work groups.

organizational behavior The study of factors that impact how workers respond to and act in an organization.

Theory X and Theory Y

Several studies after the Second World War revealed how assumptions about workers' attitudes and behavior affect managers' behavior. Douglas McGregor developed the most influential approach. He proposed that two different sets of assumptions about work attitudes and behaviors dominate the way managers think and affect how they behave in organizations. McGregor named these two contrasting sets of assumptions *Theory X* and *Theory Y*.[15]

According to the assumptions of Theory X, the average worker is lazy, dislikes work, and will try to do as little as possible. Moreover, workers have little ambition and wish to avoid responsibility. Thus, the manager's task is to counteract workers' natural tendencies to avoid work. To keep workers' performance at a high level, the manager must supervise them closely and control their behavior by means of "the carrot and stick"—rewards and punishments.

Theory X The assumption that workers will try to do as little as possible and avoid further responsibility unless rewarded or punished for doing otherwise.

Managers who accept the assumptions of Theory X design and shape the work setting to maximize their control over workers' behaviors and minimize workers'

control over the pace of work. These managers believe that workers must be made to do what is necessary for the success of the organization, and they focus on developing rules, SOPs, and a well-defined system of rewards and punishments to control behavior. They see little point in giving workers autonomy to solve their own problems because they think that the workforce neither expects nor desires cooperation. Theory X managers see their role as to closely monitor workers to ensure that they contribute to the production process and do not threaten product quality. Henry Ford, who closely supervised and managed his workforce, fits McGregor's description of a manager who holds Theory X assumptions.

Theory Y The assumption that workers will do what is best for an organization if given the proper work setting, opportunity and encouragement.

In contrast, Theory Y assumes that workers are not inherently lazy, do not naturally dislike work, and, if given the opportunity, will do what is good for the organization. According to Theory Y, the characteristics of the work setting determine whether workers consider work to be a source of satisfaction or punishment; and managers do not need to closely control workers' behavior in order to make them perform at a high level, because workers will exercise self-control when they are committed to organizational goals. The implication of Theory Y, according to McGregor, is that "the limits of collaboration in the organizational setting are not limits of human nature but of management's ingenuity in discovering how to realize the potential represented by its human resources."[16] It is the manager's task to create a work setting that encourages commitment to organizational goals and provides opportunities for workers to be imaginative and to exercise initiative and self-direction.

When managers design the organizational setting to reflect the assumptions about attitudes and behavior suggested by Theory Y, the characteristics of the organization are quite different from those of an organizational setting based on Theory X. Managers who believe that workers are motivated to help the organization reach its goals can decentralize authority and give more control over the job to workers, both as individuals and in groups. In this setting, individuals and groups are still accountable for their activities, but the manager's role is not to control employees but to provide support and advice, to make sure workers have the resources they need to perform their jobs, and to evaluate them on their ability to help the organization meet its goals.

These same kinds of debates are raging today as managers seek to increase both the efficiency and effectiveness of their organizations.