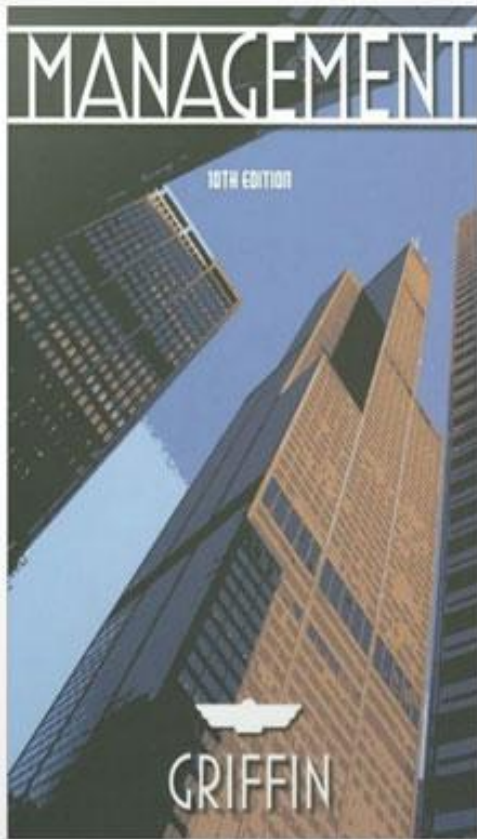


**SOLUTIONS MANUAL**



# Instructor's Manual

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## Management

TENTH EDITION

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## CHAPTER 1

# Managing and the Manager's Job

### CHAPTER SUMMARY

Chapter 1 provides an overview of management and the manager's job. After a brief introduction, the chapter describes the management process around which the book is organized. It then identifies and describes various kinds of managers. Next, the chapter discusses basic managerial roles and skills. After an analysis of the nature of managerial work, the chapter examines the scope of management in profit-seeking and not-for-profit organizations. In conclusion, the chapter addresses a variety of challenges facing managers today.

### LEARNING OBJECTIVES

After covering this chapter, students should be able to:

1. Describe the nature of management, define management and managers, and characterize their importance to contemporary organizations.
2. Identify and briefly explain the four basic management functions in organizations.
3. Describe the kinds of managers found at different levels and in different areas of the organization.
4. Identify the basic managerial roles played by managers and the skills they need to be successful.
5. Discuss the science and the art of management, describe how people become managers, and summarize the scope of management in organizations.
6. Characterize the new workplace that is emerging in organizations today.

The opening incident describes how Sergey Brin and Larry Page made Google into a \$150 billion plus Internet success story in 2008. Coming from a scientific background, Brin and Page positioned Google to be a technological innovator, attracted top quality people, and diversified the organization through several acquisitions and alliances. The founders plan to continue Google's acquisition and alliance strategy into the future, and for the most part are content to keep their competitors guessing as to what they would do next.

**Global Connection:** Google is the top web property in all major global markets. In September 2008, it employed 20,123 people worldwide.

**Management Update:** Google reported revenues of \$20.51 billion in 2009, and a net income of \$4.58 billion. Google's market capitalization was \$148.16 billion in late August, 2009.

## LECTURE OUTLINE

Organizations and their managers play an important role in contemporary society.

An *organization* is defined as a group of people working together in a structured and coordinated fashion to achieve a set of goals.

**Teaching Tip:** Note the names of your school and several local organizations as further examples of different kinds of organizations that exist in your town. These examples will help make the material immediately relevant and realistic for your students.

### I. AN INTRODUCTION TO MANAGEMENT

Many different definitions of management exist. This book uses a resource-based definition.

*Resources* is defined broadly to include human, financial, physical, and information resources.

**Teaching Tip:** Note the similarities and differences among the kinds of resources used by profit-seeking and not-for-profit organizations. For example, both an airline and a university may buy food in bulk, but they have different revenue sources to pay for that food.

**Group Exercise:** Ask students to look at the Opening Incident for Chapter 1 and to list the resources owned by Google.

**Group Exercise:** A good icebreaking exercise for the first day of class is to have students form small groups, select two or three different kinds of organizations, and identify examples of the different kinds of resources used by those organizations.

As indicated in Figure 1.1, *management* is a set of activities—including planning and decision making, organizing, leading, and controlling—directed at an organization's human, financial, physical, and information resources with the aim of achieving organizational goals in an efficient and effective manner.

**Teaching Tip:** Review the definition of management with your students and stress its connection with the overall text layout. In particular, note that each of the basic management functions—planning, organizing, leading, controlling—mentioned in the definition is covered in a major part of the book.

*Efficient* means using resources wisely and without unnecessary waste.

*Effective* means doing the right things successfully.

A *manager* is someone whose primary responsibility is to carry out the management process.

In particular, a manager is someone who plans and makes decisions, organizes, leads, and controls human, financial, physical, and information resources.

**Teaching Tip:** Again, note the relationship of the definition of a manager to the overall framework and structure of the book itself. Be sure to stress, however, that these management functions are not likely to be performed in an orderly or routine sequence.

**Discussion Starter:** Ask students to identify other examples of managers, with an emphasis on as many different kinds of organizations and management positions as possible. The wide variety of answers that is likely to emerge can be used to stress the diversity that exists in managerial work.

## II. THE MANAGEMENT PROCESS

The management process, as noted earlier, involves the four basic functions of planning and decision making, organizing, leading, and controlling.

These functions provide the framework around which this book is organized.

**Cross-Reference:** Note that Figure 1.2 is actually the center part of Figure 1.1, with extra annotations describing the four management functions. The interactive arrows are meant to convey a sense of continuous movement among the functions, rather than a predictable and orderly sequence.

**Extra Example:** Jeff Bezos, CEO of Amazon.com, can also be used to illustrate the basic management functions. He planned the expansion of his firm into new products and markets. He designed his firm around a number of cooperative arrangements, such as Amazon's alliances with Target, Office Depot, and Toys 'R' Us. As a leader, he rewards creativity and insists on efficiency. For fiscal 2009, Amazon reported revenues of \$20.51 billion and net income of \$663 million. The company has 20,700 employees and a market capitalization of \$36.27 billion in August, 2009.

### A. Planning and Decision Making: Determining Courses of Action

*Planning* means setting an organization's goals and deciding how best to achieve them.

*Decision making*, a part of the planning process, involves selecting a course of action from a set of alternatives.

**Teaching Tip:** There are five types of themed inserts that appear throughout the text. They feature management issues related to ethics, globalization, technology, diversity, or contemporary management controversies.

**Cross-Reference:** Note for students that Chapters 7–10 in Part III of the book discuss planning and decision making in detail.

### B. Organizing: Coordinating Activities and Resources

*Organizing* is grouping activities and resources.

**Cross-Reference:** Organizing is discussed more fully in Chapters 11–14 in Part IV.

### C. Leading: Motivating and Managing People

*Leading* is the set of processes used to get people to work together to further the interests of the organization.

**Cross-Reference:** Leading is discussed more fully in Chapters 15–19 in Part V.

### D. Controlling: Monitoring and Evaluating Activities

*Controlling* means monitoring the progress of the organization as it works toward its goals.

**Cross-Reference:** Controlling is discussed more fully in Chapters 20–22 in Part VI.

## III. KINDS OF MANAGERS

### A. Managing at Different Levels of the Organization

Figure 1.3 illustrates the different kinds of managers in an organization by level and by area.



## Chapter 1: Managing and the Manager's Job

1. Top managers are the small group of executives who control the organization by setting its goals, overall strategy, and operating policies. Job titles for top managers include CEO, president, and vice president. These managers make important decisions about which activities the organization should be involved in, such as acquisitions, research and development, and expanding capacity.

**Management Update:** CEO pay is often a controversial topic. The average CEO pay (for large, publicly owned companies) was \$10.40 million in 2008, which was 344 times the pay of an average worker. Critics argue that CEO pay often does not reflect corporate performance and are far more than what an average employee gets.

2. Middle managers constitute the largest group of managers in most companies. These managers hold positions such as plant manager, operations manager, and division head. They primarily put the strategies designed by top managers into action, and they supervise lower-level managers.
3. First-line managers supervise and coordinate the activities of operating employees. They often have job titles such as foreman, supervisor, and office manager. The majority of their work is direct supervision of the work of their subordinates.

**Teaching Tip:** Use examples from your college or university to illustrate the various levels and areas of management discussed in this section.

### B. Managing in Different Areas of the Organization

1. Marketing managers work in areas related to the marketing function of the organization. They help to find ways to get consumers and clients to buy the organization's products.
2. Financial managers deal primarily with an organization's financial resources and are involved in such activities as accounting, cash management, and investments.
3. Operations managers are concerned with creating and managing the systems that create an organization's products and services. They achieve their goals through production control, inventory control, quality control, and plant site selection and layout.
4. Human resource managers are responsible for hiring and developing employees. They are concerned with the flow of employees into the organization (selection and recruitment), through the organization (training and development, compensation and benefits, and performance appraisal), and out of the organization (discharging).
5. Administrative managers are generalists who have some basic familiarity with all functional areas of management rather than specialized training in any one area.
6. Other kinds of managers include public relations managers, who deal with the public and media on behalf of their firm, and research and development managers, who coordinate the activities of scientists and engineers working on scientific projects.

**Discussion Starter:** Point out for students that their major will play a large role in determining the area of management they enter after graduation (assuming they go to work for a large organization). For example, a marketing major's first job is likely to be a first-line management position in the marketing function, whereas a finance major will more likely start out as a first-line finance manager.

## IV. BASIC MANAGERIAL ROLES AND SKILLS

Table 1.2 illustrates the basic managerial roles.

### A. Managerial Roles

#### 1. *Interpersonal roles*

Figurehead attends activities to represent the organization; leader encourages employees to improve productivity and shows them how to do it; and liaison coordinates the activities of two or more people, groups of people, or organizations.

2. *Informational roles*  
Monitor actively seeks information that may be of value to the organization; disseminator transmits information to others in the organization; and spokesperson transmits information about the organization to people outside the organization.

**Discussion Starter:** In their spokesperson role, CEOs may represent their firms in advertising. A recent example is Bill Ford, CEO of Ford Motors. Ask students to discuss the pros and cons of this strategy.

3. *Decisional roles*  
Entrepreneur develops new ideas and initiates changes in the organization; disturbance handler handles problems that arise such as strikes, copyright infringements, and energy shortages; resource allocator determines who should receive the available resources and who should have access to the manager's time; and negotiator represents the organization in a negotiation setting such as collective bargaining for a union contract or developing an agreement with a consultant.

B. Managerial Skills

1. *Technical skills*—the skills necessary to accomplish or understand the specific kind of work being done in an organization
2. *Interpersonal skills*—the ability to communicate with, understand, and motivate individuals and groups
3. *Conceptual skills*—the ability to think in abstract terms and the mental capacity to understand the “big picture” or the overall workings of the organization and its environment

**Extra Example:** Bill Gates, co-founder of Microsoft, has excellent conceptual skills. Indeed, his skills are often credited with keeping the software giant at the forefront of its industry.

4. *Diagnostic skills*—the ability to recognize the symptoms of a problem and then determine an action plan to fix it
5. *Communication skills*—the ability to effectively convey ideas and information to others and to effectively receive ideas and information from others
6. *Decision-making skills*—the ability to correctly recognize and define problems and opportunities and to then select an appropriate course of action for solving problems and capitalizing on opportunities
7. *Time-management skills*—the ability to prioritize work, to work efficiently, and to delegate appropriately

**Management Update:** In recent years, there has been a renewed interest in the concept of managerial skills. There are useful skill development exercises found at the end of each chapter in this book.

V. THE NATURE OF MANAGERIAL WORK

Managerial work is fast paced, uncertain, and filled with interruptions and fragmented activities. The tasks performed by a manager every day are varied and intense. However, managers who are able to make good decisions in a short amount of time find a great deal of satisfaction in their jobs.

**Teaching Tip:** If you have any students in class who are or have been managers, ask them to describe the nature of their work.

## Chapter 1: Managing and the Manager's Job

### A. The Science and the Art of Management

#### 1. The science of management

Some aspects of management are objective and can be approached with rationality and logic.

**Discussion Starter:** The science of management might be analogous to the activities of developing computer hardware or playing a violin. There are specific right and wrong ways of doing things, and mistakes are easily noted.

#### 2. The art of management

Other aspects of management are subjective and are based on intuition and experience.

**Discussion Starter:** The art of management might be analogous to the activities of writing computer software or conducting the orchestra. More intuition and “feel” are needed to complete these activities, and mistakes may be harder to pinpoint.

### B. Becoming a Manager

Figure 1.4 indicates the sources of management skills.

#### 1. The role of education

Education plays an important part in the development of a manager. Many managers have a bachelor's degree or an MBA; others have returned to school to participate in management development programs or intensive training in a particular area. Developing a store of knowledge about the field of management is the goal of management education.

**Teaching Tip:** If your school or a neighboring one offers the MBA degree or has an executive MBA program, students might be interested in a summary of program requirements.

**Global Connection:** Many universities in other countries have added business programs in recent years. Discuss how the curriculum of a business school in Europe or Japan might compare to your school's curriculum.

#### 2. The role of experience

Experience is just as important as education. Just because a manager has a solid understanding of the field of management doesn't mean he or she will be a successful manager. Management skills must be learned through experience. Facing the day-to-day pressures of a managerial position leads to the development of insights that cannot be learned from books.

**Teaching Tip:** Note that most top MBA programs will not accept students directly out of an undergraduate program. Instead, they require that the student get an undergraduate degree and then work at least two years in a meaningful job before entering graduate school.

### C. The Scope of Management

#### 1. Managing in Profit-Seeking Organizations

Large businesses supply us with the majority of knowledge we have about management. Examples include Tenneco, Citicorp, State Farm, Sears, and Delta Air Lines. Small and start-up businesses must run as efficiently as large businesses (if not more efficiently) because they have less of a margin for error. Some small businesses grow into large businesses over time.

**Teaching Tip:** Mention the names of large companies headquartered in your area or that hire large numbers of graduates from your school.

International management has increased in importance over the years. Currently there are companies that are headquartered in the United States but sell overseas, such as General Motors and Boeing. There are also firms that are headquartered overseas and sell in the United States, such as Nestlé and Royal Dutch Shell Group.

**Cross-Reference:** Note that international management is discussed in detail in Chapter 5. You might also note whether your school offers a separate course in international management.

2. Managing in Not-for-Profit Organizations

Government organizations are supported by tax dollars, so efficiency and effectiveness is critical. Examples include the Federal Trade Commission and state highway departments. Educational organizations need to be run efficiently because the funds they are supported by, tax dollars, have been cut and severely limited in the past few years.

Healthcare facilities have changed dramatically in recent years due to new forms of organization and increased financial pressure. Nontraditional organizations—organized crime, religious institutions, fraternities and sororities, households—also have a need for good management to achieve their goals.

**Teaching Tip:** Note that some organizations may fall into more than one category. For example, a state university is both an educational organization and a government organization. Likewise, a teaching hospital is both an educational organization and a healthcare organization.

**Discussion Starter:** Ask students to identify other nontraditional examples of management that they may have encountered.

VI. THE NEW WORKPLACE

- A. Diversity—differences among people—is increasing in the workforce. Workforce demographic changes include increasing participation of women in the workforce and women's increasing movement into occupations traditionally dominated by men. Another significant change is the increasing ethnic diversity of the workforce, reflecting the increasing diversity of American society. Another important trend is the increasing participation of disabled workers.
- B. Workplace changes not related to demographics include the “yuppie” work ethic prevalent in the 1980s, the “Generation X” ethic of the 1990s, and the as-yet-undetermined ethic of workers entering the workforce after 2000.
- C. Thus, managers must create an attractive environment and appropriate motivators for diverse workers, and they must be prepared to cope with continual change in their workers and in the environment.
- D. The new workplace also faces changes in technology and in new ways of organizing, such as virtual organizations and teams-based organization structure.

**Cross-Reference:** Many aspects of the new workplace are covered in detail in other parts of this book. For example, diversity is covered in detail in Chapter 6.

## END OF CHAPTER QUESTIONS

### Questions for Review

1. Contrast efficiency and effectiveness. Give an example of a time when an organization was effective but not efficient, efficient but not effective, both efficient and effective, and neither efficient nor effective.

Efficiency requires performing tasks in a way that conserves resources, including time and money. Effectiveness focuses on whether the performance of the tasks leads to the desired outcomes. One definition is: "Efficiency is about doing things right; effectiveness is about doing the right things."

Effective but not efficient: The Lincoln SUV has the features that customers want, but is so expensive to make that few buyers can afford it. Efficient but not effective: Atari video game systems cost less than Nintendo or Sony systems, but are unpopular with customers. Efficient and effective: Wal-Mart offers a range of products that appeal to customers, at the lowest prices. Neither efficient nor effective: Montgomery Wards, prior to its bankruptcy, offered unappealing merchandise at relatively high prices.

2. What are the four basic activities that comprise the management process? How are they related to one another?

The basic activities that comprise the management process include planning and decision making, organizing, leading, and controlling. In theory, the functions interrelate in the order given; but in reality, a manager can perform any or all at the same time. In other words, the management process is dynamic. Further, which functions a manager performs, and in what order, is dependent on the setting in which the manager is located.

3. Briefly describe the ten managerial roles described by Henry Mintzberg. Give an example of each.

The roles are (1) *Figurehead*—attending outside functions for the organization; (2) *Leader*—motivating employees; (3) *Liaison*—coordinating people; (4) *Monitor*—seeking information; (5) *Disseminator*—transmitting relevant information; (6) *Spokesperson*—dealing with people outside the organization; (7) *Entrepreneur*—initiating change; (8) *Disturbance handler*—resolving unpredictable problems; (9) *Resource allocator*—deciding how to allocate resources; and (10) *Negotiator*—handling contractual obligations with third parties. Examples will vary.

4. Describe a typical manager's day. What are some of the expected consequences of this type of daily experience?

Managerial work is fast-paced, chaotic, fragmented, and stressful. Managers must deal with many different people, situations, and tasks during a day. The decisions are uncertain, complex, and important. Communication tasks are varied and relentless. Consequences of this type of work include stress, burnout, and even physical illness. However, doing difficult work well is often very rewarding too.

### Questions for Analysis

5. Recall a recent group project or task in which you have participated. Explain how members of the group displayed each of the managerial skills.

Students' answers will vary, of course, but here are some typical responses. The project may have involved technical skills such as preparing journal entries for an accounting task. Interpersonal skills were used when students interacted with each of their team members. Decision making occurred as the students made choices about the project's form and content, as well as administrative tasks such

as scheduling meetings and so on. Working to deadlines and using time efficiently required the use of time-management skills.

6. The text notes that management is both a science and an art. Recall an interaction you have had with a “superior” (e.g., a manager, teacher, or group leader). In that interaction, how did the superior use science? If he or she did not use science, what could have been done to use science? In that interaction, how did the superior use art? If he or she did not use art, what could have been done to use art?

Students' answers will vary, but here is one possible response. In grading my most recent essay paper, my professor used art when she made constructive comments based on her experience and personal insight. She was tactful in communicating her suggestions to me. She also used science when she compared my paper to the objective criteria she had explained to us. Science also helped her calculate grade averages and decide on a grading “curve.”

7. Visit the websites of at least five large corporations and locate a biography of each CEO. What formal management education do these leaders have? In your opinion, what is the appropriate amount of formal education needed to be a corporate CEO? Why?

Students will notice that most corporate CEOs have formal business education, usually a B.A. in Business or an M.B.A. In some firms, they may have college degrees in other subjects. For example, many hospital CEOs have medical degrees. Students will note that few managers have no college education, just as few have a doctorate degree. Ask students to discuss their answers to the second part of this question in class, as a discussion starter.

## Questions for Application

8. Interview a manager from a local organization. Learn about how he or she performs each of the functions of management, the roles he or she plays, and the skills necessary to do the job.

Students who talk to local managers are likely to find that managers perform a number of functions, play several roles, and possess a variety of skills. Students who interview the owner of a small store or the manager of a small company are likely to discover the greatest array of functions and roles.

9. Find an organization chart. You can find one in the library or by searching online. Locate top, middle, and first-line managers on the chart. What are some of the job titles held by persons at each level?

At the highest levels, managers tend to be called president, chairman, CEO, and executive vice president, and chief officer, such as chief financial, information, or marketing officer. At the middle levels, titles such as vice president, division head, or facility manager, are common. Low-level managers are often referred to as supervisor, team leader, or coordinator.

10. Watch a movie or television program that involves an organization of some type. One of the newer *Harry Potter* or *James Bond* movies would be good choices (or perhaps *Citizen Kane* for classic movie buffs). For television, options like *The Office* and *Better Off Ted* would be ideal. Identify as many management activities, skills, and roles as you can.

Depending on the movie selected, answers will vary. Students who choose a *Harry Potter* movie, for example, will find examples of leading and planning as well as a variety of roles and skills.

## END OF CHAPTER EXERCISES

### Building Effective Time Management Skills

**Teaching Tip:** Each chapter concludes with skill-building exercises. These are designed for both groups and individuals. Some are best done during class, while others are intended to be begun or completed outside of class.

- I. Purpose  
This exercise allows students to assess their current time-management skills and to understand ways to improve in this area.
- II. Format  
This exercise must be done individually, outside of class. It will take about 20 minutes to complete. The results may be discussed in class.
- III. Exercise Task
  - A. Visit the web site of Franklin Covey, at [www.franklincovey.com](http://www.franklincovey.com). Click on the tab marked “Effectiveness Zone,” then select “assessment center.” Take the Urgency Analysis Profile. This short online survey will require you to answer several questions and take about 10 minutes.
  - B. Look at your profile. Explore the information available there, including the assessment of your current use of time and the suggestions for how you can improve your time management. Covey’s site shows students that they spend time on tasks of four different types: critical but not urgent, urgent but not critical, critical and urgent, and neither urgent nor critical. Covey recommends that students spend the most time on tasks that are both critical and urgent, and that they do not neglect tasks that are critical but not urgent.
  - C. Think of a task that you regularly perform and that, if you were being perfectly honest, you could label *not urgent* and *not critical*. How much time do you spend on this task? What might be a more appropriate amount of time? To what tasks could you give some of the time that you spend on this *not urgent* and *not critical* task?  
Students’ opinions will vary. Covey’s characterization can be useful because it points out that too many people spend most of their time on urgent tasks, especially on urgent tasks that are not critical.
  - D. What is one thing that you can do today to make better use of your time? Try it, and see if your time management improves.  
Covey’s web site makes few suggestions in this regard (although his books do a very thorough job of this). Upon reflection, however, students should be able to think of ideas for better time-management on their own. Remind students that it’s not really a good use of time to try to eliminate all non-critical, non-urgent tasks. Some of these tasks, such as hanging out with friends or watching TV, can be relaxing and allow one to return to urgent and critical tasks with a fresh enthusiasm.

## Building Effective Conceptual Skills

### I. Purpose

This exercise helps students to identify potential generalizations of management functions, roles, and skills for different kinds of organizations.

### II. Format

This very flexible conceptual skills exercise can be done either in or outside of class and can be done individually or in small groups. The exercise should take between 15 and 30 minutes to complete.

### III. Exercise Task

- A. Do you notice any patterns of meaningful similarities in functions, roles, or skills across the five columns? Are there, for example, similarities in performing leadership roles or applying communication skills in most or all of the five types of organization? Do you notice any patterns of meaningful differences?

The similarities across the columns are due to the characteristics of the functions, roles, and skills. For example, a negotiator in any organization will engage in communication and facilitation of a solution for two or more parties in disagreement. In another example, decision-making skills in any organization will involve identifying problems or challenges and selecting effective courses of action. Differences across the organizations are due to the characteristics of the organizations themselves. For example, the types of problems or challenges that a manager of a healthcare organization faces in his or her role of decision maker may be quite different than the problems or challenges a manager of a large corporation faces.

- B. Based on your assessment of the patterns of similarities and differences that you identified in task 1, give two or three reasons why managers might find it easy to move from one type of organization to another. Give two or three reasons why managers might find it difficult to move from one type of organization to another?

Most of the functions, roles, and skills that a manager enacts are transferable from one organization to another, even to an organization of a different type. For example, communication skills, the disturbance handler role, and the leadership function may be relatively easy to transfer to a different organizational setting even though the specifics of the situations may differ. Technical skills, which are task specific, are not easily transferable.

- C. Identify two or three places on your grid where the intersection between a type of organization and a function, role, or skill suggests something at which you might be particularly good. How about something at which, at least right now, you think you wouldn't be very good? Explain your reasoning.

Student responses will vary depending on their background.



## CHAPTER CLOSING CASE

### JUMPIN' JACK FLASH

The case details the professional journey of Jack Armstrong as he makes his way rapidly in corporate America. Starting out in sales for a technology company, Jack parlayed his success at spotting product opportunities to ask for additional responsibilities. When this was not given at his current firm, he quickly jumped ship to another firm that offered him a new title and bigger responsibilities. In one firm, after his initial success caught the attention of top management, Jack hoped to be named president of a division within the company. Instead, top management asked him to take on an overseas assignment to gain international experience. Jack refused this offer and went to a new company as a division president. In the new company, he ran into trouble with a high profile product launch.

1. **Case Question 1:** What management skills did Jack demonstrate as a marketing manager at the travel products company? What management skills did he demonstrate as a VP at the consumer products firm?

At both the travel products company and the consumer products company, Jack should demonstrate tremendous skills as a planner. At the travel products company, Jack planned and launched a super lightweight compact folding chair which was highly successful. Similarly, at the consumer products firm, he spotted a new product opportunity by launching a combination oral hygiene and teeth whitening rinse for dogs.

2. **Case Question 2:** Should Jack have taken the special assignment offered him by the consumer products firm? What kinds of skills was the president of overseas operations thinking about when he offered the assignment to Jack?

His success at the consumer products firm brought him to the attention of top management. The president of overseas operations offered him a yearlong special assignment that involved developing strategies for adapting existing company products into new products for sale in developing countries. In particular, the president wanted Jack to develop skills in team leadership and coordination by working with managers from every area of the company.

3. **Case Question 3:** What management skills would have helped Jack avoid the catastrophe that befell his project at the consumer electronics firm?

The catastrophe that occurred at the consumer electronics firm involved leadership and coordination – the very same skills that Jack should have spent developing at his previous employer instead of jumping ship to a new firm. A new product involves a number of parts and therefore involves considerable coordination among functions. In addition, Jack showed poor leadership skills by insisting on an aggressive time frame for the product launch, a time frame that precluded paying attention to early warning signs.

## CHAPTER 2

# Traditional and Contemporary Issues and Challenges

### CHAPTER SUMMARY

Chapter 2 summarizes the history of management and identifies the major challenges facing managers today. First, the historical context of business is discussed, then three traditional management perspectives—the classical, behavioral, and quantitative—are introduced. Contemporary perspectives, including the systems and contingency approaches, are described. The chapter concludes with a discussion of a variety of contemporary management issues and challenges.

### LEARNING OBJECTIVES

After covering this chapter, students should be able to:

1. Justify the importance of history and theory to management, and discuss precursors to modern management theory.
2. Summarize and evaluate the classical perspective on management, including scientific and administrative management, and note its relevance to contemporary managers.
3. Summarize and evaluate the behavioral perspective on management, including the Hawthorne studies, the human relations movement, and organizational behavior, and note its relevance to contemporary managers.
4. Summarize and evaluate the quantitative perspective on management, including management science and operations management, and note its relevance to contemporary managers.
5. Discuss the systems and contingency approaches to management, and explain their potential for integrating the other areas of management.
6. Identify and describe contemporary management issues and challenges.

The case describes the precipitous fall in the fortunes of the Coca-Cola Company since its heady days in the 1990s and its rise under Neville Isdell, who took over in 2004. Poor leadership and poor strategic planning are often listed as the reasons for Coca-Cola losing its dominance. After the death of Roberto Goizueta, Coca-Cola has had four CEOs in the last ten years. None of them has been able to right the ship. When Isdell took over, Coca-Cola faced a number of challenges. His moves increased net income and revenues in 2007. When Isdell stepped down in 2008, he named a successor, Muhtar Kent, whom he himself had prepared for the job.

**Discussion Starter:** To what extent should managers stick to what they and their firm does best, and to what extent should they be flexible and adaptive? Does the answer depend on environmental conditions? For a lively classroom discussion, ask students to address these questions. Encourage them to use the example of Coca-Cola and other companies.

## LECTURE OUTLINE

### I. THE ROLE OF THEORY AND HISTORY IN MANAGEMENT

#### A. The Importance of Theory and History

1. *Why theory?*—A theory is simply a conceptual framework for organizing knowledge and providing a blueprint for action.

**Teaching Tip:** Many students seem to react negatively to the concept of a “theory.” Ask for student opinions about the reasons for the popularity or lack of popularity for a particularly high-profile politician (such as the president) or other public figure (such as a sports figure or movie star). Then point out that their explanation is a theory. Go on to stress the point that theories are simply frameworks of thought and that most people hold a number of different theories.

**Management Update:** Andrew Grove, former CEO of Intel, continued to espouse his theory of organizations until his retirement in 1990. He gave the theory credit for Intel’s continued success in the semiconductor business. Grove’s theory is that technology companies face recurring “strategic inflection points” where radical changes force firms to completely transform themselves or die. He warned that “only the paranoid survive,” meaning that firms cannot sit on their success and must adapt continuously.

2. *Why history?*—Contributions from past industrialists have molded the American culture, and managers can benefit from an awareness of these contributions.

**Discussion Question:** Ask students if they have read any books about history that may help them be better managers.

#### B. Precursors to Management Theory

1. *Management in antiquity*—Although the practice of management can be traced back to 3000 B.C., it was not given serious attention until the 1800s when large organizations emerged during the Industrial Revolution.

**Extra Example:** The construction of ancient wonders such as Stonehenge, the Egyptian pyramids and the Great Wall of China would not have been possible without effective management.

**Global Connection:** Use Figure 2.1 as a framework to underscore the fact that management history has its roots in many different cultures, countries, and eras.

**Global Connection:** Many Japanese executives today give some of the credit for their success to a book written in 1645. The book, entitled *A Book of Five Rings*, was written by a samurai warrior. The book describes numerous ideas and concepts for successful competition that can be generalized to management.

#### 2. *Early management pioneers*

Robert Owen was one of the first managers to show respect and dignity to workers in his factory. He implemented better working conditions, raised the minimum age for child labor, reduced hours, and supplied meals.

Charles Babbage applied mathematical principles to find ways to make the most efficient use of facilities and materials. He also advocated profit-sharing plans.

**Global Connection:** Note that many of the early management pioneers were British. One reason is that the Industrial Revolution advanced in England more quickly than in most other parts of the world.

**Extra Example:** Note that the very first introductory management textbook (*Principles of Management*, by George Terry) was published in 1953, over 40 years ago.

**Extra Example:** Andrew Ure was one of the world's first professors to teach management principles at Anderson's College in Glasgow.

## II. THE CLASSICAL MANAGEMENT PERSPECTIVE

### A. Scientific Management

*Scientific management* focuses on ways to improve the performance of individual workers.

Frederick W. Taylor saw workers *soldiering*, or deliberately working beneath their potential. He designed a four-step method to overcome this problem—breaking the job into small tasks, selecting and training the best employees, monitoring to ensure compliance, then replace employees who do not show high achievement.

**Discussion Question:** Ask students if they have ever observed soldiering. Ask them if they have ever been “guilty” of such behavior themselves.

**Extra Example:** Frederick Taylor applied many of the concepts of scientific management to his favorite sports, lawn tennis and croquet.

**Discussion Question:** As noted in the text, Taylor apparently falsified some of his results. In what ways, if any, does this diminish his contributions to the field of management?

The Gilbreths, a husband and wife team, also helped find more efficient ways for workers to produce output. Frank Gilbreth made his most important contribution in the field of bricklaying. He changed an 18-step process into a 5-step process and increased productivity by about 200 percent.

**Extra Example:** Another area in which Frank and Lillian Gilbreth made substantial contributions was in assisting the handicapped. In particular, they helped develop vocational training methods for assisting disabled veterans. Interestingly, Steve Martin's movie *Cheaper by the Dozen* was based on the life of the Gilbreths.

Henry Gantt introduced the Gantt chart, which is a way to schedule work. This type of chart is still used today.

Harrington Emerson was an advocate of specialized management roles in organizations. He testified before the Interstate Commerce Commission that the railroad could save \$1 million a day by using scientific management.

**Extra Example:** Other businesses today that rely heavily on scientific management concepts include poultry processing plants and recycling centers that sort glasses, plastics, and papers into different categories.

## Chapter 2: Traditional and Contemporary Issues and Challenges

### B. Administrative Management

*Administrative management* focuses on managing the total organization.

Henri Fayol was the first to identify the four management functions—planning, organizing, leading, and controlling—and he developed guidelines for managers to follow. These guidelines form fourteen principles for effective management.

**Discussion Starter:** Ask students to discuss the relevance of each of Fayol’s principles to modern management.

**Cross-Reference:** In addition to Fayol, many other writers over the years have attempted to develop so-called principles, rules, or guidelines for management. However, these principles have never been widely applicable. The reasons for this are discussed later in the chapter.

Lyndall Urwick is best known for integrating scientific management with administrative management.

Max Weber outlined the concept of bureaucracy based on a rational set of guidelines for structuring organizations in the most efficient manner. His work is the foundation of contemporary organization theory.

**Global Connection:** Again, note the influence of foreign scholars. For example, Fayol was French, Urwick was British, and Weber was German.

**Cross-Reference:** Weber’s work is discussed in more detail in Chapter 12.

Chester Barnard wrote in a book called *The Functions of the Executive* about the acceptance of authority and how managers get employees to do what they ask.

### C. The Classical Management Perspective Today

**Teaching Tip:** Table 2.1 summarizes the contributions and limitations of the classical management perspective.

- |                |  |
|----------------|--|
| Contributions: | (1) Laid the foundation for management theory  |
|                | (2) Identified key processes, functions, and skills of managers that are still important today |
|                | (3) Made management a valid subject of scientific inquiry                                      |
| Limitations:   | (1) Best used in simple, stable organizations  |
|                | (2) Provided universal procedures that are not appropriate in all settings                     |
|                | (3) Most viewed employees as tools rather than as resources                                    |

## III. THE BEHAVIORAL MANAGEMENT PERSPECTIVE

Hugo Munsterberg applied psychological concepts to industrial settings, founding the field of industrial psychology around 1900.

**Global Connection:** Again, note the international influence on management as evidenced by Hugo Munsterberg, a German psychologist.

Another pioneer of behavioral management was Mary Parker Follett.

A. The Hawthorne Studies

The Hawthorne studies were held at Western Electric and sponsored by General Electric. Elton Mayo and his colleagues controlled the lighting in one room of workers but not in another. When the illumination was increased in the experimental group, productivity increased in *both* groups. The increase in productivity was attributed to the fact that the workers were having extra attention paid to them, maybe for the first time.

Other studies found that employees will not work as fast as they can when being paid piecework wages. Instead, they will perform to the level informally set by the group in order to be accepted by the group. These two studies, and others, led Mayo to the conclusion that individual and social processes play a major role in shaping employee attitudes and behavior at work.

**Discussion Starter:** Recent evidence suggests that important details about the Hawthorne studies were not reported properly. For example, all the workers in the illumination study were paid extra for participating. What, if any, implications might be drawn from this?

B. The Human Relations Movement

The *human relations movement*, which stemmed from the Hawthorne studies, is based on the idea that a manager's concern for workers will lead to their increased satisfaction and improved performance. The movement includes the need theories of motivation, such as Maslow's hierarchy of needs, and McGregor's *Theory X*, a negative view of workers based on scientific management and *Theory Y*, a positive view based on behavioral approaches.

**Teaching Tip:** Use Table 2.2 to summarize Theory X and Theory Y.

**Cross-Reference:** Maslow's theory is discussed in more detail in Chapter 16.

C. The Emergence of Organizational Behavior

The emergence of organizational behavior occurred because of the too-simplistic descriptions of work behavior by the human relationists. *Organizational behavior* takes a holistic view of behavior by addressing individual, group, and organizational processes.

**Extra Example:** Many business programs today have separate courses in organizational behavior. If your school has such a course, identify its number and title for your students and briefly review its topical coverage (i.e., its course description).

D. The Behavioral Management Perspective Today

**Teaching Tip:** Table 2.3 summarizes the contributions and limitations of the behavioral management perspective.

- |                |     |   |
|----------------|-----|---|
| Contributions: | (1) | Gave insights into interpersonal processes such as motivation and group dynamics in organizations |
|                | (2) | Focused managerial attention on these processes   |
|                | (3) | Challenged the view of employees as tools and not resources                                       |
| Limitations:   | (1) | Prediction was difficult due to the complexity of human behavior                                  |
|                | (2) | Managers were reluctant to adopt some of the behavioral concepts                                  |
|                | (3) | Contributions were often not communicated to the practicing managers in an understandable form    |

## Chapter 2: Traditional and Contemporary Issues and Challenges

### IV. THE QUANTITATIVE MANAGEMENT PERSPECTIVE

The quantitative management perspective focuses on decision making, economic effectiveness, mathematical models, and the use of computers. The two branches of the quantitative approach are management science and operations management.

#### A. Management Science

*Management science* focuses specifically on the development of mathematical models. These models help organizations try out various activities with the use of a computer. Modeling can help managers determine the best way to do things, saving money and time.

#### B. Operations Management

*Operations management* is an applied form of management science that helps organizations develop techniques to produce their products and services more efficiently.

**Extra Example:** Many business programs today have separate courses in management science and/or operations management. If your school has either or both courses, identify them by number and title for your students and briefly review their topical coverage (i.e., their course descriptions).

**Cross-Reference:** Operations management is discussed in more detail in Chapter 21.

#### C. The Quantitative Management Perspective Today

**Teaching Tip:** Table 2.4 summarizes the contributions and limitations of the quantitative management perspective.

- Contributions:
- (1) Developed sophisticated quantitative techniques to assist in decision making
  - (2) Increased awareness of complex processes and aided in planning and control
- Limitations:
- (1) Cannot fully explain or predict behavior of people
  - (2) Mathematical sophistication may come at the expense of other important skills
  - (3) Models may require unrealistic or unfounded assumptions

### V. INTEGRATING PERSPECTIVES FOR MANAGERS

Integrating perspectives, including the systems and contingency perspectives, bring together aspects of classical, behavioral, and quantitative approaches.

#### A. The Systems Perspective

A *system* is an interrelated set of elements functioning as a whole.

**Cross-Reference:** Remind your students that we introduced the concept of a system in Chapter 1 and used it as a framework for our definition of management.

An organization as an open system is composed of four elements: inputs (material or human resources), transformation processes (technological and managerial processes), outputs (products or services), and feedback (reactions from the environment).

**Group Exercise:** Break students up into small groups. Have them select an organization and diagram its inputs, transformation processes, outputs, and feedback mechanisms.

*Open systems* interact with their environment.

*Closed systems* do not interact with their environment.

*Subsystems* are systems within a broader system.

*Synergy* are units that are more successful working together than working alone.

*Entropy* is the process that leads to decline.

**Teaching Tip:** Note the subtle but important distinction between entropy and poor management.

B. The Contingency Perspective

Appropriate managerial behavior depends on the elements of the situation.

A *universal perspective* tries to identify the “one best way” to manage organizations.

A *contingency perspective* argues that universal theories cannot be applied to organizations because each is unique.

C. An Integrating Framework

Managers need to include the parts from each perspective that are relevant to their situation and apply them using both the systems and contingency approaches.

The basic premise of the integrative framework is that elements of the classical, behavioral, and quantitative perspectives may all be relevant. However, none is likely to provide a complete explanation.

Therefore, managers need to carefully assess situations and then select those elements from each perspective that can be applied.

**Group Exercise:** Form small groups of students. Have them identify a problem or opportunity facing a business or other organization. Then have them identify elements and ideas from the classical, behavioral, and quantitative perspectives that might be relevant. In addition, have them discuss how systems and contingency perspectives might affect the situation.

## VI. CONTEMPORARY MANAGEMENT ISSUES AND CHALLENGES

**Teaching Tip:** Figure 2.5 is a useful mechanism for illustrating the time frames across which different management perspectives have evolved.

A. Contemporary Applied Perspectives

The Theory Z model and the concern for excellence were important seminal work in the early 1980s. More recent advancements have been made by Peter Senge, Stephen Covey, Tom Peters, Michael Porter, John Kotter, and Gary Hamel.

**Discussion Starter:** Ask students if they have read—or even heard of—Theory Z. Since most will not, use this fact to discuss the faddish nature of many new approaches and ideas.

B. Contemporary Management Challenges

1. Erratic economy
2. Diversity
3. Technology and the Internet
4. Globalization
5. Ethics, social responsibility, and corporate governance
6. Quality
7. Shift to service economy

**Cross-Reference:** Many of the contemporary management challenges are covered in detail in other parts of this book. For example, globalization is covered in detail in Chapter 5.



## END OF CHAPTER QUESTIONS

### Questions for Review

1. Briefly describe the principles of scientific management and administrative management. What assumptions are made about workers in each?

Scientific management uses techniques such as time-and-motion studies and piecework pay systems to increase the productivity of individual workers. Scientific management calls for observation, development of improved procedures, training, and motivating workers. Administrative management is also based on rational and scientific methods, but it focuses on the organization as a whole. Principles of administrative management include the specialization of managerial work, the development of bureaucracy, and theories about authority and control. Both scientific management and administrative management assume that workers are interchangeable and identical, that rational processes govern most behavior, and that money is the best motivator.

2. What are the differences between the contingency and the universal perspectives on management? How is the contingency perspective useful in the practice of management today?

Contingency perspectives prescribe different approaches for different situations, while universal perspectives focus on one “best” approach. For the most part, contingency perspectives are preferred by today’s managers, because they are often better able to accommodate changes in the people, the organization, and its environment. As the environment in which businesses operate becomes ever more complex, uncertain, and dynamic, contingency perspectives are likely to be employed more and more.

3. Describe the systems perspective. Why is a business organization considered an open system?

The systems perspective tells us that organizations are systems composed of various elements that interact in different ways. The system transforms inputs into outputs and receives feedback from its environment. Open systems interact with their environment, and therefore businesses are considered to be open systems because they interact with customers, the government, local communities, and other external elements.

4. For each of the contemporary management challenges, give at least one example other than the examples found in the text.

An acute labor shortage is manifested in the health care industry today, where nurse and technician shortages are driving up labor costs. How to handle an aging workforce is one issue in the management of diversity. The current generation of workers is showing an increased interest in religion, as compared to older generations. Change continues to accelerate as product innovations rise sharply. Instant messaging is a fairly new form of information technology, as are personal digital assistants (PDAs). New ways of organizing include increase reliance on teamwork and virtual workplaces. Globalization continues to impact businesses—one example is the expanding membership of the European Union and the subsequent changes in those markets. Corporation’s ethics are under increased scrutiny, following the scandals at Enron and other firms. Quality is an important challenge as businesses seek to attract a shrinking market of consumers. The U.S. and other developed countries are continuing their shift to a service economy.

## Questions for Analysis

5. Young, innovative, or high-tech firms often adopt the strategy of ignoring history or attempting to do something radically new. In what ways might this strategy help them? In what ways might this strategy hinder them?

This strategy can be useful because it completely jettisons older systems, eliminating some of the problems they had. For example, the virtual firm is a radically different way of organizing that allows the company to call upon the best talent anywhere in the world, eliminate the expenses of maintaining a headquarters facility, and give creative workers the freedom to work in whatever way, place, and time works best for them. However, the strategy also throws out what was best about the traditional ways of doing business, which can lead to problems. For example, many virtual firms are finding that employees prefer to spend at least some time in face-to-face interaction.

6. Can a manager use tools and techniques from several different perspectives at the same time? For example, can a manager use both classical and behavioral perspectives? Give an example of a time when a manager did this, and explain how it enabled him or her to be effective.

As noted in the text, any given management problem may be addressed by using elements and ideas from the three major perspectives on management. The answer to this question should be based on the logic and rationale used to link the perspectives in a coordinated fashion that seems to make sense for a given situation. For instance, an example might be a manager who is more effective because he uses operations management techniques to design an efficient production line, but he also uses techniques from the behavioral management perspective to motivate his workers.

7. Visit the website of Amazon.com. Select the tab that reads “See All 32 Product Categories,” and then choose the link for “Books.” Next select the link for “Bestsellers,” and click on “Business & Investing” from the categories listed down the left side of the screen. Look at Amazon’s list of best-selling business books. What ideas or themes do you see in the list? Which business leaders do you see?

A current bestseller at the time of publication of this Instructor’s Manual was *Good to Great* by Jim Collins. This book asserts that the main thing that distinguishes between a good company and a great one is a corporate culture that hired and rewarded workers who were disciplined to act in harmony with each other. Other themes include the value of good ethics, paying attention to details, and motivating workers. At this time, bestsellers are not written by CEOs of large corporations, as has been true in the past. The only famous business leader in the bestseller author list was Dale Carnegie, who wrote *How to Win Friends and Influence People* over 50 years ago. Other bestselling business books included *Outliers*, *The Tipping Point*, and *Blink*, all by Malcolm Gladwell.

## Questions for Application

8. Go to the library or go online and locate material about Confucius. Outline his major ideas. Which seem to be applicable to management in the United States today?

Students should emphasize the strong ethical base of Confucius’s teachings. Specific teachings include personal virtue, devotion to family, and the pursuit of justice. Some students may look at the use of individual motivators in organizations to ensure true work devotion for personal enhancement. Other students may use the Japanese management style, which fosters a family atmosphere in business with mutual dedication by workers and managers.

## Chapter 2: Traditional and Contemporary Issues and Challenges

9. Find a company that has laid off a significant number of workers in the last year. (*Hint:* Use the word *layoff* as a search term on the Internet.) Investigate that company. Why did the firm make the layoffs? In your opinion, is the company likely to accomplish its intended goal by laying off so many workers? Why or why not?

Many companies are currently in the process of laying off workers, so examples will be easy to find. For example, General Motors announced layoffs of 47,000 workers in 2009. The layoffs occurred because GM needed to cut costs in the wake of declining demand. The layoffs are likely to reduce costs because the cuts were in assembly line personnel that results from GM shutting down several unproductive plants.

10. Read about management pioneer Frederick Taylor at [www.cftech.com/BrainBank/TRIVIABITS/FredWTaylor.html](http://www.cftech.com/BrainBank/TRIVIABITS/FredWTaylor.html) or another source. Describe Taylor's background and experience. How does an understanding of Taylor's early career help you to better understand his ideas about scientific management?

Taylor was born into an affluent family, who didn't understand his interest in applying scientific principles to the study of manual labor. He worked as a factory worker, which was very unusual for a wealthy gentleman. His observations of workers, therefore, are probably quite accurate. Given the combination of wealth and education on one hand, and practical experience in factory work on the other hand, Taylor's interests and drives become more clear.

## END OF CHAPTER EXERCISES

### Building Effective Decision-Making Skills

- I. Purpose  
This exercise is designed to help students develop their decision-making skills, emphasizing the importance of system interdependencies in organizations.
- II. Format  
This exercise is designed so that it can be effective when done individually or in small groups. Answers could be written or presented to the class for evaluation. It should take less than a half hour.
- III. Follow-up
- A. Carefully examine each of your three options. In what ways might each option affect other parts of the organization?  
The option to buy lower-grade materials will require changes in purchasing, but it will also impact workers because they will have to work harder to make a good quality product from inferior materials. It may also have a major impact on sales, if the decline in quality is recognized by buyers. The lay-off option will create anxiety and resentment in those workers remaining in the firm, and it will probably raise overall wage expense, because the less-skilled workers will not work as efficiently as those who have better training. The option to purchase new equipment requires the most up-front investment, but it has the greatest potential for cost savings later.
- B. Which is the most costly option, not in terms of absolute dollars, but *in terms of impact on other parts of the organization*? Which is the least costly?  
Both lay-offs and inferior materials will be very costly for the organization. The use of inferior materials may be the "most costly" because it could cause customers to buy competitors' products and eventually lead to the failure of the firm. The least costly option is the purchase of new equipment. (See reasons under item 1, above).

- C. What are the primary obstacles that you might face in trying to implement each of your three alternatives?  
The option to use inferior materials may cause dissatisfaction from the workers, and will certainly cause customers' dissatisfaction if it is detected. The lay-off option will encounter resistance from workers, and the best, most experienced workers may leave the company for other employment. The purchase of new equipment will likely encounter resistance from the CEO or other financial personnel, based on the increase in up-front costs.
- D. Can you think of other options for accomplishing your goal of reducing costs?  
Students may suggest cost-cutting ideas, such as better inventory control or improved use of information systems. They may also suggest a closer integration with suppliers or use of a less-expensive distribution channel. There are possibilities for cost savings in every functional area of the firm.

## Building Effective Conceptual Skills

- I. Purpose  
This exercise exposes students to the management wisdom of Sun Tzu and Chinese culture, conveyed in a way that is traditional in that culture.
- II. Format  
This in-class exercise involves reading or telling the stories below to the class, followed by discussion. The three stories can be told in about 20 minutes altogether. Discussion time will vary, depending on your class. If you need to shorten the exercise, consider telling just one or two of the stories.

**Teaching Tip:** This exercise takes some preparation on your part to read and understand the stories. However, it provides an opportunity to break up the routine of lecturing, and it exposes students to a quite different teaching style. If you feel comfortable doing so, add body language and facial expressions to the stories to make them more engaging.

- III. Follow-Up Questions for Students
- A. Read a few selected stories from *The Art of War*. Discuss your interpretations of these stories with your instructor and classmates until you have a grip on the way in which Sun Tzu expressed his ideas.  
If you ask students a leading question, such as “What advice would Sun Tzu give today’s business managers?” you will receive a variety of interesting answers. Among Sun Tzu’s business principles, as illustrated in these stories, are concepts such as the need for good business intelligence, the importance of discipline, and the way in which clever strategy can outwit superior strength.
- B. Select two or three scenarios described in *The Art of War* and “adapt” them to similar scenarios in contemporary contexts – say, situations in modern sports or business. Now apply Sun Tzu’s ideas about strategy in his stories to the situations in your own stories. What has this process taught you about the nature of strategy in general or competitive strategy in particular? Students will realize that a lot of what Sun Tzu says in the context of warfare can be applied to modern sports and business. While the specifics may vary depending on the scenarios used, common themes are likely to be the importance of positioning, knowing the competition, etc.

### Introduction

Not much is reliably known about Sun Tzu, not even whether or when he existed. Many of these stories may in fact be fictitious in order to make a point about this philosophy.

During Sun Tzu's time, China was made up of independent city states, each ruled by a king. Sun Tzu was a person of low rank, uneducated, who rose through the ranks of a king's army and was finally brought to the king's attention as an excellent commander. This was a remarkable achievement for a peasant in a feudal system. Here are three stories that tell how he did it.

Tzu was a great observer, and backed up many of his generalizations with very specific details. For example, Tzu noticed that, if the enemy's water carriers drink before carrying the water back to camp, the army is thirsty and likely to be weak. If they are rowdy the night before a big battle, they are scared and have to try to raise their courage.

Tzu's book was widely studied in early China and brought to Japan before 500 A.D. This book and related writings forms the basis of the Japanese samurai warrior code and the Japanese military behavior before and during WWII.

### *The First Story*

The king asked Sun Tzu for a demonstration of his leadership, asking him to command his 200 wives in the palace with all the courtiers in attendance. Tzu put wives #1 and #2 in charge of the others, taught them commands for Face Forward, Right, etc. When he issued his orders, the wives laughed. Tzu said, "If the orders are not clear, it is the commander's fault." He explained the orders again, and again commanded obedience. The wives laughed once more. Tzu said, "If the soldiers disobey orders, it is the fault of their leaders." He gave orders that wives #1 and #2 be executed. The king heard the order and asked Tzu not to kill his two favorite wives. Tzu replied to the king, "When I am in charge of the army, I do not have to follow the king's orders." He had the two wives executed right on the spot, then placed wives #3 and #4 in charge. He again gave the orders and the wives all obeyed, this time without laughing. Tzu told the king, "The troops are now ready to serve you faithfully." Tzu asked the king to give the troops some orders. The king refused, saying "I am too upset by the executions." Tzu answered, "The king is all talk and no action. When I am asked to perform a task, I follow through." The king promoted Tzu to supreme commander of all his army. Tzu won many battles for this king, bringing four more kingdoms under his control.

**Teaching Tip:** The Second Story is more clear for the students if you draw two side-by-side vertical lists on the chalkboard, showing the numerals 1, 2, and 3. The first column represents Tzu's best, second best and third best horses. The second column represents the king's top 3 horses. Then, as you tell the story draw a line from the 1 on the first column to the 2 on the second column; then from the 2 on the first column to the 3 on the second column; then from the 3 on the first column to the 1 on the second column.

### *The Second Story*

Tzu was sent as an ambassador to a neighboring king. The king and Tzu agreed that a war was unnecessary, and that they would decide the outcome by a bet. The king had three excellent horses, and he set up three horse races with Tzu's horses. The night before the competition, Tzu told the horse master to match Tzu's best horse against the king's second best, Tzu's second best against the king's third best, and Tzu's third best against the king's best. Tzu's horses won 2 of the 3 bets, and the king was forced to surrender his kingdom.

*The Third Story*

Tzu’s exploits made him famous, and he often won without fighting when a cowardly general surrendered rather than be defeated. Kings sent their best generals to try to outsmart him. Once Tzu’s army of 100,000 soldiers faced an enemy equally large and strong. The enemy’s general, General Pang, was contemptuous of Tzu and bragged about not being afraid of him. Tzu ordered his men to build 100,000 campfires the first night, 50,000 the second night, and 20,000 the third night. General Pang concluded that Tzu’s troops were cowardly and were leaving the battlefield. Therefore, he rode out to meet Tzu’s army with only a few thousand men. The countryside was rocky and full of narrow canyons. At the side of the road grew many trees. Tzu’s men hid in the trees and on the top of the canyons to create an ambush. On one tree, Tzu had carved a terrible insult in the bark, and said “General Pang dies here.” Pang’s troops were horrified by the message and called him forward to come see it. When he leaned over to read it, the trap was sprung, and all his troops were slaughtered. Pang knew his remaining troops would surrender when they heard of the ignoble defeat, and so he killed himself. As he died, he said, “The worst part is, I have helped make Tzu more famous.”

**CHAPTER CLOSING CASE**

**MANAGEMENT PERSPECTIVES AT GE**

The case details the singular role played by General Electric (GE) in the development of modern management practices. Ideas developed at GE permeate the fields of operations management, human resource management, and strategic management. In operations management, GE pioneered the development of Six Sigma quality initiative and Work Out, a method to reengineer an organization. In strategy, GE’s business screen method to portfolio management is a significant paradigm. The company’s famed leadership development method has resulted in its alumni holding CEO posts at other companies.

**Management Update:** When Jack Welch stepped down as CEO of GE, Jeffrey Immelt stepped into Welch’s position. Bob Nardelli was one of the top executives at GE and when he was bypassed in favor of Immelt, Home Depot immediately snatched him up to be their CEO. Nardelli is now the CEO of Chrysler.

- Case Question 1:** Does the pattern of management developments at GE over the last century seem to reflect the pattern suggested by management theory? Explain your answer.

In some ways, GE’s management contributions mirrored the development trends in management theory over time. Their “Blue Books” that governed managers’ every move, for example, echoed the administrative management school founded by people such as Henri Fayol. Their focus on pension and profit sharing plans were in line with the trends developed by the human relations movement.

- Case Question 2:** Which of GE’s management innovations seem to draw on a classical-management perspective? Which seem to draw on a behavioral-management perspective? Explain.

Administrative management is a subset of the classical management perspective. GE’s “Blue Books” that detail managers’ every move is an example of a management practice that would fall under this area. Administrative management focuses on managing the total organization. Thus, GE’s contributions to strategic management (such as the business screen) can also be categorized in this area. GE’s emphasis on leadership training is a great example of a practice that relates to the behavioral management perspective. GE emphasizes the importance of management development and recognition, both of which were covered by this perspective.

## Chapter 2: Traditional and Contemporary Issues and Challenges

3. **Case Question 3:** How does the contingency perspective explain the management changes that GE has made over the years?

In the beginning, GE focused on centralized decision making. It also developed the famed “Blue Books” that rigidly outlined every move managers make. The contingency perspective adopts the basic idea that one size does not fit all and that the situation or the context is important. Thus, as the business world changed over time, GE’s management ideas focused on employee empowerment, autonomy, and flexibility – ideas that were at the other end of the pendulum compared to their earlier ideas.

4. **Case Question 4:** Why, in your opinion, has GE been so successful in integrating the management science approach with less quantitative approaches to management?

In 2008, GE Research was awarded the INFORMS prize, given annually to a firm that uses the quantitative techniques of management science to make better management decisions. A major reason why GE has been so successful integrating the quantitative and the qualitative approaches is its relentless focus on the customers. As its Chief Technology Officer points out, quantitative techniques are a means to the end, the end being to “create more customer value at lower risk.”

5. **Case Question 5:** In what ways does the change in GE’s approach to leadership reflect the same conditions as those that influence its current approach to management?

Customer focus is the key driving force at GE. Its new approach to leadership includes emphasis on “external focus” and “imagination and courage” – both of which are oriented toward becoming more innovative. The idea is that innovation is the foundation for growth.