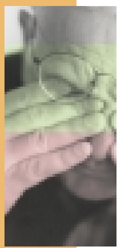
1 PART

Introduction to Management



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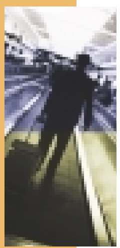
Management *2*



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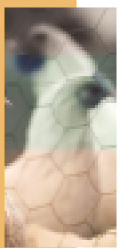

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CHAPTER 1

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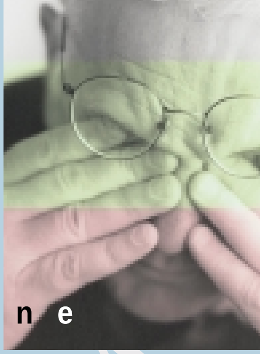


one

Management

What Would You Do?

Headquarters, NextJump, Inc., New York, New York. Charlie Kim started his new company, NextJump, after an exhausting two years at Morgan Stanley, a New York investment bank, where he worked 80-hour weeks. Kim figured that most people left Morgan Stanley for jobs at companies that allowed them to have personal lives. “People were working until 1 A.M., drinking coffee, eating junk,” he says, “and they were miserable.” Kim committed to run NextJump in a fair way for employees. He backed up his commitment by not allowing employees to work late nights or weekends. He said, “I don’t want anyone to be drained or exhausted.” And unlike many tech startups, beds, cots, and futons weren’t permitted. Said Kim, “If you need to sleep, you should go home.” Alice Park, NextJump’s director of product development, said getting kicked out of the office by the boss was “a little strange to me at first. I had come from an investment bank, where it seemed normal to work until 9 or 10 at night. But people here have a different style of working.”

Kim also figured that work would be more fun if everybody knew each other, so within a year, he brought in three of his friends as partners. This partnership worked so well that NextJump continued its policy of hiring friends. As NextJump grew from 30 to 105 employees in just three months, its employees ended up working with their college roommates, their prom dates, and their brothers and sisters. The company even displayed a diagram of a “family tree,” which showed how everyone in the company was connected to everyone else. As a finishing touch to making NextJump a great place to work, Kim bought gym memberships for everyone (and then encouraged them to work out whenever they wanted) and hired a masseuse to give massages on company time.

For a while, NextJump was a good company and an even better place to work. But problems soon emerged. Key people often missed important meetings because they were at the gym. Furthermore, even when everyone could attend, staff meetings became turbulent, too large, and disorganized. Meetings had been well run when the company was small, but now they turned into arguments about key company decisions, such as determining which products to sell, or whether the company should offer print products in addition to those it sold online. These problems were compounded when employees openly questioned the decisions of management and anyone else outside their small circle of friends. Peter Rommeny, NextJump’s former HR director, said, “You have a group of five, six, ten people—all best friends who went to school together. If one gets disillusioned, it affects the rest of the people in that group. . . . You kind of have to walk on eggshells to provide disciplinary conversation or feedback. Whatever you say to one person will get out to everyone else in the group.”

After several months of continuous griping and out-of-control meetings, a frustrated Charlie Kim fired a dozen employees who he felt were at the root of the problems. He said, “We were spending too much time managing negative people.” But because of the tight friendships in the company, most of which had existed before people were hired, another half-dozen people immediately quit. Morale and company performance plummeted. Instead of making things better, the firings made them much worse. Kim lost sleep and became depressed.

Slowly he came to the realization that he, too, needed to change for the company to succeed, that what had worked when the company had just 10 employees was not going to work when it had 130. After some encouragement from friends, advisors, and investors, he began to consider the following issues: *What are my primary responsibilities as a top manager? Does that include keeping workers happy and comfortable? Making the* *transition from employee to manager has been one of the most stressful in my life. Are my experiences unique? What mistakes do managers typically make? Finally, what does it takes to be a manager and have I got that?* If you were the CEO of NextJump, what would you do?

Sources: P. Kruger, "Stop the Insanity! A New Generation of Dotcom Entrepreneurs Are Creating Companies that Work—Without Expecting People to Spend Every Waking Moment at Work. Here's How to Build a Saner Startup," *Fast Company*, 1 July 2000, 240. R. Silverman, "For Charlie Kim, Company of Friends Proves a Lonely Place—A Dot-Com Founder Brought In Buddies and Colleagues; All Was Fine—on the Way Up," *The Wall Street Journal*, 1 February 2001, A1.

The issues facing Charlie Kim and NextJump are fundamental to any organization: What is management, and what do managers do? Good management is basic to starting a business, growing a business, and maintaining a business once it has achieved some measure of success.

This chapter begins by defining management and discussing the functions of management. Next, we look at what managers do by examining the four kinds of managers and reviewing the various roles that managers play. Third, we investigate what it takes to be a manager by reviewing management skills, what companies look for in their managers, the most serious mistakes managers make, and what it is like to make the tough transition from being a worker to being a manager. We finish this chapter by examining the competitive advantage that companies gain from good management. In other words, we end the chapter by learning how to establish a competitive advantage through people.

What Is Management?

Have you ever noticed the difference between good and bad auto repair shops? Differences usually start with the service manager who greets you when you bring in your car. Understanding that most people don't know much about cars, good service managers ask dozens of detailed questions about the car's problems, what it does, the noises it makes, and the circumstances under which the problems occur. When DaimlerChrysler wanted to make sure that all of its Chrysler dealerships had good service managers, it hired a management consulting firm to create the *ServiceAnalyzer*, a computer-based tool that helps service managers at all Chrysler dealerships intuitively walk customers through a series of questions that fully describe the car's problem and when it occurs. DaimlerChrysler used the *ServiceAnalyzer* to solve problems and improve customer satisfaction. But what DaimlerChrysler was paying for when the *ServiceAnalyzer* was created was good management advice.[1] Of course, DaimlerChrysler isn't the only organization in search of good management ideas. Nearly all companies are. In fact, it's estimated that companies paid management consultants over $138 billion for management advice last year.[2] Clearly, companies are looking for help with basic management issues, like how to make things happen, how to beat the competition, how to manage large-scale projects and processes, and how to effectively lead people. This textbook will help you understand some of the basic issues that management consultants help companies resolve (and unlike DaimlerChrysler, this won't cost millions of dollars).[3]

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

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

1. Management Is . . .

Many of today's managers got their start welding on the factory floor, clearing dishes off tables, helping customers fit a suit, or wiping up a spill in aisle 3. Similarly, lots of you will start at the bottom and work your way up. There's no better way to get to know

PersonalProductivityTip

Do You Know How Efficient Your Business Is?

Many managers fail to keep track of one of the most important outcomes in business: efficiency. Summit Polymers initially paid $280,000 for robots to paint and dry the dashboard vents in Toyota cars. When Toyota showed Summit how to do the same thing with $150 paint guns and much cheaper high-intensity lights, efficiency soared as Summit produced more with much less. Merck, a pharmaceutical company, improved efficiency by knocking five weeks off the time it takes to launch new products. If you want to improve how well your company is performing, keep close track of efficiency and productivity.

Source: G. Harris, "The Cure: with Big Drugs Dying, Merck Didn't Merge—It Found New Ones—Some Inspired Research, Aided by a Bit of Luck, Saves Company's Independence—The Path to a Novel Painkiller," *The Wall Street Journal*, 1 January 2001, A1. N. Shirouzu, "Gadget Inspector: Why Toyota Wins such High Marks on Quality Surveys—Hajime Oba is a Key Coach as Japanese Auto Maker Steps up U.S. Production—Striving to Reach Heijunka," *The Wall Street Journal*, 15 March 2001, A1.

your competition, your customers, and your business. But whether you begin your career at the entry level or as a supervisor, your job is not to do the work, but to help others do their work. **Management** is getting work done through others. Pat Carrigan, a former elementary school principal who became a manager at a General Motor's car parts plant, said, "I've never made a part in my life, and I don't really have any plans to make one. That's not my job. My job is to create an environment where people who do make them can make them right, can make them right the first time, can make them at a competitive cost, and can do so with some sense of responsibility and pride in what they're doing. I don't have to know how to make a part to do any of those things."[4]

Pat Carrigan's description of managerial responsibilities indicates that managers also have to be concerned with efficiency and effectiveness in the work process. **Efficiency** is getting work done with a minimum of effort, expense, or waste. For example, at Springfield Remanufacturing Company (SRC), the machines are shut off for a half an hour each week so that the 800 employees can break into small groups to study the company's weekly financial statements. With full information about the costs of labor, electricity, and raw materials, everyone at SRC can help increase efficiency by doing more with less cost and waste. For example, the workers learned that each sale of a rebuilt No. 466 crankshaft contributes $17.60 an hour toward paying overhead expenses. When they are able to rebuild these crankshafts quickly and efficiently, the additional inventory of finished crankshafts can generate as much as $170 a day that can be used to pay overhead costs, such as utility expenses or the salaries of scheduling and purchasing personnel. Countless small, efficiency-minded choices like this have helped SRC become one of the most profitable companies in its industry.

management
getting work done through others

efficiency
getting work done with minimum of effort, expense, or waste

effectiveness
accomplishing tasks that help fulfill organizational objectives

By itself, efficiency is not enough to ensure success. Managers must also strive for **effectiveness**, which is accomplishing tasks that help fulfill organizational objectives, such as customer service and satisfaction. For instance, if you've ever walked into a Home Depot, the warehouse-sized hardware stores, you've probably had trouble getting someone to help you. So has Dian Diemler, a loyal but frustrated Home Depot customer. She said, "I've followed employees around the store while they help other people in order to wait my turn."[5] To solve this problem, Home Depot has started a program called Service Performance Improvement (SPI) that prevents employees from running forklifts and stocking shelves between 8 A.M. and 8 P.M. Store manager Steve Moody also encourages his employees to wait in the "neutral zone" at the front of the store (between the cash registers and the store shelves) and to be aggressive in asking customers if they need help. The goal is to encourage orange-clad Home Depot employees to be efficient (by restocking shelves) and effective (by first helping customers).[6]

Review 1
Management Is . . .

Good management is working through others to accomplish tasks that help fulfill organizational objectives as efficiently as possible.

planning
determining organizational goals and a means for achieving them

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

leading
inspiring and motivating workers to work hard to achieve organizational goals

controlling
monitoring progress toward goal achievement and taking corrective action when needed

2. Management Functions

Traditionally, a manager's job has been described according to the classical functions of management: planning, organizing, leading, and controlling. **Planning** is determining organizational goals and a means for achieving them. **Organizing** is deciding where decisions will be made, who will do what jobs and tasks, and who will work for whom in the company. **Leading** is inspiring and motivating workers to work hard to achieve organizational goals. **Controlling** is monitoring progress toward goal achievement and taking corrective action when progress isn't being made.

What Really Works

Meta-Analysis

Some studies show that having two drinks a day increases life expectancy by decreasing your chances of having a heart attack. Yet other studies show that having two drinks a day shortens life expectancy. For years, we've "buttered" our morning toast with margarine instead of butter because it was supposed to be better for our health. However, new studies now show that the trans-fatty acids in margarine may be just as bad for our arteries as butter. Confusing scientific results like these frustrate ordinary people who want to "eat right" and "live right." They also make many people question just how useful most scientific research really is.

Managers also have trouble figuring out what works, based on the scientific research published in journals like the *Academy of Management Journal*, the *Academy of Management Review*, the *Strategic Management Journal*, the *Journal of Applied Psychology*, and *Administrative Science Quarterly*. It's common for *The Wall Street Journal* to quote a management research article from one of these journals that says that total quality management is the best thing since sliced bread (without butter or margarine). Then, just six months later, *The Wall Street Journal* will quote a different article from the same journal that says that total quality management doesn't work. If management professors and researchers have trouble deciding what works and what doesn't, how can practicing managers know?

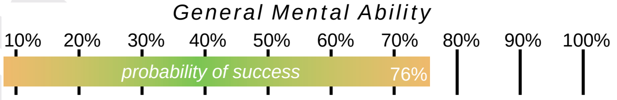
Thankfully, a research tool called **meta-analysis**, which is a study of studies, is helping management scholars understand how well their research supports management theories. Meta-analysis is also useful for practicing managers because it shows what works and the conditions under which management techniques may work better or worse in the "real world." Meta-analysis is based on the simple idea that if one study shows that a management technique doesn't work and another study shows that it does, an average of those results is probably the best estimate of how well that management practice works (or doesn't work). For example, medical researchers Richard Peto and Rory Collins averaged all of the different results from several hundred studies investigating the relationship between aspirin and heart attacks. Their analysis, based on more than 120,000 patients from numerous studies, showed that aspirin lowered the incidence of heart attacks by an average of 4 percent. Prior to this study, doctors prescribed aspirin as a preventive measure for only 38 percent of heart attack victims. Today, because of the meta-analysis results, doctors prescribe aspirin for 72 percent of heart attack victims.

Fortunately, you don't need a Ph.D. to understand the statistics reported in a meta-analysis. In fact, one primary advantage of meta-analysis over traditional significance tests is that you can convert meta-analysis statistics into intuitive numbers that anyone can easily understand.

Each meta-analysis reported in the "What Really Works?" section of this textbook is accompanied by an easy-to-understand statistic called the *probability of success*. As its name suggests, the *probability of success* shows how often a management technique will work.

For example, meta-analyses suggest that the best predictor of a job applicant's on-the-job performance is a test of general mental ability. In other words, smarter people tend to be better workers. The average correlation (one of those often-misunderstood statistics) between scores on general mental ability tests and job performance is .60. However, very few people understand what a correlation of .60 means. What most managers want to know is how often they will hire the right person if they choose job applicants based on general mental ability test scores. Likewise, they want to know how much of a difference a cognitive ability test makes when hiring new workers. The probability of success may be high, but if the difference isn't really that large, is it really worth a manager's time to have job applicants take a general mental ability test?

Well, our user-friendly statistics indicate that it's wise to have job applicants take a general mental ability test. In fact, the probability of success, shown in graphical form below, is 76 percent. This means that an employee hired on the basis of a good score on a general mental ability test stands a 76 percent chance of being a better performer than someone picked at random from the pool of all job applicants. So, chances are, you're going to be right much more often than wrong if you use a general mental ability test to make hiring decisions.



In summary, each "What Really Works?" section in this textbook is based on meta-analysis research, which provides the best scientific evidence that management professors and researchers have about what works and what doesn't work in management. An easy-to-understand index known as the "probability of success" will be used to indicate how well a management idea or strategy is likely to work in the workplace. Of course, no idea or technique works every time and in every circumstance. However, the management ideas and strategies discussed in the "What Really Works?" sections of this textbook can usually make a meaningful difference where you work. In today's competitive, fast-changing, global marketplace, few managers can afford to overlook proven management strategies like the ones discussed in "What Really Works?"

Sources: R.J. Grisson, "Probability of the Superior Outcome of One Treatment over Another," *Journal of Applied Psychology* 79 (1994): 314-316. J.E. Hunter & F.L. Schmidt, *Methods of Meta-analysis: Correcting Error and Bias in Research Findings* (Beverly Hills, CA: Sage, 1990).

meta-analysis
a study of studies, a statistical approach that provides the best scientific estimate of how well management theories and practices work

Studies indicate that managers who perform these management functions well are better managers. The more time that chief executive officers (CEOs) spend planning, the more profitable their companies are.[7] Over a 25-year period, AT&T found that employees with better planning and decision-making skills were more likely to be promoted into management jobs, to be successful as managers, and to be promoted into upper levels of management.[8]

The evidence is clear. Managers serve their companies well when they plan, organize, lead, and control. However, companies with familiar names like AT&T, Dell Computers, General Motors, and J.C. Penney's are facing tremendous changes and are asking—if not demanding—that managers change the way they perform these functions. According to *Fortune* magazine, these changes are embodied in the difference between "old" management and "new" management. Old-style managers think of themselves as the "manager" or the "boss." New-style managers think of themselves as sponsors, team leaders, or internal consultants. Old-style managers follow the chain of command (reporting to the boss, who reports to the next boss at a higher managerial level, etc.), while new-style managers work with anyone who can help them accomplish their goals. Old-style managers make decisions by themselves. New-style managers ask others to participate in decisions. Old-style managers keep proprietary company information confidential. New-style managers share that information with others. Old-style managers demand long hours. New-style managers demand results.[9]

Such changes don't make the classical managerial functions obsolete. Indeed, managers are still responsible for performing the functions of management. For example, consider this description of a new-style manager and the people she works with (not the people who work for her, which is "old" management). The managerial functions represented by each action have been inserted in brackets.

> Three years ago Ransom asked her workers at a 100-person plant in Fairfield, California, to redesign the plant's operations [*planning and organizing*]. As she watched, intervening only to answer the occasional question [*controlling*], a team of hourly workers established training programs, set work rules for absenteeism [*controlling*], and reorganized the once-traditional factory into five customer-focused business units [*organizing and leading*]. As the workers took over managerial work [*decision making, organizing, and leading*], Ransom used her increasing free time to attend to the needs of customers and suppliers [*planning and controlling*].[10]

As indicated within the brackets, Ransom and the members of her work group still perform the classical management functions. They just do them differently than old-style managers.

To reconcile the "new" with the "old," this textbook is organized around these four management functions (see Exhibit 1.1), which have evolved out of the traditional functions:

- making things happen
- meeting the competition
- organizing people, projects, and processes
- leading

Note that these functions do not *replace* the classical functions of management; they *build* on them. For example, two of the four chapters under "Part 2: Making Things Happen" are classical management functions (planning and controlling). Furthermore, two of the four classical functions of management, organizing and leading, remain as part of the "new" management functions. Finally, a brand new management function, meeting the competition, has been added to reflect the importance of adapting and innovating to remain competitive in today's ever-changing and increasingly global marketplace.

EXHIBIT 1.1

MANAGEMENT FUNCTIONS AND ORGANIZATION OF THE TEXTBOOK

Planning
Controlling

Part One: Introduction to Management

Chapter 1, Management
Chapter 2, Organizational Environments and Cultures
Chapter 3, Ethics and Social Responsibility

Part Two: Making Things Happen

Chapter 4, Planning
Chapter 5, Managing Information
Chapter 6, Decision Making
Chapter 7, Control

Part Three: Meeting the Competition

Chapter 8, Global Management
Chapter 9, Organizational Strategy
Chapter 10, Innovation and Change
Chapter 11, Designing Adaptive Organizations

Organizing

Part Four: Organizing People, Projects, and Processes

Chapter 12, Managing Individuals and a Diverse Work Force
Chapter 13, Managing Teams
Chapter 14, Managing Human Resource Systems
Chapter 15, Managing Service and Manufacturing Operations

Leading

Part Five: Leading

Chapter 16, Motivation
Chapter 17, Leadership
Chapter 18, Managing Communication

Throughout this text, the major sections within a chapter will be numbered using a single digit: 1, 2, 3, etc. The subsections will be consecutively numbered, beginning with the major section number. For example, "2.1" marks the first subsection under the second major section. This numbering system should help you easily see the relationships among topics and follow the topic sequence. It will also help your instructor refer to specific topics during class discussion.

Now let's take a close look at each of the management functions: 2.1 Making Things Happen; 2.2 Meeting the Competition; 2.3 Organizing People, Projects, and Processes; and 2.4 Leading.

2.1 *Making Things Happen*

For most of its existence, Gateway Computers had been a small, informally run organization. Rock music was played on the factory floor, and, reflecting its South Dakota roots, the company put its now-famous cow spots on the side of Gateway shipping boxes. But, struggling under tremendous growth, Gateway founder Ted Waitt hired Jeff Weitzen from AT&T to be Gateway's new CEO. At first, with Waitt remaining CEO and Weitzen apprenticing to replace him, Gateway thrived; sales increased by 37 percent, net income tripled, and the stock price quadrupled. However, after Waitt became chairman of the board and distanced himself from Gateway's day-to-day activities, the new CEO Weitzen began implementing changes and policies that he thought would lead to even more improvement. While some things worked, many backfired in spectacular ways. For example, rather than relying on the management team that had built Gateway's success over two decades, Weizten replaced them with high-level managers from AT&T, GE, Nike, and PepsiCo. Meetings and conference calls, intended to improve communication and decision making, proliferated and prevented people from doing their work. A long-standing employee said, "The week [before] I left Gateway, I was on conference calls for 26 hours." Decision making slowed to a crawl. Mike Hammond, Gateway's first employee, said, "You'd schedule an appointment, do some PowerPoints, do your presentation—if the meeting didn't get rescheduled—and you'd get asked a bunch of questions, and then you gotta come back with the answers." Policies, intended to standardize operating procedures, angered employees and harmed customer satisfaction. For example, any customer service representatives who spent more than 13 minutes on the phone with a customer lost their monthly bonus. As a result, service reps did almost anything, such as lying, or pretending the phone connection was bad, to get customers off the line.[11]

In his zeal to "professionalize" Gateway's management practices, new Gateway CEO Jeff Weitzen forgot that the most important management function is making things happen. To "make things happen," you must determine what you want to accomplish, plan how to achieve these goals, gather and manage the information needed to make good decisions, and control performance, so that you can take corrective action if performance falls short. In his estimation, company founder Ted Waitt took corrective action when he and Gateway's board of directors fired Weitzen for his failure to make things happen at

When Ted Waitt, pictured here, relinquished day-to-day control of Gateway, the new management team's policies and procedures actually angered employees and harmed customer satisfaction. Waitt ultimately reclaimed control of the company and reinstated the old management team.

Gateway. After Gateway's board reinstalled Waitt as CEO, his first step was to hire back the management team that had overseen Gateway's phenomenal growth. In Chapters 4-7, you will learn more about how to make things happen.

2.2 Meeting the Competition

Palm, Inc., maker of the Palm Pilot, an electronic personal planner, was not in business 10 years ago. At that time, most businesspeople used paper-based planners such as Day Timers and Filofax. Today, however, 13 million people—and many more by the time you read this—use Palm Pilots to manage their calendars, contacts, and daily to-do lists. In fact, it took less than 18 months for Palm, Inc. to sell its first 1 million Palm Pilots. And when Palm, Inc. went public by selling shares of stock, expectations of its success were so strong that the company raised $53.4 billion in just two days!

However, one year after going public, Palm's future wasn't as rosy. The company founders left to start a business that sells the Visor, another electronic personal planner (with expansion slots for an MP3 player, a digital camera, and a cell phone) that has reduced Palm's market share from 83 percent of the market to just 63 percent. Furthermore, Microsoft, which budgets $300 million a year for research and development for handheld electronic personal planners, has revised the software and functionality for PocketPCs sold by Compaq, Casio, and Hewlett Packard and is intent on improving on its 8 percent market share. Palm's stranglehold on the Palm PC market evaporated so quickly that *Fortune* magazine concluded, "It's ironic that a company known for helping people plan and schedule could be so ham-handed in managing its own affairs, but such is the case with Palm."[12]

Palm's situation is not unique. With free trade agreements that promote international competition, shorter product development cycles, and barriers to entry falling in most industries, market followers will continue to topple market leaders as companies are exposed to more competition than ever in the next decade. Companies, such as Palm, Inc., that want to remain market leaders must consider the threat from international competitors, have a well-thought-out competitive strategy, be able to embrace change and foster new product and service ideas, and structure their organizations to quickly adapt to changing customers and competitors. Thus, "meeting the competition" is a critical management function in today's business world. In Chapters 8-11, you will learn some management skills for meeting the competition.

2.3 Organizing People, Projects, and Processes

When the toy company Mattel paid $3.8 billion for The Learning Company, which develops and markets games and educational software, it thought it was investing in the future of the toy industry. Because of the Learning Company's range of products, from role-playing games like *Myst*, to fun, investigative, and educational games like *Carmen San Diego*, Mattel expected The Learning Company to grow and return above-average profits for years to come. Yet, just three years after the purchase, The Learning Company was in such disarray, losing $1 million a day, that it cost Mattel CEO Jill Barad her job. Vance Diggins, one of the managers brought in to clean up the mess after Mattel sold the company, said, "It was like we were fighting a brushfire that couldn't be contained."[13] Besides out-of-control spending, one of the key problems was that the company was organized as seven different, autonomous work units that didn't share resources or even talk to each other. Said one manager, "We knew things were bad when we organized an executive staff meeting, and three of the unit's general managers had never met one another. And they had been working in the same complex."[14]

However, after establishing tight spending controls, reorganizing the seven units into three to promote resource sharing and to get managers to work together, The Learning Company is again turning a profit. Unfortunately, Mattel found out that even technology companies can't run well without considering basic people issues and work processes (how the work gets done). Therefore, our next management function is "organizing people, projects, and processes." You will learn about this management function in Chapters 12-15.

2.4 Leading

In these litigious times, managers are sued for sexual harassment, wrongful discharge, and discrimination. They are shot at, lampooned in the funny pages (*Dilbert* cartoons adorn cubicle and office walls in businesses all over the world), and, in general, not accorded the respect they once had. In periods of corporate layoffs, managers are often feared and disliked.

How is it, then, amidst general corporate distrust, that before her death Mary Kay Ash, founder of Mary Kay cosmetics, and Herb Kelleher, founder, former CEO, and now chairman of Southwest Airlines, were not only respected, but loved by the people they led?[15] Gloria Mayfield, a former IBMer and a graduate of Harvard's MBA program, said, "I didn't see much recognition at IBM. At Mary Kay, if you do well, you know *for a fact* you'll get recognition. It's not influenced by politics." Mayfield continued, "Mary Kay calls you her daughter and looks you dead in the eye. She makes you feel you can do anything. She's sincerely concerned about your welfare."[16]

At Southwest Airlines, pilots pitch in at the boarding gate, ticket agents help with the luggage, and employees in general do whatever needs to be done to keep customers happy. These positive attitudes help Southwest achieve the highest productivity in the industry, flying two-to-three times as many passengers per employee as its competitors at a cost that is 25 percent to 40 percent cheaper.[17] Kelleher, a notorious jokester and storyteller, drew exceptional effort from his troops by putting people first and by making work fun. When he finished negotiating a new contract with Southwest's flight attendants, he celebrated by leading the cafeteria crowd of Southwest workers in cheers. He dressed up as Elvis, the Easter Bunny, and a boxer, complete with gloves and a silk robe, all to shape Southwest's corporate culture and win the hearts of his loyal work force.[18]

No one who has worked for an ordinary manager would ever deny the positive effects that inspirational leaders, such as Mary Kay and Herb Kelleher, bring to their companies. Thus, our last management function is "leading," which you will learn about in Chapters 16-18.

For nearly 40 years, Mary Kay Ash was the leader of her own cosmetics empire. She mesmerized and inspired an army of women to sell Mary Kay products door-to-door. Her charismatic and inspirational leadership was one of the many reasons she was a good manager.

Review 2
Management Functions

Managerial jobs have traditionally been described according to the classical functions of management: planning, organizing, leading, and controlling. Although managers still perform these managerial functions, companies and the managers who run them have undergone tremendous changes in the last decade. Accordingly, this text incorporates the classical functions of management into broader, updated management functions: making things happen; meeting the competition; organizing people, projects, and processes; and leading.

What Do Managers Do?

Not all managerial jobs are the same. The demands and requirements placed on the chief executive officer of General Motors are significantly different from those placed on the manager of your local Wendy's restaurant.

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

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

3. Kinds of Managers

As shown in Exhibit 1.2, there are four kinds of managers, each with different jobs and responsibilities: 3.1 Top Managers, 3.2 Middle Managers, 3.3 First-Line Managers, and 3.4 Team Leaders.

3.1 Top Managers

top managers
executives responsible for the overall direction of the organization

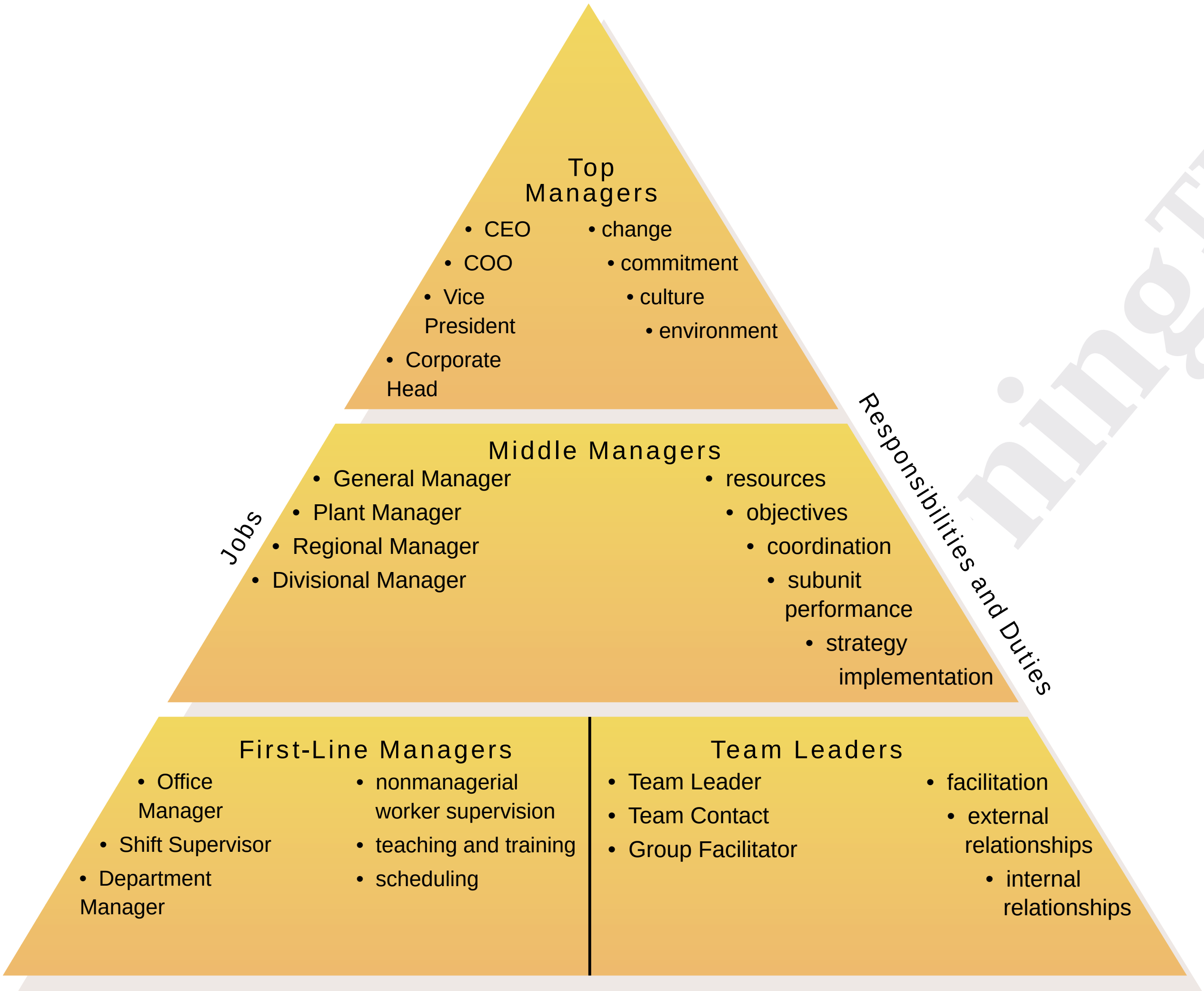
Top managers hold positions like chief executive officer (CEO) or chief operating officer (COO) and are responsible for the overall direction of the organization. Top managers have the following responsibilities.[19] First, they are responsible for creating a context for change. In fact, the CEOs of Gillette, Lucent Technologies, Mattel, Xerox, Campbell Soup, and Aetna were all fired within a year's time precisely because they had not moved fast enough to bring about significant changes in their companies.[20] Creating a context for change also includes forming a long-range vision or mission for their companies. As one CEO said, "The CEO has to think about the future more than anyone."

Second, much more than used to be the case, top managers are responsible for developing employees' commitment to and ownership in the company's performance. Stories abound at Southwest Airlines about Herb Kelleher's willingness to listen to his employees. One such story has Kelleher out until four in the morning drinking in a bar with a Southwest mechanic. The point of the story is that Kelleher, supposedly the most important person in the company, was listening to the mechanic, supposedly one of the least important persons in the company, so he (Kelleher) could fix whatever was wrong.[21]

Third, top managers are responsible for creating a positive organizational culture through language and action. Top managers impart company values, strategies, and lessons through what they do and say to others, both inside and outside the company. One CEO said, "I write memos to the board and our operating committee. I'm sure they get the impression I dash them off, but usually they've been drafted ten or twenty times. The bigger you get, the more your ability to communicate becomes important. So what I write, I write very carefully. I labor over it."[22] Philip Condit, Boeing's CEO, recognizes this responsibility by emphasizing three simple messages every time he speaks to Boeing managers and employees: "run healthy core businesses, leverage strengths into new products, and open new frontiers. Says Condit, "I try to [use] exactly the same words every

EXHIBIT 1.2

JOBS AND RESPONSIBILITIES OF FOUR KINDS OF MANAGERS



time so that you don't produce a lot of, 'Last time you said this, this time you said that.' You've got to say the same thing over and over and over."[23]

Finally, top managers are responsible for monitoring their business environments. This means that top managers must closely monitor customer needs, competitors' moves, and long-term business, economic, and social trends. Rick Wagoner, president and CEO of General Motors, reads six daily newspapers, monitors his Internet connections and news sources all day, and skims a variety of magazines from all over the world. Says Wagoner, "You've gotta know what the hell is going on in your business. If you've got a problem in China, you've gotta get into it and make sure that it's getting fixed. You've got to be on top of your business enough to know where are the problems, where are the opportunities."[24]

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

3.2 Middle Managers

Middle managers hold positions like plant manager, regional manager, or divisional manager. They are responsible for setting objectives consistent with top management's goals and planning and implementing subunit strategies for achieving these objectives.

One specific middle management responsibility is to plan and allocate resources to meet objectives. Another major responsibility is to coordinate and link groups, departments, and divisions within a company. Rather than calling the shots from company headquarters, each Monday morning in Bentonville, Arkansas, all of Wal-Mart's regional vice presidents, accompanied by merchandise buyers and personnel managers, board 15 company planes as they fly out to spend the next four days visiting the stores in each sales territory. The regional vice presidents then reconvene in Bentonville on Fridays and on Saturday mornings to share ideas and solve the problems they identified on their weekly trips.[25]

A third responsibility of middle management is to monitor and manage the performance of the subunits and individual managers who report to them. For example, one of the first things that Andy Wilson, a Wal-Mart regional vice president, will do when he visits a store in his territory is to find the store manager and then make a walking inspection of the store. On one inspection tour of a new store in his territory, Wilson was disappointed to find that products were not displayed according to headquarters' plans. Furthermore, because department managers had been slow to reorder products, many shelves were empty because replacement supplies had not yet arrived from the Wal-Mart warehouses. Rather than waiting for the next truck shipment, Wilson told the department managers to correct the problem by arranging to transfer out-of-stock products from the nearest Wal-Mart store.[26]

Finally, middle managers are also responsible for implementing the changes or strategies generated by top managers. Since Wal-Mart competes by selling products at low prices—its advertising slogan is "always the low price," Andy Wilson and the other regional vice presidents visit competitors' stores to check prices. At a Kmart that competes with one of his region's stores, Wilson found signs that compared the Kmart price for each product with Wal-Mart's price. Wilson filled a cart with these items, purchased them, and then took them back to the local Wal-Mart. When all the items were run through the Wal-Mart scanner, the bill was $20 lower than Kmart.[27] However, if the Kmart prices had been lower, Wilson and the local managers would have immediately cut Wal-Mart's prices.

3.3 First-Line Managers

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

First-line managers hold positions like office manager, shift supervisor, or department manager. The primary responsibility of first-line managers is to manage the performance of entry-level employees, who are directly responsible for producing a company's goods and services. Thus, first-line managers are the only managers who don't supervise other managers. For example, DialAmerica Marketing is a large telemarketing company, one of those firms whose sales representatives always seem to call you at home during dinner or your favorite TV show. Working as a telemarketing representative can be a high-stress, thankless job. However, each shift supervisor's job is to encourage, monitor, and reward the performance of his or her telemarketing representatives. For example, during the evening shift, which is "prime time" because more Americans can be reached by phone then than at any other time of the day, shift supervisors listen in on telemarketing representatives' calls to customers. They also track each representative's sales on a blackboard and provide lots of encouragement and praise for achieving goals.[28]

First-line managers also teach entry-level employees how to do their jobs. Because telemarketing work is so stressful, most workers quit after three or four months on the job. In fact, any stay over three months is considered long-term employment. Because employee turnover is so high, DialAmerica's supervisors are constantly training new employees. This is one of the reasons that supervisors listen in on telemarketing representatives' phone calls: to observe their performance so that they can teach them how to make sales. For example, after listening in on one representative's calls, a supervisor called the representative in to encourage her not to rush through the prepared script that must be read to each customer.[29]

First-line managers also make detailed schedules and operating plans based on middle management's intermediate range plans. In fact, contrary to the long-term plans of top managers (three-to-five years out) and the intermediate plans of middle managers (six-to-eighteen months out), first-line managers engage in plans and actions that typically produce results within two weeks.[30] For example, consider the job of nurse supervisor in charge of admissions in a nursing home. Each time someone new is admitted to the nursing home, this first-line supervisor must make sure that the admissions clerks and bookkeepers process the insurance and government papers, the dietary staff and rehabilitation workers put together a complete care plan, the social worker has obtained a complete medical and family history, and housekeeping has prepared and cleaned the new admission's room. Each of these activities must be performed no more than a week after being scheduled.[31]

3.4 Team Leaders

The fourth kind of manager is a team leader. This relatively new kind of management job developed as companies shifted to self-managing teams, which, by definition, have no formal supervisor. In traditional management hierarchies, first-line managers are responsible for the performance of nonmanagerial employees and have the authority to hire and fire workers, make job assignments, and control resources. By contrast, team leaders have a much different role, because teams in this new structure now perform nearly all of the functions performed by first-line managers under traditional hierarchies. Instead of directing individuals' work, **team leaders** facilitate team activities toward goal accomplishment. For example, Hewlett-Packard advertises its team leader positions with an ad that says, "Job seeker must enjoy coaching, working with people, and bringing about improvement through hands-off guidance and leadership."[32] Team leaders who fail to understand this key difference often struggle in their roles. A team leader at Texas Instruments said, "I didn't buy into teams, partly because there was no clear plan on what I was supposed to do. . . . I never let the operators [team members] do any scheduling or any ordering of parts because that was mine. I figured as long as I had that, I had a job."[33]

team leaders
managers responsible for facilitating team activities toward goal accomplishment

Team leaders fulfill the following responsibilities.[34] First, team leaders are responsible for facilitating team performance. This doesn't mean team leaders are responsible for team performance. They aren't. The team is. Team leaders help their teams plan and schedule work, learn to solve problems, and work effectively with each other. Eric Doremus, a team leader whose team helped develop the B-2 bomber, said, "My most important task was not trying to figure out everybody's job. It was to help this team feel as if they owned the project by getting them whatever information, financial or otherwise, they needed. I knew that if we could all charge up the hill together, we would be successful."[35]

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

Third, team leaders are responsible for internal team relationships. Getting along with others is much more important in team structures, because team members can't get work done without the help of their teammates. And when conflicts arise on a six-, seven-, or eight-person team, the entire team suffers. So it is critical for team leaders to know how to help team members resolve conflicts. For example, at XEL Communications Corporation, the standard procedure is for a team leader to take the fighting team members to a conference room. The team leader attempts to mediate the disagreement, hearing each side, and encouraging the team members to agree to a practical solution.[37] Hewlett-Packard says that in extreme cases, team leaders can dissolve the team and reassign all team members to different teams.[38] Such instances, however, are rare. You will learn more about teams in Chapter 13.

Review 3
Kinds of Managers

There are four different kinds of managers. Top managers are responsible for creating a context for change, developing attitudes of commitment and ownership, creating a positive organizational culture through words and actions, and monitoring their company's business environments. Middle managers are responsible for planning and allocating resources, coordinating and linking groups and departments, monitoring and managing the performance of subunits and managers, and implementing the changes or strategies generated by top managers. First-line managers are responsible for managing the performance of nonmanagerial employees, teaching direct reports how to do their jobs, and making detailed schedules and operating plans based on middle management's intermediate-range plans. Team leaders are responsible for facilitating team performance, managing external relationships, and facilitating internal team relationships.

4. Managerial Roles

So far, we have described managerial work by focusing on the functions of management (making things happen; meeting the competition; organizing people, projects, and processes; and leading), and by examining the four kinds of managerial jobs (top managers, middle managers, first-line managers, and team leaders). Although these are valid and accurate ways of categorizing managerial work, if you follow managers around as they perform their jobs, you would probably not use the terms "planning," "organizing," "leading," and "controlling" to describe what they do.

In fact, that's exactly the same conclusion that management researcher Henry Mintzberg came to when he followed five American CEOs around. Mintzberg spent a week "shadowing" each CEO and analyzing their mail, who they talked to, and what they did.

Mintzberg concluded that managers fulfill three major roles while performing their jobs:[39]

1. *interpersonal roles*
2. *informational roles*
3. *decisional roles*

In other words, managers talk to people, gather and give information, and make decisions. Furthermore, as shown in Exhibit 1.3, these three major roles can be subdivided into ten subroles. Let's examine each major role—4.1 interpersonal, 4.2 informational, and 4.3 decisional roles—and their ten subroles.

4.1 Interpersonal Roles

More than anything else, management jobs are people-intensive. Estimates vary with the level of management, but most managers spend between two-thirds and four-fifths of their time in face-to-face communication with others.[40] If you're a loner, or if you consider dealing with people a "pain," then you may not be cut out for management work. In fulfilling the interpersonal role of management, managers perform three interpersonal subroles: figurehead, leader, and liaison.

figurehead role
the interpersonal role managers play when they perform ceremonial duties

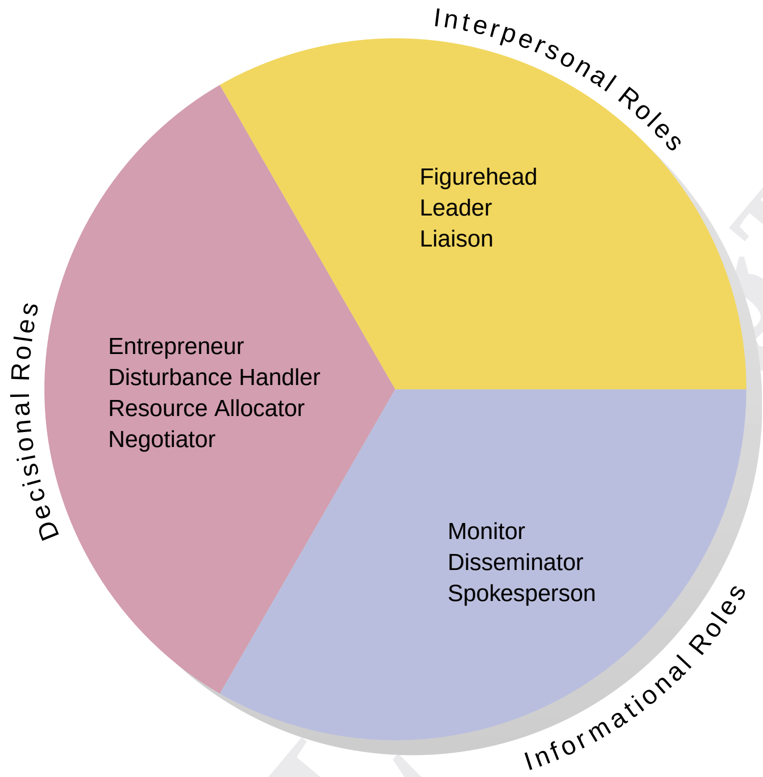
In the **figurehead role**, managers perform ceremonial duties, like greeting company visitors, making opening remarks when a new facility opens, or representing the company at a community luncheon to support local charities. Each time that Coca-Cola opens a new bottling plant somewhere around the world, Coke's CEO flies in on the Coke corporate jet for an opening celebration. For example, in Poland, Coke's CEO and Polish government officials christened Coke's new Warsaw bottling plant by drinking the first Coca-Colas produced by Polish workers. The Cokes were tied together with long red ribbons to symbolize cooperation between Coke and the Polish people.[41]

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

In the **leader role**, managers motivate and encourage workers to accomplish organizational objectives. At Chiat/Day, one of the world's leading advertising companies, managers found a mannequin arm and decided to turn it into a fun company award.

EXHIBIT 1.3

MINTZBERGS'S MANAGERIAL ROLES AND SUBROLES



Source: Reprinted by permission of *Harvard Business Review* (an Exhibit) from "The Manager's Job: Folklore and Fact." By Mintzberg, H., *Harvard Business Review,* July-August 1975. Copyright © 1975 by the President and Fellows of Harvard College. All rights reserved.

Every month, one employee in Chiat/Day's New York office receives the "Right Arm Award" for outstanding performance, like pulling an all-nighter to meet a client's deadline. Right Arm Award winners also receive a gift certificate good for dinner for two at a restaurant of their choice. Says Chiat/Day's CEO, "We always have fun with it. It's something that everyone looks forward to."[42] The point? To motivate Chiat/Day's workers through frequent praise and recognition.

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

In the **liaison role**, managers deal with people outside their units. Studies consistently indicate that managers spend as much time with "outsiders" as they do with their own subordinates and their own bosses. In addition to his normal duties, Rajesh Hukku, chairman of j-Flex Solutions, a maker of financial-services software, regularly goes on sales calls, helps close sales deals, and markets his product to potential customers at industry conventions and forums.[43] Likewise, Dennis Kozlowski, CEO of Tyco, began a typical 16-hour day by having breakfast with investment bankers, flying to New Jersey to meet with the employees of a company that Tyco just purchased, and then driving into New York to have dinner with the CEO of one of Tyco's suppliers. The next morning, after five hours of sleep, he began with an extended phone call to European-based staffers, and then completed more meetings with investors and employees.[44]

4.2 Informational Roles

While managers spend most of their time in face-to-face contact with others, most of that time is spent obtaining and sharing information. Indeed, Mintzberg found that the

"headline news"

Forget Road Rage: It's Desk Rage You Have to Worry About

Forget road rage. It's desk rage you really have to worry about. Although the Occupational Safety and Health Administration reports declining workplace deaths, homicide is the second leading cause of fatal occupational injury in the United States. In 1999, of the 631 workplace murders reported by OSHA, 68 of them were committed by coworkers. In 1997, coworkers committed 61 of the 812 workplace homicides. So as workplace homicide is declining, incidence of workers being killed by colleagues is increasing. Your risk of dying on the job is declining, but it is more likely that if you do, it will be the person in the next cubicle who is responsible.

But it's not just murder that is of concern. Aggression, stalking, threats, harassment, shouting, and bullying are all forms of violence that can be chronicled in today's workplace. Lately, bullying is getting quite a bit of media attention, particularly in publications like *HR Management* and *Risk Management*. Ironically, amidst corporate America's "people management skills" culture, bullying is on the rise. While companies are trumpeting their people as their greatest asset and are emphasizing good people management, thousands of employees are going to work every day with an overwhelming feeling of dread.

When labor shortages crimp the talent pool for workers and managers alike, people who are successful at a particular aspect of their job are often quickly promoted to a managerial position—whether or not they have management skills. The initial stages in the transition to management can be especially harsh. Faced with the sudden responsibility for a team or department, along with a new accountability to top management, new and inexperienced managers may resort to bullying as a management style. Alison Campbell, founder of a helpline for bullying victims, faults technology. "Rather than managers sitting down with colleagues and discussing issues," she said, "they do everything via email. Managers need to be retrained in people skills."

Because bullying is so covert, it is difficult to identify. Often the bully is the supervisor, and the taboo against going over someone's head is so entrenched that bullied workers are reluctant to speak up. If a company lacks an anti-bullying policy, workers tend to just leave their jobs, one way or another. Max Mason, an IT worker with City Bank, shot himself while receiving psychiatric care related to an attempted overdose brought on by work trauma.

Perpetual nitpicking may not seem a likely candidate for inclusion in a violence prevention program, but increasingly companies are drafting anti-bullying policies, not only to protect their workers, but also their managers. As well they should. A new video game titled Red Faction features miners on Mars who rebel against and kill their supervisors. By all accounts, it's gaining popularity.

1. *Describe a corporate environment where you think bullying would thrive. Where would it wither on the vine?*
2. *What do you think are the key elements in creating a violence prevention program or an anti-bullying policy? Would a simple policy stating that "all employees are required to treat each other with respect" suffice? What would be the pitfalls of such a succinct policy? The advantages?*
3. *Have you ever been the victim of workplace bullying? Have you ever found yourself bullying a colleague in an attempt to get an important or time-sensitive project completed? When?*

Sources: John T. Adams III, "Workplace Deaths Decline, Co-Worker Homicides Rise," *HR Magazine*, February 2001, p. 12. Helen Beckett, "The Violence of Silence," *Computer Weekly,* 4 November 1999, p. 49. Isabel Choat, "Beware the Bully," *Computer Weekly,* 21 October 1999, p. 66. Jane McDonald, "Murder at Work," *Risk Management*, March 2001, p 7. Carlos Tejada, "Work Week: The Checkoff," *The Wall Street Journal*, 17 July 2001, wsj.com. http://www.bullybusters.org; http://www.osha.gov; http://www.redfaction.com

managers in his study spent 40 percent of their time giving and getting information from others. In this regard, management can be viewed as processing information, gathering information by scanning the business environment and listening to others in face-to-face conversations, and then sharing that information with people inside and outside the company. Mintzberg described three informational subroles: monitor, disseminator, and spokesperson.

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

In the **monitor role**, managers scan their environment for information, actively contact others for information, and, because of their personal contacts, receive a great deal of unsolicited information. Besides receiving firsthand information, managers monitor their environment by reading local newspapers and *The Wall Street Journal* to keep track of customers, competitors, and technological changes that may affect their businesses. However, managers can now take advantage of electronic monitoring and distribution services that track the news wires (Associated Press, Reuters, etc.) for stories related to their businesses. These services literally deliver customized electronic newspapers to managers, including only the stories on topics the managers specify. One such company is Business Wire. Business Wire (**www.businesswire.com**) offers services like IndustryTrak, which monitors and distributes daily news headlines from 23 major industries; CompetitorTrak, which keeps round-the-clock track of new stories in categories chosen by each subscriber; and BW News Clips, a joint venture with DataTimes, that provides electronic news clips from more than 500 U.S. and foreign sources.[45]

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

Because of their numerous personal contacts and because of the access they have to subordinates, managers are often hubs for distribution of critical information. In the **disseminator role**, managers share the information they have collected with their subordinates and others in the company. Although there will never be a complete substitute for face-to-face dissemination of information, the primary methods of communication in large companies like Boeing and Cisco Systems are email and voice mail. Phil Condit, Boeing's CEO, sends email to 160,000 Boeing employees, sharing information with them and asking for feedback. John Chambers, Cisco's CEO, says that 90 percent of his communication with employees is through email and voice mail. Says Chambers, "If you don't have the ability to interface with customers, employees, and suppliers, you can't manage your business."[46]

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

In contrast to the disseminator role, in which managers distribute information to employees inside the company, in the **spokesperson role**, managers share information with people outside their departments and companies. One of the most common ways in which CEOs serve as spokespeople for their companies is at annual meetings with company shareholders or the board of directors. For example, at a recent Sears annual shareholder meeting, CEO Alan Lacy told investors that Sears would try to increase sales through specialty store formats, such as a 55,000 square foot hardware store (based on Sears tools, which come with a lifetime warranty); the *Great Indoors*, which sells furniture and home decorating ideas; and *Brand Central*, which will basically be electronics and appliance centers.[47] Likewise, at a Nortel Networks annual shareholder meeting, CEO John Roth announced that with his pending retirement, the company would be looking for a new CEO. Furthermore, because of the current Chief Operating Officer's medical problems, the company would also be hiring a new COO as well.[48]

4.3 Decisional Roles

While managers spend most of their time in face-to-face contact with others, obtaining and sharing information, that time, according to Mintzberg, is not an end in itself. The time spent talking to and obtaining and sharing information with people inside and outside of the company is useful to managers because it helps them make good decisions. According to Mintzberg, managers engage in four decisional subroles: entrepreneur, disturbance handler, resource allocator, and negotiator.

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

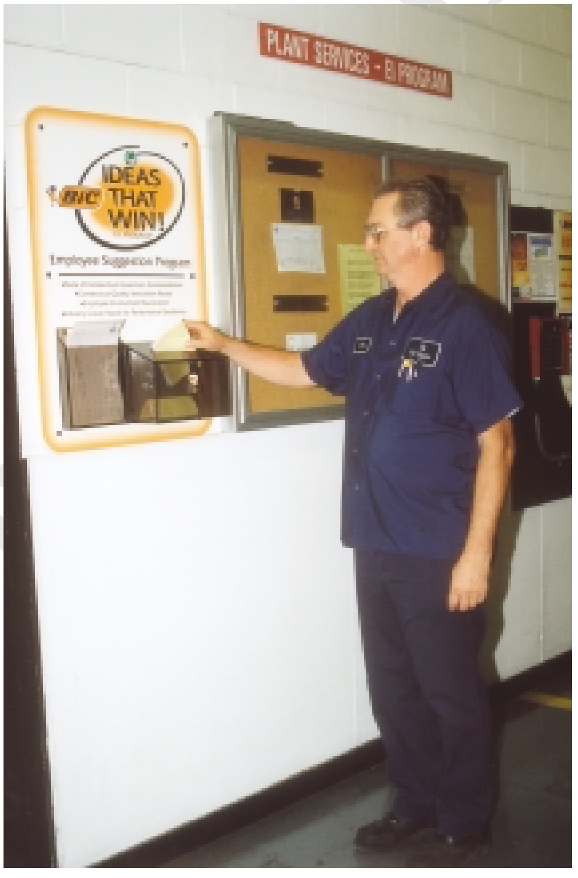
In the **entrepreneur role**, managers adapt themselves, their subordinates, and their units to incremental change. At Bic, manufacturer of disposable pens, razors, and cigarette lighters, each Friday at 2:15 P.M. workers leave their jobs on the manufacturing line to meet in a conference room. Then, one by one, ideas are pulled from the employee suggestion box, read aloud, discussed, and then voted on. Suggestions range from solutions that prevent machines from spraying oil on the floor to having the huge company trash bins emptied just once a week—because they weren't even half full when emptied twice a week. Once an idea is approved, it's handed down the table to the appropriate supervisor who then has 10 days to put the idea into place. Step by step, Bic's employee ideas improve morale, boost company productivity, and reinforce the idea that change is welcome and expected. Indeed, in one year at one Bic plant, 577 out of 684 hourly employees submitted 2,999 suggestions, of which 2,368 were actually used.[49]

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

By contrast, in the **disturbance handler role**, managers respond to pressures and problems so severe that they demand immediate attention and action. Managers often play the role of disturbance handler when the company board hires a new CEO, charged with turning around a failing company. When *Reader's Digest*'s net income fell from $264 million to $80.6 million in one year, and when circulation dropped to a three-decade low of 12.5 million readers (down from 18 million), new CEO Thomas Ryder laid off 17 percent of employees, cut retirement benefits, and sold off a $100 million art collection accumulated by company founders and displayed at company headquarters. Because company staffers took nearly a year to develop new mail campaigns, which are used to increase subscriptions and sell other *Reader's Digest* products, Ryder hired outside firms to do the same job. Today, new mail campaigns are developed in 13 weeks.[50] Furthermore, revenues and net income have begun to rise. Likewise, Peter Bonfield, CEO of British Telecom (BT), the leading provider of traditional and wireless phone services in Britain, announced that BT will spin off its cell phone division, BT Wireless, to shareholders. BT hopes to raise nearly $9 billion from this move, which it will use to reduce the company's rather large and expensive $30 billion of debt by nearly one-third.[51] In both instances, the CEOs of *Reader's Digest* and British Telecom served as disturbance handlers, trimming work forces, cutting costs, and moving quickly to turn around their companies.

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

In the **resource allocator role**, managers decide who will get what resources and how many resources they get. When Scott Paper reported a loss of $300 million, its new CEO used a four-step plan to quickly and dramatically change the allocation of resources: Step one, determine what business you're in. Scott Paper was already the largest paper tissue company in the world. Step two, keep those resources and sell off the other assets, like a coated-paper business and a power plant. Step three, make one-time major cuts. The first week on the job, he fired 9 of the 11 top managers at the company. He



© COURTESY BIC CORPORATION

The Bic Employee Suggestion Program is an example of how managers can implement incremental change. While fostering employee creativity in problem solving, the Bic's employee suggestion program also reinforces the idea that change is welcome and expected.

then sold the corporate headquarters, 750,000 square feet on 55 rolling acres, which he replaced with a 30,000 square foot building, less than 5 percent of the size of the former headquarters. Of the headquarters staff, the CEO laid off 71 percent, reducing the overall headcount 20 percent. Finally, step four, invest your resources in the right business strategy. While the overall headcount shrank by 20 percent, hiring in marketing grew because the CEO had determined that Scott had great products but lousy marketing of those products. So Scott Paper put its resources into developing a strong marketing strategy. Within a year, Scott emerged as a very different company, with a very different allocation of resources and record profits.[52]

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

In the **negotiator role**, managers negotiate schedules, projects, goals, outcomes, resources, and employee raises. For Michael O'Leary, CEO of Dublin-based Ryanair, Europe's low-cost airline with fares sometimes as much as 80 percent lower than established airlines, negotiation is a key part of his strategy. In part, Ryanair achieves costs 30 percent below average and has 40 percent higher productivity, because it flies to secondary airports near, but not in, major cities. Because these airports, such as Beauvais just outside of Paris, are eager for business, Ryanair can negotiate airport fees as low as $1.50 per passenger, compared to $15 to $22 per passenger at Europe's major airports, like London Heathrow or Paris's Charles DeGaulle. Lower costs like these allow Ryanair to break even when its planes are half full, compared to major carriers, such as British Airways, which must fly its planes at 77 percent full to break even.[53] And with 30 more secondary airports bidding for its business, Ryanair is in the driver's seat to keep airport fees, and its costs and prices, low for years to come. Negotiating, as you can see, is a key to success and a basic part of managerial work.

Review 4
Managerial Roles

Managers perform interpersonal, informational, and decisional roles in their jobs. In fulfilling the interpersonal role, managers act as figureheads by performing ceremonial duties, as leaders by motivating and encouraging workers, and as liaisons by dealing with people outside their units. In performing their informational role, managers act as monitors by scanning their environment for information, as disseminators by sharing information with others in the company, and as spokespeople by sharing information with people outside their departments or companies. In fulfilling decisional roles, managers act as entrepreneurs by adapting their units to incremental change, as disturbance handlers by responding to larger problems that demand immediate action, as resource allocators by deciding resource recipients and amounts, and as negotiators by bargaining with others about schedules, projects, goals, outcomes, and resources.

What Does It Take to Be a Manager?

> I didn't have the slightest idea what my job was. I walked in giggling and laughing because I had been promoted and had no idea what principles or style to be guided by. After the first day, I felt like I had run into a brick wall. (Sales Representative #1)
>
> Suddenly, I found myself saying, boy, I can't be responsible for getting all that revenue. I don't have the time. Suddenly you've got to go from [taking care of] yourself and say now I'm the manager, and what does a manager do? It takes a while thinking about it for it to really hit you . . . a manager gets things done through other people. That's a very, very hard transition to make.[54] (Sales Representative #2).

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

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

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

5. *explain what companies look for in managers.*
6. *discuss the top mistakes that managers make in their jobs.*
7. *describe the transition that employees go through when they are promoted to management.*

5. What Companies Look for in Managers

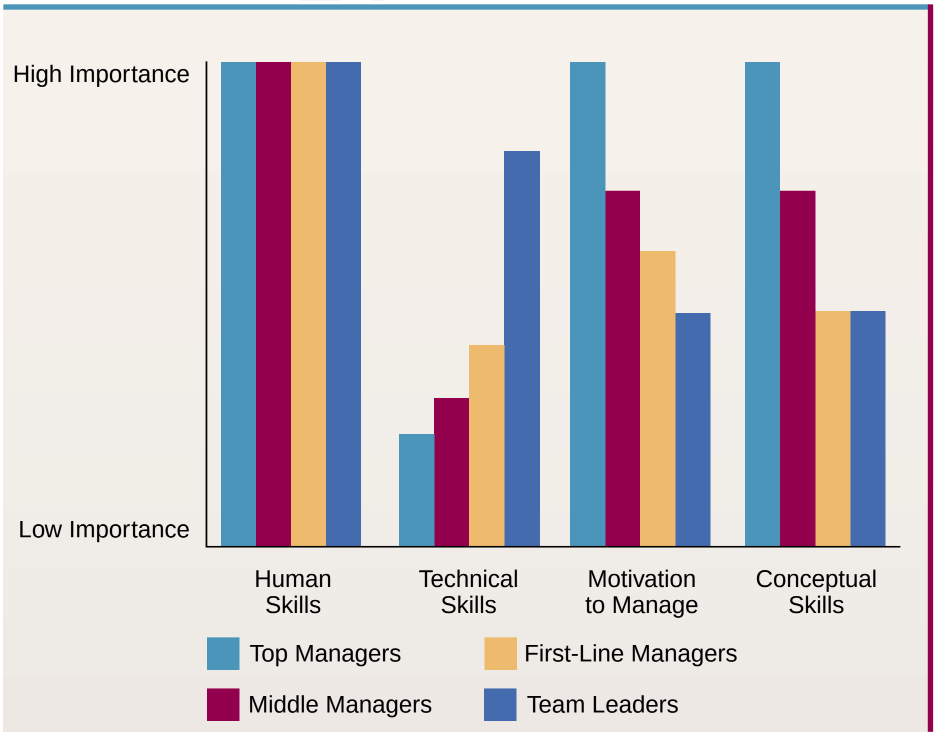
Broadly speaking, when companies look for employees who would be good managers, they look for individuals who have technical skills, human skills, conceptual skills, and the motivation to manage.[55] Exhibit 1.4 shows the relative importance of these four skills to the jobs of team leaders, first-line managers, middle managers, and top managers.

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

Technical skills are the ability to apply the specialized procedures, techniques, and knowledge required to get the job done. For the sales managers described above, technical skills are the ability to find new sales prospects, develop accurate sales pitches based

EXHIBIT 1.4

RELATIVE IMPORTANCE OF MANAGERIAL SKILLS TO DIFFERENT MANAGERIAL JOBS



PersonalProductivityTip

Have You Trained Your Replacement?

Fred Smith, CEO and founder of Federal Express, had heart bypass surgery. What made Smith's illness especially newsworthy was that FedEx had not designated a successor. If Smith had died, FedEx would have temporarily been without a CEO. But training a replacement isn't just an issue for top managers. According to Eugene Jennings, Professor Emeritus at Michigan State University, managers who haven't trained replacements will find it much harder to get promoted. So, if you want to increase your chances of getting that next promotion, begin training your replacement today.

Source: R. Brooks, "Companies: FedEx's CEO Undergoes Surgery for a Heart Bypass—A Vital Leader Is Expected to Resume His Duties Soon," *The Wall Street Journal*, 27 November 2000, 4.

on customer needs, and close the sale. For a nurse supervisor, technical skills include being able to insert an IV or operate a "crash cart" if a patient goes into cardiac arrest.

Technical skills are most important for lower-level managers and team leaders because they supervise the workers who produce products or serve customers. Team leaders and first-line managers need technical knowledge and skills to train new employees and help employees solve problems. Technical knowledge and skills are also needed to troubleshoot problems that employees can't handle. Technical skills become less important as managers rise through the managerial ranks, but they are still important. Indeed, Bill Gates, founder and Chairman of Microsoft Corporation, which produces DOS and Windows, spends roughly 40 percent of his time dealing with the technical issues related to development of Microsoft software products.[56]

human skill
the ability to work well with others

Human skill is the ability to work well with others. Managers with people skills work effectively within groups, encourage others to express their thoughts and feelings, are sensitive to others needs and viewpoints, and are good listeners and communicators. Human skills are equally important at all levels of management, from first-line supervisors to CEOs. However, because lower-level managers spend much of their time solving technical problems, upper-level managers may actually spend more time dealing directly with people. On average, first-line managers spend 57 percent of their time with people, middle managers spend 63 percent of their time directly with people, and top managers spend as much as 78 percent of their time dealing with people.[57]

conceptual skill
the ability to see the organization as a whole, how the different parts affect each other, and how the company fits into or is affected by its environment

Conceptual skill is the ability to see the organization as whole, how the different parts of the company affect each other, and how the company fits into or is affected by its external environment, such as the local community, social and economic forces, customers, and competition. Good managers have to be able to recognize, understand, and reconcile multiple complex problems and perspectives. In other words, managers have to be smart! In fact, intelligence makes so much difference for managerial performance that managers with above-average intelligence typically outperform managers of average intelligence by approximately 48 percent.[58] Clearly, companies need to be careful to promote smart workers into management. Conceptual skill increases in importance as managers rise through the management hierarchy.

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

However, there is much more to good management than intelligence. For example, making the department genius a manager can be disastrous if that genius lacks technical skills, human skills, or one other factor known as the motivation to manage. **Motivation to manage** is an assessment of how motivated employees are to interact with superiors, participate in competitive situations, behave assertively toward others, tell others what to do, reward good behavior and punish poor behavior, perform actions that are highly visible to others, and handle and organize administrative tasks. Managers typically have a stronger motivation to manage than their subordinates, and managers at higher levels usually have stronger motivation to manage than managers at lower levels. Furthermore, managers with stronger motivation to manage are promoted faster, are rated by their employees as better managers, and earn more money than managers with a weak motivation to manage.[59]

Review 5
What Companies Look for in Managers

Companies do not want one-dimensional managers. They want managers with a balance of skills. They want managers who know their stuff (technical skills), are equally comfortable working with blue-collar and white-collar employees (human skills), are able to assess the complexities of today's competitive marketplace and position their companies for success (conceptual skills), and want to assume positions of leadership and power (motivation to manage). Technical skills are most important for lower-level managers, human skills are equally important at all levels of management, and conceptual skills and motivation to manage increase in importance as managers rise through the managerial ranks.

6. Mistakes Managers Make

Another way to understand what it takes to be a manager is to look at the mistakes managers make. In other words, we can learn just as much from what managers shouldn't do as we can from what they should do. Exhibit 1.5 lists the top ten mistakes managers make.

Several studies of U.S. and British managers have compared "arrivers," or managers who made it all the way to the top of their companies, to "derailers," managers who were successful early in their careers but were knocked off the fast track by the time they reached middle to upper levels of management.[60] The first result they found was that there were few differences between arrivers and derailers. For the most part, both groups were talented and both groups had weaknesses. But what distinguished derailers from arrivers was that derailers possessed two or more "fatal flaws" with respect to the way that they managed people! By contrast, arrivers, who were by no means perfect, usually had no more than one fatal flaw, or they had found ways to minimize the effects of their flaws on the people with whom they work.

The number one mistake made by derailers was that they were insensitive to others by virtue of their abrasive, intimidating, and bullying management style. The authors of one study cited the manager who walked into his subordinate's office and interrupted a meeting by saying, "I need to see you." When the subordinate tried to explain that he wasn't available because he was in the middle of a meeting, the manager barked, "I don't give a damn. I said I wanted to see you now."[61] Not surprisingly, only 25 percent of derailers were rated by others as being good with people, compared to 75 percent of arrivers.

An intimidating management style may also have been partly responsible for Kmart's firing its former CEO, Joseph Antonini. According to *Forbes* magazine, Antonini publicly berated his senior corporate executives in front of Kmart store personnel, regularly using words like "stupid," "jerk," and "inept." He also told them they weren't worth the salary they were paid.[62] Even the U.S. Army recognizes the seriousness of managers being insensitive to others. For example, officers who have been promoted to the rank of gen-

EXHIBIT 1.5

TOP TEN MISTAKES THAT MANAGERS MAKE

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

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

Not being able to build a team is a fatal management mistake. At Levi-Strauss, managers on the diversity council, pictured here, work as a team to ensure the company has a diverse employee base. Levi's diversity managers take care to build strong teams and avoid making a fatal management mistake.

© MARK RICHARDS/PHOTOEDIT

eral are officially sent to the Brigadier General Training Conference. Informally, however, the Army calls this "charm school." The basic goal of this training is simple: to encourage new generals to get in touch with and lose their "inner jerk." Says Lt. Col. Howard Olsen, who runs the training, "Each and every one of you has something that makes you a jerk. Some of you have more than one. I know. I've talked to you."[63]

The second mistake was that derailers were often cold, aloof, or arrogant. While this sounds like insensitivity to others, this has more to do with derailed managers being so smart, so expert in their areas of knowledge, that they treated others with contempt because they weren't experts, too. For example, the Ameritech phone company called in an industrial psychologist to counsel its vice president of human resources because she had "been blamed for ruffling too many feathers at the regional telephone company."[64] Interviews with the vice president's coworkers and subordinates revealed that everyone thought she was brilliant, that she was "smarter and faster than other people," that she "generates a lot of ideas," and that she "loves to deal with complex issues." Unfortunately, these smarts were accompanied by a cold, aloof, and arrogant management style. The people she worked with complained that she did "too much too fast," that she treats co-workers with "disdain," that she "impairs teamwork," that she "doesn't always show her warm side," and that she has "burned too many bridges."

The third and fourth mistakes made by derailers, betraying a trust and being overly ambitious, indicate a lack of concern for coworkers and subordinates. Betraying a trust doesn't mean being dishonest. Instead, it means making others look bad by not doing what you said you would do when you said you would do it. That mistake, in itself, is not fatal, because managers and their workers aren't machines. Tasks go undone in every company every single business day. There's always too much to do and not enough time, people, money, or resources to do it. The fatal betrayal of trust is failing to inform others when things would not be done on time. This failure to admit mistakes, to quickly inform others of the mistakes, to take responsibility for the mistakes, and then to fix the mistakes without blaming others clearly distinguished the behavior of derailers from arrivers.

The fourth mistake, mentioned above, was being overly political and ambitious. Managers who always have their eye on their next job rarely do more than establish superficial relationships with peers and coworkers. In their haste to gain credit for successes that would be noticed by upper management, they make the fatal mistake of treating people like they don't matter.

The fatal mistakes of being unable to delegate, to build a team, and to staff effectively indicate that many derailed managers were unable to make the most basic transition to managerial work: to quit being hands-on doers and get work done through others. Two things go wrong when managers make these mistakes. First, when managers meddle in decisions that their subordinates should be making, when they can't quit being doers, they alienate the people who work for them. Second, because they are trying to do their subordinates' jobs in addition to their own, managers who fail to delegate to their workers will not have enough time to do much of anything well. For example, before becoming president of Harvard University, Neil Rudenstine's management style had always been to take on more and more work himself. So when he became a university president and the demands placed on him increased, he responded by working even longer hours, usually 12 to 14 hours a day. For example, on the day before Thanksgiving, normally a quiet day on college campuses as students travel home to be with their families, Dr. Rudenstine began his day with an 8 A.M. meeting with several deans, had lunch with visiting Russian dignitaries, attended a faculty meeting, and finished his day with a dormitory dinner and reception for students. He got home at 8:30 P.M., more than 12 hours after the start of his day. While it is the norm for university presidents to put in long hours, Dr. Rudenstine made it even tougher on himself by failing to delegate work to his associates. Figuring out how to solve the shortage of parking spaces on campus or arranging to have contractors fix leaky roofs are not good uses of a university president's time. Indeed, the combination of long hours and his inability to delegate led to mental and physical exhaustion and a physician-mandated leave of absence from his job as Harvard University president.[65]

Review 6
Mistakes Managers Make

Another way to understand what it takes to be a manager is to look at the top mistakes managers make. Five of the most important mistakes made by managers are being abrasive and intimidating; being cold, aloof, or arrogant; betraying trust; being overly ambitious; and failing to build a team and then delegate to that team.

7. The Transition to Management: The First Year

In her book *Becoming a Manager: Master of a New Identity*, Harvard Business School professor Linda Hill followed the development of 19 people in their first year as managers. Two overall themes emerged from Dr. Hill's study. First, becoming a manager produced a profound psychological transition that changed the way these managers viewed themselves and others. Second, the only way to really learn how to manage was to be a manager. As shown in Exhibit 1.6, a good way to appreciate the magnitude of the changes these managers experienced is to describe their thoughts, expectations, and realities as they evolved over the course of their first year in management.

Initially, the managers in Hill's study believed that their job was to exercise formal authority and to manage tasks—basically being the boss, telling others what to do, making decisions, and getting things done. One manager said, "Being the manager means running my own office, using my ideas and thoughts." Another said, "It's [the office] my baby. It's my job to make sure it works." In fact, most of the new managers were attracted to management positions because they wanted to be "in charge." Surprisingly, the new managers did not believe that their job was to manage people. The only two aspects of people management mentioned by the new managers were hiring and firing.

After six months, most of the new managers had come to the conclusion that their initial expectations about managerial work were wrong. Management wasn't being "the boss." It wasn't just about making decisions and telling others what to do. The first surprise to the new managers was the fast pace and heavy workload involved in being a manager. One manager stated, "This job is much harder than you think. It is 40 to 50

Personal Productivity Tip

Find Someone To Talk To

Management is inherently stressful, and managers need to be able to talk to someone about those stresses. Because of their positions and power, many managers find it difficult to confide in company insiders. Consequently, managers are likely to form close, long-lasting relationships with consultants. Likewise, by becoming members of organizations such as the Young President's Organization or The Executive Committee, top managers get honest, unbiased advice by regularly meeting with 12 to 16 top managers (from other companies and industries) where they live. When you become the boss (or if you already are), find someone to talk to about your job. It helps.

Source: M. Lefko, "It's Lonely at the Top—Who Do You Turn To? (Chief Executive Officers, Management Techniques and Analysis)," *Los Angeles Business Journal*, 28 May 2001, 48.

percent more work than being a producer! Who would have ever guessed?" The pace of managerial work was startling, too. Another manager said, "You have eight or nine people looking for your time . . . coming into and out of your office all day long." A somewhat frustrated manager declared that management was "a job that never ended," "a job you couldn't get your hands around."

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

The other major surprise after six months on the job was that the managers' expectations about what they should do as managers were very different from their subordinates' expectations. Initially, the managers defined their jobs as helping their subordinates perform their jobs well. For the managers, who still defined themselves as doers rather than managers, assisting their subordinates meant going out on sales calls or handling customer complaints. One manager said, "I like going out with the rep, who may need me to lend him my credibility as manager. I like the challenge, the joy in closing. I go out with the reps and we make the call and talk about the customer; it's fun." But when the managers "assisted" in this way, their subordinates were resentful and viewed their help as interference. What the subordinates wanted in the way of assistance was for their managers to solve problems that they couldn't solve. Once the managers realized this contradiction, they embraced their role as problem-solver and troubleshooter. Thus, they could help without interfering with their subordinates' jobs.

After a year on the job, most of the managers no longer thought of themselves as doers, but managers. In making the transition, they finally realized that people management was the most important part of their jobs. One manager summarized the lesson that had taken him a year to learn by saying, "As many demands as managers have on their time, I think their primary responsibility is people development. Not production,

EXHIBIT 1.6

THE TRANSITION TO MANAGEMENT: INITIAL EXPECTATIONS, AFTER SIX MONTHS, AND AFTER A YEAR

MANAGERS' INITIAL EXPECTATIONS	AFTER SIX MONTHS AS A MANAGER	AFTER A YEAR AS A MANAGER
• Be the boss	• Initial expectations were wrong	• No longer "doers"
• Formal authority	• Fast pace	• Communication, listening, & positive reinforcement
• Manage tasks	• Heavy workload	• Job is people development
• Job is not managing people	• Job is to be problem-solver and troubleshooter for subordinates	

Source: L.A. Hill, *Becoming a Manager: Mastery of a New Identity* (Boston, MA: Harvard Business School Press, 1992).

BeenThereDoneThat

Travis Reynolds, A Brand New Manager

Travis Reynolds, 24, is a first-level manager for a financial services company offering insurance, 401Ks, retirement planning, and mutual funds to its customers. Travis has been a manager for nine months.

Q: What responsibilities do you have in your job?

A: My job is supervision, training, and running the office (expenses and personnel). I'm also in charge of how the office and sales associates use technology. I recruit new sales associates and spend a lot of time with them while they're still learning the job. I help them with their daily activities, such as seeing potential customers, preparing for sales calls, calling for appointments, and doing insurance and financial applications correctly. I assist them whenever they need help, explaining new products and sometimes going out on sales calls with them.

Q: What was your first month as a manager like?

A: (He laughs.) High stress! I set very high expectations for myself. Being a numbers-oriented person (Travis has a degree in Finance), I was very frustrated. I was looking at and trying to make decisions by the numbers, and that doesn't work well when you're dealing with people.

Q: In retrospect, do you know now what you were doing wrong?

A: I didn't look at individual situations. I have a great manager who empowers me, but I wasn't empowering the associates who work for me. I came down on them like a steel hammer because they weren't meeting their numbers. I was very autocratic. There was a lot of conflict between the associates and me the first couple of months because of my management style. In fact, it was so bad that on my first day, during the morning sales meeting, one of the associates got up and left because he was so upset with the tough way in which I was running the meeting. It took me a long time to mend fences.

Q: Did you ever think about quitting?

A: No. I eventually learned a new system of managing. My senior managers advised me on ways to empower rather than being autocratic. They taught me how to be more people-oriented without losing track of the results and numbers that my department has to produce. You don't have to give up one for the other.

Q: What prompted you to change?

A: (He laughs again.) Well, that associate leaving my first meeting was a sign, wasn't it? It didn't happen immediately, though. It was still pretty rough around the office for several more months. In terms of dealing with people, I guess I had to learn the hard way. New associates were literally running away from me. The group would disburse when I came into the break room for some coffee. But even more serious than that, I noticed that they weren't coming to me for help. And you can't identify and solve problems unless your people bring them to you.

Q: Any idea why you were so tough on them and yourself at first?

A: I was trying to establish a difference between myself and the previous manager, who was very positive with the associates. As soon as I got the title, I felt like I had to prove my worth. Sales people are entrepreneurial. They come into this line of work to be their own boss. So when I played the role of the tough, controlling supervisor, I contradicted everything that attracted them to the job and our company. It's funny. I still have an email from one of my bosses that said "Now that you've been promoted, don't get a big head." I still reread that occasionally to remind myself that the agents are my customers. I realize now that my job is to help them make sales.

Q: Would you recommend a management job to others?

A: Yes. I love it! I like interacting with people. I like watching them be successful. I can't take credit for it, but I like to see them be successful, especially when they turn it around. For example, I had an agent in my office two days ago who was making the very basic mistake of not setting up enough appointments. It was an issue of time management. In this job, we say that you have to dial 40 times to reach 15 prospects to set up 6 appointments. So I coached him on time management and phone-calling skills. The next day, he made 52 calls, reached 18 prospects, and set up appointments with 9. That made me extremely happy. It was a baby step, but it was important. Going from one appointment a day to nine is a huge difference.

but people development." Another indication of how much their views had changed was that most of the managers now regretted the rather heavy-handed approach they had used in their early attempts to manage their subordinates. "I wasn't good at managing . . . , so I was bossy like a first-grade teacher." "Now I see that I started out as a drill sergeant. I was inflexible, just a lot of how-to's." By the end of the year, most of the managers had abandoned their authoritarian approach for one based on communication, listening, and positive reinforcement. One manager explained, "Last night at five I handed out an award in the board-room just to the individual. It was the first time in his career that he had done [earned] $100,000, and I gave him a piece of glass [a small award] and said I'd heard a rumor that somebody here just crossed over $100,000 and I said congratulations, shook his hand, and walked away. It was not public in the sense that I gathered everybody around. But I knew and he did too."

Finally, after beginning their year as managers in frustration, the managers came to feel comfortable with their subordinates, with the demands of their jobs, and with their emerging managerial styles. While being managers had made them acutely aware of their limitations and their need to develop as people, it also provided them with an unexpected reward of the thrill of coaching and developing the people who worked for them. One manager said, "It gives me the best feeling to see somebody do something well after I have helped them. I get excited." Another stated, "I realize now that when I accepted the position of branch manager that it is truly an exciting vocation. It is truly awesome, even at this level; it can be terribly challenging and terribly exciting."

Review 7

The Transition to Management: The First Year

Managers often begin their jobs by using more formal authority and less people management. However, most managers find that being a manager has little to do with "bossing" their subordinates. After six months on the job, the managers were surprised at the fast pace, the heavy workload, and that "helping" their subordinates was viewed as interference. After a year on the job, most of the managers no longer thought of themselves as doers, but managers who get things done through others. And, because they finally realized that people management was the most important part of their job, most of them had abandoned their authoritarian approach for one based on communication, listening, and positive reinforcement.

Why Management Matters

If you walk down the aisle of the business section in your local bookstore, you'll find hundreds of books that explain precisely what companies need to do to be successful. Unfortunately, business books tend to be faddish, changing every few years. Lately, the best-selling business books have emphasized technology, reengineering, and going global, whereas 10 years ago the hot topics were joint ventures, mergers, and management buyouts. One thing that hasn't changed, though, is the importance of good people and good management: Companies can't succeed for long without them.

After reading this section, you should be able to

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

8. Competitive Advantage Through People

Let's pretend that it's 20 years ago and you just inherited $5,000. However, you can't spend the money. The will stipulates that you have to invest the money in the stock market and that you can't touch the stocks, win or lose, for 20 years. After that time, you can cash in your stocks and do what you want. If you had been really smart, or really lucky, you would have taken your $5,000, split it up, and invested $1000 in five companies: Plenum Publishing, Circuit City, Tyson Foods, Wal-Mart, and Southwest Airlines. If you had done that, your $1,000 investments would have grown to $156,890; $164,100; $181,180; $198,070; and $217,750; respectively, after 20 years. Your initial $5,000 investment would be worth a total of $917,990.00, for a spectacular return on investment of 18,359.80 percent.[66] In fact, no other combination of companies could produce as large a return, because these companies were the five top-performing companies in American business over the last two decades.

Naturally, you might wonder how these companies achieved their phenomenal success. Did they invent a new technology in a fast-growth business, did they have few competitors, or were they just lucky? Well, none is a high-technology company. Plenum is an old-fashioned book publisher. Circuit City sounds high-tech, but is just a retailer that happens to sell electronics and computers. Tyson Foods raises and sells chickens. Wal-Mart is a discount retail chain. And Southwest Airlines is a no-frills, low-cost airline. Also, each of these companies achieved their success in highly competitive industries, which, by definition, are supposed to lower company profits, because companies have to either lower prices (and thus profits) or invest huge amounts of money in product innovation just to keep the customers they have.[67] So each of these companies should have found it enormously difficult to make above-average profits. Nonetheless, they did. Why? Because they effectively managed their people.

In his books, *Competitive Advantage Through People* and *The Human Equation: Building Profits by Putting People First*, Stanford University business professor Jeffrey Pfeffer contends that what separated these companies from their competitors and made them top performers was the way they treated their work forces, in other words, management.[68] Managers in these companies used ideas like employment security, selective hiring, self-managed teams and decentralization, high pay contingent on company performance, extensive training, reduced status distinctions (between managers and employees), and extensive sharing of financial information to achieve financial performance that, on average, was 40 percent higher than other companies. These ideas, which are explained in detail in Exhibit 1.7, help organizations develop work forces that are smarter, better trained, more motivated, and more committed than their competitors' work forces. And, as indicated by the phenomenal growth and return on investment

EXHIBIT 1.7

COMPETITIVE ADVANTAGE THROUGH PEOPLE: MANAGEMENT PRACTICES

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

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

earned by these companies, smarter, better trained, and more committed work forces provide superior products and service to customers, who keep buying and who, by telling others about their positive experiences, bring in new customers.

Pfeffer also argues that companies that invest in their people will create long-lasting competitive advantages that are difficult for other companies to duplicate. Indeed, studies clearly demonstrate that sound management practices can produce substantial advantages in three critical areas of organizational performance: sales revenues, profits, and customer satisfaction. For example, a study of nearly 1,000 U.S. firms indicated that companies that use *just some* of the ideas shown in Exhibit 1.7 had $27,044 more sales per employee and $3,814 more profit per employee than companies that didn't.[69] For a 100-person company, these differences amount to $2.7 million more in sales and nearly $400,000 more in annual profit! For a 1,000-person company, the difference grows to $27 million more in sales and $4 million more in annual profit!

Another study found that poorly performing companies that adopted management techniques as simple as setting expectations (setting goals, results, and schedules) coaching (informal, ongoing discussions between managers and subordinates about what is being done well and what could be done better), reviewing (annual, formal discussion about results), and rewarding (adjusting salaries and bonuses based on employee performance and results) were able to improve average return on investment from 5.1 percent to 19.7 percent and increase sales by $94,000 per employee![70] So, in addition to significantly improving the profitability of healthy companies, sound management practices can turn around failing companies.

Research also indicates that managers have an important effect on customer satisfaction. However, many people find this surprising. They don't understand how managers, who are largely responsible for what goes on inside the company, can affect what goes on outside the company. They wonder how managers, who often interact with customers under negative conditions (when customers are angry or dissatisfied), can actually improve customer satisfaction. It turns out that managers influence customer satisfaction through employee satisfaction. When employees are satisfied with their jobs, their bosses, and the companies they work for, they provide much better service to customers.[71] In turn, customers are more satisfied, too.

Review 8

Competitive Advantage through People

Why does management matter? Well-managed companies are competitive because their work forces are smarter, better trained, more motivated, and more committed. Furthermore, companies that practice good management consistently have greater revenues and profits than companies that don't. Finally, good management matters because good management leads to satisfied employees who, in turn, provide better service to customers. Because employees tend to treat customers the same way that their managers treat them, good management can improve customer satisfaction.

What Really Happened?

In the opening case, you learned that NextJump founder Charlie Kim was having trouble with the basic issues discussed in this chapter. What is management? What do managers do? And, what does it take to be a manager? Find out what really happened as Charlie Kim and NextJump addressed these issues and tried to turn the company around.

What are my primary responsibilities as a top manager? Does that include keeping workers happy and comfortable?

In good times or bad, top managers are responsible for the overall direction and performance of their companies. Indeed, Charlie Kim was the person who raised funding from investors to grow NextJump from 30 to 105 employees so it could expand into New York, Boston, San Francisco, and Washington. Likewise, when things began to go wrong at NextJump, Charlie Kim was responsible for finding a way to set them right (see below). Are top managers also responsible for keeping workers happy and comfortable? Without a doubt, they are. More specifically, top managers are responsible for developing attitudes of commitment and ownership and for creating a positive organizational culture through words and actions. Charlie Kim felt that he was meeting this responsibility by hiring friends and encouraging employees to leave the office by 6:30 P.M. so that they could spend time with their families. However, top managers are also responsible for encouraging managers and employees to quickly recognize and embrace the need for change. Unfortunately, as we learned, under Charlie's leadership, NextJump's employees were more concerned about griping and getting to the gym during business hours.

Making the transition from employee to manager has been one of the most stressful in my life. Are my experiences unique? What mistakes do managers typically make?

Another way to understand what it takes to be a manager is to look at the mistakes managers make. In other words, we can learn just as much from what managers shouldn't do as we can from what they should. Five of the most important mistakes made by managers are being abrasive and intimidating; being cold, aloof, or arrogant; betraying trust; being overly ambitious; and failing to build a team and then delegate to that team. While no one would describe Charlie Kim as abrasive or intimidating, he became increasingly separated (i.e., cold and aloof) from the people who worked for him. As one employee stated, "I had to ride up in the elevator with Charlie the other day. It was so awkward. We had nothing to say to each other." And, while this wasn't his intention, Charlie betrayed his workers' trust by unexpectedly firing 12 employees (roughly 10 percent of the company) in one afternoon. This single act was also contrary to his personal beliefs and reasons for starting the company, to create a fair and reasonable work place that permitted employees to succeed on the job and at home. This doesn't mean that managers should never fire employees. But it does mean that managers need to consider how their actions will affect the organization's employees. Remember, good management leads to satisfied employees who, in turn, provide better service to customers. Because employees tend to treat customers the same way that their managers treat them, good management can improve customer satisfaction. Conversely, when managers proclaim one thing (a worker friendly workplace) and then do another (unexpectedly fire 10 percent of their work force in one afternoon), they can expect unhappy employees whose dissatisfaction will, in turn, negatively affect how employees do their jobs and how the company performs. Not surprisingly, Charlie's decision to fire 12 workers at once prevented him from forming a successful team, which is the fifth mistake that managers make.

Finally, what does it takes to be a manager and have I got that?

Companies want managers with a balance of skills. They want managers who know their stuff (technical skills), are equally comfortable working with all kinds of people (human skills), are able to position their companies for success in today's competitive marketplaces (conceptual skills), and want to take charge (motivation to manage). In retrospect, Charlie Kim had the technical skills and conceptual skills to form NextJump, to help it create its first products, and to convince investors to put millions of dollars into the company. However, by his own admission, he was reluctant to take charge and lacked the people skills needed to run the company. Therefore, he hired 58-year old Richard Pregiato to replace himself as CEO. While Pregiato had no technical experience himself (but, as a CEO, this didn't matter, because technical skills become less important at higher levels), he did have what NextJump needed in a CEO, 30 years of management experience in banking and technology companies. What were Pregiato's first impressions? He said, "It was very clear: the place needed a plan. There were people who needed a large degree of management, a large degree of guidance." And, "Charlie really needed a buddy at that time." Pregiato's solutions were straight out of Management 101. First, have each manager write detailed plans for their units, with clear goals and specific measures to track their progress. Second, add middle managers to coordinate and link different parts of the company and implement the changes or strategies generated by top management. Griping and out-of-control meetings were soon a thing of the past. Third, build a relationship with Charlie Kim. Kim and Pregiato drove together to frequent meetings between New York and Boston, and even began working out together (after work). Said Kim, "He's in his grandpa shorts lifting his little weights. We're talking the whole time." Fourth, employees were no longer allowed to work out or receive massages on company time. In short, by recognizing his own limitations, firing himself, and then hiring Pregiato as CEO, Charlie Kim ultimately came to recognize what it takes to be a manager.

Sources: P. Kruger, "Stop the Insanity! A New Generation of Dotcom Entrepreneurs are Creating Companies that Work—Without Expecting People to Spend Every Waking Moment at Work. Here's How to Build a Saner Startup," *Fast Company*, 1 July 2000, 240. R. Silverman, "For Charlie Kim, Company of Friends Proves a Lonely Place—A Dot-Com Founder Brought In Buddies and Colleagues; All Was Fine—on the Way Up," *The Wall Street Journal*, 1 February 2001, A1.

Key Terms

conceptual skill *(23)*
controlling *(5)*
disseminator role *(19)*
disturbance handler role *(20)*
effectiveness *(5)*
efficiency *(5)*
entrepreneur role *(19)*
figurehead role *(16)*
first-line managers *(14)*
human skill *(23)*
leader role *(16)*
leading *(5)*
liaison role *(17)*
management *(5)*
meta-analysis *(7)*
middle managers *(13)*
monitor role *(18)*
motivation to manage *(23)*
negotiator role *(21)*
organizing *(5)*
planning *(5)*
resource allocator role *(20)*
spokesperson role *(19)*
team leaders *(15)*
technical skills *(22)*
top managers *(12)*

What Would You Do-II

Promotion Apprehension

What a joy it is to be back at work! After spending two weeks on vacation in Hawaii, you're ready to get back to business as usual. It seems strange, but even during your two-week stint in paradise, you couldn't seem to stop thinking about the office and what you might be missing. While you were away, you resisted the temptation to check in, mainly to avoid sending a negative signal to your assistant, Joe, and the other employees. Joe has been employed with the firm for three years as an engineer and was recently promoted to the position of assistant manager because of his hard work and proven track record in the department. Before you left, you consulted with Joe and assured him that he could "hold down the fort" while you were away.

Unfortunately, as you walk through the door this morning, Joe appears to be nervous, agitated, and lacking confidence. He expresses his relief that you are back from your trip and begins to discuss the happenings of the last two weeks. Many of your subordinates are also glad to see you back at work. Your secretary claims that Joe was a mini "Hitler" while you were gone. During your absence, several impromptu decisions had to be made and from Joe's comments, he seems to have handled them accordingly. As you listen, you tell yourself that you probably wouldn't have come to the same conclusions, but, then, you are more experienced and have encountered similar decisions throughout your twenty-six years as a manager with the firm.

When Joe finishes briefing you, you do your best to reassure him that he performed well during your absence; however, he is still not comfortable with the decisions that he made. In fact, as Joe begins to disclose more information, he tells you that he never wants to be left in charge again. He wonders if you made a mistake by giving him the promotion and asks you to reconsider keeping him as your assistant. Even though it has been three months since Joe's promotion, you still haven't hired a full-time engineer to replace him. Joe informs you that he would be happy to resume his former job and encourages you to name a new replacement for the assistant manager position. What can you do to calm his anxiety? How can you help him understand why he is experiencing fear and work to overcome it? If you were Joe's manager, what would you do?

Source: A. Fisher, "From Stud to Dud—In Just One Promotion," *Fortune*, 2 April 2000.

Management Decisions

"Can I have tomorrow night off?"

It's 4:00 P.M. as you begin your last inspection of the production area. Only two hours until you go home, eat your dinner, relax, and spend some much-needed time with your family. As you finish your rounds, you notice an employee is sitting in your office. As you get closer, you see that it is Frank, an operator on the evening shift. Frank greets you as you walk in your office and the two of you make small talk about the previous night's production run. Frank informs you that his son's Little-League baseball team has made it to the playoffs for the state championship and he wants to take tomorrow night off to watch this important game. As you listen, you remember attending your own son's games and know how important this game is to both Frank and his son, after all, this opportunity may never occur again. However, as a just-in-time supplier to a local manufacturing facility, you also know that tomorrow's production run has to be completed. The best person to take Frank's position is Bobby, who is on vacation for the next five days. In Bobby's absence, three of your operators are helping out by alternating a double shift. Allowing Frank to take off without a replacement would seriously hamper the other four evening shift operators and would jeopardize the entire night's production cycle. As a first-line supervisor, making decisions such as this is your least favorite aspect of the job. On one hand you empathize with Frank and want to be flexible to his needs, yet on the other, you have to uphold your duty to fulfill the nightly production quota.

Questions

1. Would you let Frank have the night off? Why or Why not?
2. As a manager in this situation, what other options might you consider before making your decision?

Source: Sue Shellenbarger, "Work & Family: Push for Flexibility Puts Special Pressure On Factory Managers," *The Wall Street Journal,* 9 May, 2001.

Management Decisions

Eeny Meeny Miny Mo . . .

You are the regional director of research and development for a mid-sized chemical company. This morning, two project directors called to schedule appointments to see you concerning a memo your office released yesterday informing all staff members of budget cuts for the new fiscal year. Because of factors beyond the company's control—a slowing economy, declining sales, lowered earnings projections, and so forth, company officials have mandated an across-the-board cost reduction of 15 percent in all departments. Unfortunately, this reduction will affect your department the most since research and development costs have averaged 23 percent of the company's total expenditures over the last five years. Despite the fact that every dollar invested in chemical research today will yield two dollars of operating income over six years, only one of the two lead projects your department is working on will be fully-funded under the new budget. Both project directors will be campaigning for their specific project, and it will be your decision to choose which one receives full funding and which one does not. As you check your daily calendar for possible meeting times, you recall that both projects are equally viable and are expected to require approximately the same amount of money and resources. In meeting with each project director individually, however, you will need to gather specific information in order to make an unbiased, informed decision.

Questions

1. Assuming the role of disseminator, write the script for the part of the meeting that you tell your project directors you can only fund one project.
2. Assuming the role of resource allocator, what questions will you likely ask to help you make your decision?

Source: N. Gross, "Measuring the Muscle of R&D Spending," *Business Week,* 11 June 2001.

Develop Your Managerial Potential

Interview Two Managers

Welcome to the first "Develop Your Managerial Potential" activity! These assignments have one purpose: To help you develop your present and future capabilities as a manager. What you will be learning through these assignments is not traditional "book-learning" based on memorization and regurgitation, but practical knowledge and skills that help managers perform their jobs better. Lessons from some of the assignments—for example, goal setting—can be used for immediate benefit. Other lessons will obviously take time to accomplish, but you can still benefit now by making specific plans for future improvement.

Step 1: Interview Two Practicing Managers

In her book *Becoming a Manager: Master of a New Identity*, Harvard Business School professor Linda Hill conducted extensive interviews with 19 people in their first year as managers. To learn firsthand what it's like to be a manager, interview two managers that you know, asking them some of the same questions, shown below, that Professor Hill asked her managers. Be sure to interview managers with different levels of experience. Interview one person with at least five years' experience as a manager and then interview another person with no more than two years' experience as a manager. Ask the managers these questions:

1. Briefly describe your current position and responsibilities.
2. What do your subordinates expect from you on the job?
3. What are the major stresses and challenges you face on job?
4. What, if anything, do you dislike about the job?
5. What do you like best about your job?
6. What are the critical differences between average managers and top-performing managers?
7. Think about the skills and knowledge that you need to be effective in your job. What are they and how did you acquire them?
8. What have been your biggest mistakes thus far? Could you have avoided them? If so, how?

Step 2: Prepare to Discuss Your Findings

Prepare to discuss your findings in class or write a report (if assigned by your instructor). What conclusions can you draw from your interview data?

Source: L.A. Hill, *Becoming a Manager: Mastery of a New Identity* (Boston, MA: Harvard Business School Press, 1992).

Study Tip

Use your textbook more like a notebook and less like a reference book. The margins are a great place for writing questions on content you don't understand, highlighting important concepts, and adding examples to help you remember the material. Writing in your book makes it a more comprehensive resource for management and a better study tool.