

Chapter 1

Introduction to Management and Organizations

Lecture Outline

Who Are Managers?

- Types of Managers

What Is Management and What Do Managers Do?

- Efficiency and Effectiveness

- Management Functions

 - Planning

 - Organizing

 - Leading

 - Controlling

- Management Roles

 - Functions vs. Roles

- Management Skills

What Is an Organization?

- The Size of Organizations

- The Types of Organizations

Why Study Management?

- The Universality of Management

- The Reality of Work

- Self-Employment

This chapter explores the concepts of organizations, managers, and management. Every organization, regardless of size, type, or location, needs managers who have a variety of characteristics.

Learning Outcomes

What can I learn from the study of management?

1. What makes someone a manager?
2. What is management and what do managers do?
3. What characteristics define an organization?
4. Does studying management make a difference?

CHAPTER OVERVIEW

1. INTRODUCTION

The concept of management and managers is introduced in this chapter. We will look at who managers are, what management is, what managers do, and what an organization is. Lastly, we will discuss the challenges managers face and why it's important to study management.

2. WHO ARE MANAGERS?

The changing nature of organizations and work has blurred the clear lines of distinction between managers and nonmanagerial employees. Many employees' jobs now include managerial activities. Definitions used in the past no longer work. How do we define a manager? A **manager** is an organizational member who works with and through other people by coordinating their work activities in order to accomplish organizational goals.

A. Types of Managers

In traditionally structured organizations, managers are often classified by their level in the organization (see **Exhibit 1-1**).

1. **First-line managers** are the lowest level of management. They're often called supervisors.
2. **Middle managers** include all levels of management between the first-line level and the top level of the organization.
3. **Top managers** include managers at or near the top of the organization who are responsible for making organization-wide decisions and establishing the plans and goals that affect the entire organization.

3. WHAT IS MANAGEMENT AND WHAT DO MANAGERS DO?

Management refers to the process of coordinating and integrating work activities so that they are completed *efficiently* and *effectively* with and through other people. Management researchers have developed three approaches to describe what managers do: functions, roles, and skills.

A. Efficiency and effectiveness (see **Exhibit 1-2**)

1. **Efficiency** is getting the most output from the least amount of input, the goal of which is to minimize resource costs.
2. **Effectiveness** is completing activities so that organizational goals are attained; often described as "doing the right things."

B. Management Functions

Henri Fayol, a French industrialist from the early part of the 1900s, proposed that managers perform five management functions: POCCC (plan, organize, command, coordinate, control). These functions still provide the basis around which popular management textbooks are organized, but the functions have been condensed to four (see **Exhibit 1-3**).

1. **Planning** involves the process of defining goals, establishing strategies for achieving those goals, and developing sub-plans to integrate goals and coordinate activities.
2. **Organizing** is the process of determining what tasks are to be done, who is to do them, how the tasks are to be grouped, who is to report to whom, and where decisions are to be made.
3. **Leading** includes motivating subordinates, influencing individuals or teams as they work, selecting the most effective communication channel, and dealing with any employee behavioural issues.

4. **Controlling** is monitoring activities to ensure that they are being accomplished, comparing performance with previously set goals, and correcting any significant deviations.

C. Management Roles

In the late 1960s, Henry Mintzberg conducted a precise study of managers at work. He concluded that managers perform 10 different but highly interrelated roles. **Management roles** refer to specific categories of managerial behaviour (see **Exhibit 1-4**).

1. **Interpersonal roles** include figurehead, leadership, and liaison activities.
2. **Informational roles** include monitoring, disseminating, and spokesperson activities.
3. **Decisional roles** include those of entrepreneur, disturbance handler, resource allocator, and negotiator.

1. Functions vs. Roles

The use of management roles to describe what managers do has merit. In fact, many of Mintzberg's roles align well with one or more of the management functions. However, not all of them do. As such, the functions approach is still widely regarded as the most useful way of classifying a manager's job.

D. Management Skills

Managers need certain skills to perform the varied duties and activities associated with being a manager. Robert L. Katz found through his research in the early 1970s that managers need three essential skills or competencies (see **Exhibit 1-5**).

1. **Technical skills** include knowledge of and proficiency in a certain specialized field.
2. **Human skills** include the ability to work well with other people both individually and in a group.
3. **Conceptual skills** include the ability to think about abstract and complex situations and to generate solutions, to see the organization as a whole and understand the relationships among its various subunits, and to visualize how the organization fits into its broader environment.

At the end of each chapter there are exercises in "Developing Your Diagnostic and Analytical Skills" and "Developing Your Interpersonal Skills." These skills reflect a broad cross section of the managerial activities that are important elements of the four management functions. Effective management is based on your ability to be "in tune" with your own personal characteristics. By understanding your own unique strengths and weaknesses, you can develop a more effective managerial style.

4. WHAT IS AN ORGANIZATION?

Organizations need managers. An **organization** is a deliberate arrangement of people to accomplish some specific purpose. Organizations share three common characteristics (see **Exhibit 1-6**).

1. Each has a distinct purpose.
2. Each is composed of people.
3. Each develops some deliberate structure so members can do their work.

Although these three characteristics are important to defining what an organization is, the concept of an organization is changing. **Exhibit 1-7** lists some of the important

differences between the traditional organization and the new organization. Some of these differences are flexible work arrangements, employee work teams, open communication systems, and supplier alliances. Organizations are becoming more open, flexible, and responsive to change. Organizations are changing because the world around them has changed and is continuing to change. These societal, economic, global, and technological changes have created an environment in which successful organizations must embrace new ways of getting their work done.

A. The Size of Organizations

Managers and employees work in a variety of sizes of organizations.

1. Large organizations represent only three percent of the organizations in Canada.
2. Nearly 95 percent of organizations employ fewer than 50 people.
3. Big businesses employ just over 40 percent of all employees in Canada, while small businesses employ about 34 percent of all employees.
4. Most Canadians (around 76 percent) work in the service sector of the economy.

B. The Types of Organizations

Managers and employees work in a variety of organizations, and the type of organization has an impact on what managers do.

1. Large organizations in the **private sector**, or the part of the economy that is run by organizations that are free from direct government control, are often **publicly held**, which means their shares are available on the stock exchange for public trading by brokers or dealers.
2. There are also numerous **privately held organizations**, meaning that shares are not available on the stock exchange. These organizations can be individually owned, family-owned, or owned by some other group of individuals.
3. A number of managers work in the **nonprofit sector**, the part of the economy that is run by organizations that operate for purposes other than making a profit.
4. Many managers work in the **public sector** (the part of the economy that is directly controlled by the government) as **civil servants**, individuals that work for local, provincial, or federal governments.
5. Some managers and employees work for **Crown corporations**, which are commercial companies that are owned by the government but independently managed, while others work for subsidiaries of American parent organizations (e.g., Sears, Safeway, General Motors, or Ford Motor Company).

5. WHY STUDY MANAGEMENT?

Management is important in our society today. Looking at the universality of management, the reality of work, and the rewards and challenges of being a manager can explain the importance of studying management.

A. The Universality of Management

The **Universality of Management**—the certainty that management is needed in all types and sizes of organizations, at all organizational levels, and in all organizational work areas, regardless of where they're located (see **Exhibit 1-8**).

1. We interact with organizations every day of our lives. Every product we use and every action we take is provided for or affected by organizations. These organizations all require managers. Organizations that are well managed develop a loyal customer base, grow, and prosper.

2. By studying management, students will be able to recognize good management and encourage it, as well as recognize poor management and work to get it corrected.
- B. The Reality of Work
After graduating, you will either manage or be managed. A course in management provides insights into the way your boss behaves and the internal working of organizations. You don't have to aspire to be a manager to gain something valuable from a course in management.
- C. Self-Employment
For those who decide to run their own business, an understanding of management is also important. At the end of the chapter is an exercise "Self Assessment—How Motivated Am I To Manage?" to help determine whether management is something that may be of interest to you.

Answers to Reading for Comprehension Questions

1. *How does a manager's job change with his or her level in the organization?*
The differences are of degree and emphasis but not of activity. As managers move up, they do more planning and less direct overseeing of others (see **Exhibit 1-1**). The amount of time a manager gives to each activity is not necessarily constant. The content of managerial activities changes with a manager's level. Top managers are concerned with designing the overall organization's structure. Lower-level managers focus on designing the jobs of individuals and work groups.
2. *What four common activities compose the functions approach to management? Briefly describe each of them.*
The management process can be condensed to four basics: planning, organizing, leading, and controlling (see **Exhibit 1-3**). These processes are interrelated and interdependent.
 - Planning encompasses defining an organization's goals, establishing an overall strategy for achieving those goals, and developing comprehensive sub-plans to integrate and coordinate them.
 - Organizing is determining what tasks are to be done, who is to do them, how the tasks are to be grouped, who reports to whom, and where decisions are to be made.
 - Leading is when managers motivate employees, direct the activities of others, select the most effective communication channel, and resolve conflicts among members.
 - Controlling is ensuring that things are going as they should. A manager must monitor performance; monitoring, comparing, and correcting comprise the controlling process.
3. *What are the three categories of management roles proposed by Mintzberg? Provide an example of each.*
 - Interpersonal roles involve working with people inside and outside the organization and/or performing duties that are ceremonial and symbolic in nature. For example, training and motivating employees, greeting visitors, and signing legal documents are all interpersonal roles a manager may assume.
 - Informational roles involve receiving, collecting, and disseminating information. An example would be reading reports and holding staff meetings.

- Decisional roles revolve around making choices. For example, a manager may develop organizational strategy and set budgets for the upcoming year.
4. *What are the three skills that affect managerial effectiveness?*
According to researcher Robert L. Katz, the three essential skills that affect managerial effectiveness are technical skills, human skills, and conceptual skills.
 5. *What is an organization? Why are managers important to an organization's success?*
An organization is a systematic arrangement of people brought together to accomplish some specific purpose. All organizations share three common characteristics: 1) Every organization has a purpose and is made up of people who are grouped in some fashion. 2) No purpose or goal can be achieved by itself; therefore, organizations have members. 3) All organizations develop a systematic structure that defines and limits the behaviour of its members (see **Exhibit 1-6**).
Managers direct the activities of other people in the organization. Customarily classified as top, middle, and first-line, they supervise both operative employees and lower-level managers. First-line managers are responsible for directing the day-to-day activities of operative employees. Middle managers manage other managers and possibly some operative employees. They are responsible for translating the goals set by top management into specific details. Top managers are responsible for making decisions about the direction of the organization and establishing policies that affect all organizational members.

Answers to Linking Concepts to Practice Questions

1. *Are effective organizations always efficient? Discuss. If you had to choose between being effective and being efficient, which would you say is more important? Why?*
Management is the process of getting things done, effectively and efficiently, through and with other people. Effectiveness and efficiency deal with what we are doing and how we are doing it. Efficiency means doing the task right and refers to the relationship between inputs and outputs. Effectiveness means doing the right task, which translates into goal attainment. Efficiency and effectiveness are interrelated.
2. *In today's environment, which is more important to organizations—efficiency or effectiveness? Explain your choice.*
Both are integral to effective management. Management refers to the process of coordinating and integrating work activities so that they're completed efficiently and effectively with and through other people. Efficiency is getting the most output from the least amount of input, the goal of which is to minimize resource costs. Effectiveness is completing activities so that organizational goals are attained; it is often described as “doing the right things.”
3. *Contrast planning, organizing, leading, and controlling with Mintzberg's 10 management roles.*
The management functions of planning, organizing, leading, and controlling provide a clear method of classifying the activities that managers perform and coincide with many, but not all, of Mintzberg's roles. Students' responses can also be abbreviated by comparing **Exhibit 1-2** and **Exhibit 1-3**.

4. *Is your instructor a manager? Discuss in terms of planning, organizing, leading, and controlling, and of Mintzberg's managerial roles.*

A college instructor is both an individual contributor and a manager. He/she is an operative in that she/he produces “the product” of the academic institution. But she/he is also a manager in that he/she must manage the class and students. In terms of

- Planning—the instructor defines class goals, establishes the semester plan for achieving them, and develops lesson plans to integrate and coordinate these efforts.
- Organizing—not as much, as the instructor is primarily responsible for execution but may need to if he/she uses class participation.
- Leading—should be relatively obvious, motivating students, directing the activities of others, selecting the most effective communication channel, or resolving conflicts among members.
- Controlling—ah grading!

For the sake of space, suggestions will be limited to Mintzberg's three primary categories. Instructors are managers in terms of the following roles:

1. Interpersonal—the roles of leader and liaison.
2. Informational—monitor and disseminator.
3. Decisional—disturbance handler and resource allocator.

5. *In what ways would the job activities of an owner of an automotive repair shop that employs two people and the president of Ford Motor Company be similar? In what ways would they be different?*

Managing a shop is different from managing a company. The repair shop manager's most important role is that of spokesperson. The president's most important job is deciding which organizational units get what available resources and how much of them. The entrepreneurial role is least important to the president. The shop owner is more likely to be a generalist. The president's job is more structured and formal than in small firms. In the shop, planning is less carefully orchestrated, the shop's design is less complex and structured, and control in the shop will rely more on direct observation. We see differences in degree and emphasis, but not in activities.

6. *Some individuals today have the title of project leader. They manage projects of various sizes and duration and must coordinate the talents of many people to accomplish their goals, but none of the employees on their projects reports directly to them. Can these project leaders really be considered managers if they have no employees over whom they have direct authority? Discuss.*

Yes, they can still be considered managers since they perform the four basic management functions and achieve their goals by coordinating the work of others. However, project leaders may have a different status and compensation structure than line managers in organizations where managing “processes” is not considered as challenging as managing “people.”

WORKING TOGETHER—Team-Based Exercise

A New Beginning

This exercise asks students, in small groups, to develop a list of characteristics that make individuals good managers. Then for each characteristic, the students are to identify which management function it falls under and which of Mintzberg's 10 roles the good managers seemed to fill. Were any of the roles missing from the list of characteristics? What explanation can you give for this? As a group, be prepared to explain the functions and roles that good managers are most likely to fill.

Teaching Suggestions

1. Before the in-class group activity, have each student identify three managers they have worked with (this could be a current or previous boss, a family member they have watched closely, or even themselves in managerial roles). For each of the three managers, have the student identify a minimum of three characteristics that made the individual a good manager and at least one characteristic that needed changing. Then have the students identify the management function and/or management role that each good characteristic and each "bad" characteristic falls under. Have the student bring these lists to class to work with in a group.
2. In the group setting, have the students compile a comprehensive list of "good" manager characteristics and a list of "bad" manager characteristics. Also, have them identify the management function and management role of each characteristic.
3. When all of the group-compiled lists are completed, have the students make a prediction on what management function will be identified the most and which function will be identified the least.
4. Finally, going around the room, share group results and see if management function predictions were correct.

ETHICAL DILEMMA EXERCISE

Are Canadian Executives Paid Too Much?

Do you believe that Canadian executives are overpaid? Explain your opinion.

Teaching Suggestions

1. Before leading this discussion, consider assigning students the task of researching the CEO pay of two groups of companies, small caps and large caps, to see if there are any significant differences. Select five large caps and five small caps and assign a student team to research each one.
2. Ask students to research the make-up of the boards of selected companies whose CEOs are very highly paid. (There is some evidence of the linkage of CEO pay and the make-up of the board, i.e., the more CEOs and executives on a company board, the higher the pay.)
3. Final items to research are the performance of the companies over the last three years. Then match that to the pattern of CEO reward. This type of personal research will give the students an objective perspective of the issue rather than an opinion shaped by headlines.

Thinking Critically About Ethics

How far should a manager go to achieve efficiency or effectiveness? Suppose that you are the catering manager at a local country club and you are asked by the club manager to lie about information you have on your work group's efficiency.

Teaching Suggestions

As with most ethical exercises, a lively debate will take place from different points of view, many of which will err toward the unethical. It is important to steer the discussion back to the principles of efficiency and effectiveness as points of reference. Discussion could be brought back on track with additional questioning such as these: Although lying may save a job, does it make the organization more efficient and effective at the end of the day? Is the effectiveness and efficiency of the organization in anyway compromised by the fact that they will now be making decisions on the basis of faulty information? What about the example that is being set in such grey areas of judgment which, if applied to other situations (like matters of safety), could have more far-reaching and negative consequences? Is exercising such judgment good management at the end of the day?

CASE APPLICATION

Lipschultz, Levin & Gray

Case Problem: Yesterday, one of Siegel's new employees complained in an email to him that the work environment is too informal and that employees need their own desks. This employee has done well in her first few months on the job. Siegel is meeting with her in an hour. What should he say to her?

Answer: (*Suggestion only, and should be developed by the instructor.*)

Siegel needs to tell the employee that he has deliberately designed the office to encourage staff to work together and to develop a team approach to attaining the firm's goals as expressed in the mission. He needs to encourage her to understand the reasons for the organization's design. He might also try to provide some space for when an employee needs some uninterrupted time.

Additional Discussion Questions

1. *Keeping professionals excited about work that can be routine and standardized is a major challenge for Siegel. How could he use technical, human, and conceptual skills to maintain an environment that encourages innovation and professionalism in his accounting firm?*

Technical skills are skills that include knowledge of and proficiency in a certain specialized field. Accountants have their skill set and Siegel would expect competence from his staff. Human skills that he uses demonstrate his commitment to open communication, innovation, and creativity. The structure of the organization demonstrates the application of conceptual skills by designing an office that encourages communication and team skills while focusing on the mission of the firm and its goal to delight the customer. The office is arranged for working in a nomadic fashion without proprietary desks or other office equipment. This arrangement encourages staff to work together and to develop a team approach to attaining the firm's goals as expressed in the mission.

2. *What management roles would Siegel be playing as he (a) made a presentation to potential clients, (b) assessed the feasibility of adding a new consulting service, and (c) kept employees focused on the company's commitments to customers?*

The basic managerial roles are broadly classified as interpersonal, informational, and decisional. Making a presentation to a client would exemplify the informational managerial role that includes the role of spokesperson and disseminator of information. In terms of assessing the feasibility of adding a new consulting service, Siegel would be engaged in decisional roles. Here he would be acting as entrepreneur and resource allocator. Keeping employees focused on the company's commitments to customers would involve interpersonal roles where Siegel would be acting as figurehead, leader, and liaison.

3. *What can you tell about LLG's emphasis on customer service and innovation? In what ways does the organization support its employees in servicing customers and in being innovative?*

It is clear that LLG is focused primarily on the customer. The mission of the firm, the symbols used in the office (e.g., the giant wall-mounted abacus and the "Welcome Wall") and the pledges to "delight" and to respond to customers within 24 hours demonstrate this commitment. Within the office, there are no telltale signs of what most people consider boring—dull CPA work. Everywhere you look in the company's office you see versatility, comfort, and eccentricity. The open office design promotes opportunities for professionals to gather.

4. *Would LLG's approach work for all accounting firms? Why or why not? What could other managers learn from Steven Siegel?*

Each manager develops his or her own style. Not all accounting firms would necessarily benefit from LLG's approach. This depends on the type of customers, management, organizational design, and other factors. Other managers could learn the value and benefit of innovation and a strong emphasis on people as a key to organizational success.

DEVELOPING YOUR DIAGNOSTIC AND ANALYTICAL SKILLS

Managing the Virus Hunters

1. *Keeping professionals excited about work that is routine and standardized and chaotic is a major challenge for Vincent Weafer. How could he use technical, human, and conceptual skills to maintain an environment that encourages innovation and professionalism among the virus hunters?*

Students' responses will be unique but may address the following principles.

Technical Skills: Weafer can encourage his organization to be innovative and creative by staying on top of current technological trends so that his organization can continue to serve their customers and identify new opportunities. This may include continuous training and development opportunities so that these technical skills stay sharp and current.

Human Skills: Critical elements of this skill area include the ability to communicate, to motivate, to lead, and to inspire enthusiasm and trust. This would include consideration for time off to reduce the “burn out” factor that is present and prevalent in this type of working environment.

Conceptual Skills: Through the use of conceptual skills, Weafer can see the organization as a whole and understand the relationships between the various employees and departments, drawing on expertise and ideas wherever they can be found in the organization and brought to bear on the unique problems that employees are required to solve every day. This will allow him to develop systems and procedures that will encourage innovation and ensure that the organization continues to adapt to changes in the environment.

2. *What management roles is Weafer playing as he a) has weekly security briefing conference calls with co-workers around the globe, b) assesses the feasibility of adding a new network security consulting service, and c) keeps employees focused on the company's commitments to customers?*

As he conducts weekly conference calls with employees around the globe, Weafer plays the information role of disseminator, which is essential in coordinating work activities among employees who work in international locations. When Weafer assesses the feasibility of adding a new network security consulting service, he performs the decisional roles of entrepreneur and resource allocator. Keeping employees focused on the company's commitments to customers involves the interpersonal roles of figurehead, leader, and liaison. His effectiveness in playing interpersonal roles is a key determinant of Weafer's ability to motivate his employees to achieve company goals in a dynamic industry.

3. *Go to Symantec's website (www.symantec.com) and look up information about the company. What can you tell about its emphasis on customer service and innovation? In what ways does the organization support its employees in servicing customers and in being innovative?*

Visiting Symantec's website, students can clearly see that Symantec is focused primarily on the customer. The “Corporate Responsibility” link highlights the company's belief in the importance of customer service and innovation by first stating “We are customer driven; we earn trust; we innovate; we take action.” Named one of the “100 Best Corporate Citizens” by *Business Ethics* magazine for five consecutive years, Symantec demonstrates its commitment to customers, employees, and to other stakeholders through responsible business practices. The company presents its annual Visionary Awards to Symantec customers around the world in recognition of their application of technology to minimize IT risk and achieve major organizational goals.

Symantec's dedication to its employees is evidenced by the atmosphere of trust and empowerment and the company's inclusion in *Fortune* magazine's “Best Companies to Work For.”

4. *What could other managers learn from Vincent Weafer and Symantec's approach?*
Weafer's approach is one that recognizes the value and importance that employees play in the success of an organization. He recruits employees with the desired skill sets from all over the globe and has developed an organizational structure that allows his highly talented employees to perform their job functions effectively and efficiently while still maintaining personal independence and professionalism. He has a strong commitment to ensuring diversity and an inclusive work environment. Other managers could learn the value of innovation and a strong emphasis on people as a key to organizational success.