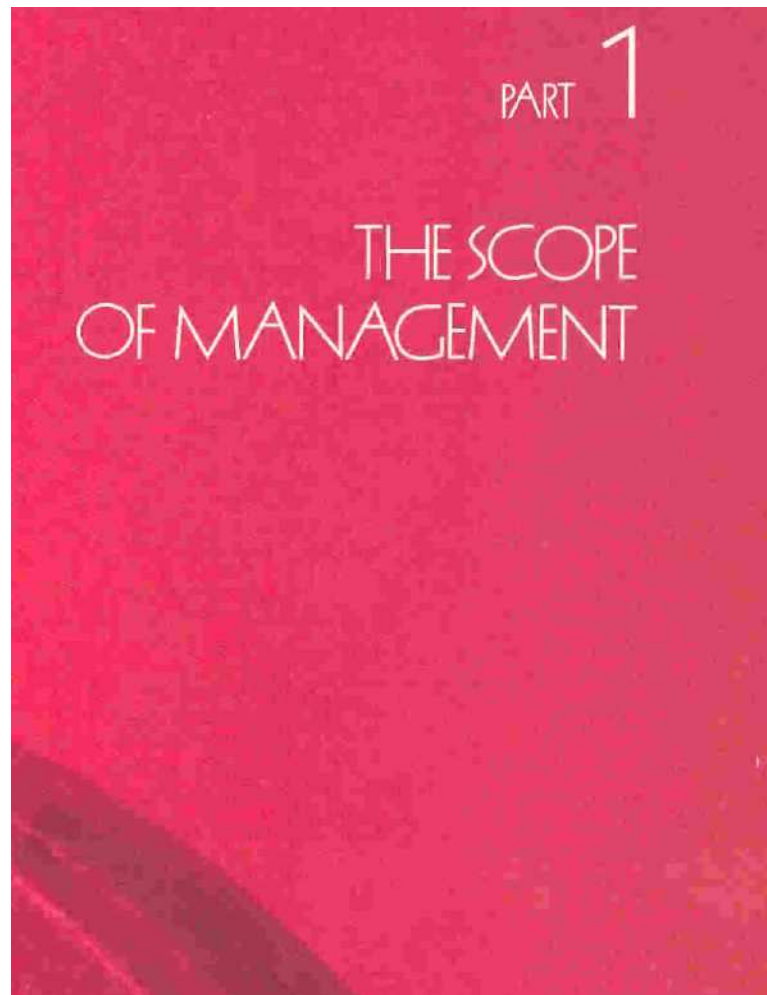




INTRODUCTION TO MANAGEMENT

After studying this chapter, you should be able to:

- A Identify factors that influence organization activities.
- A Describe the dimensions that characterize an organization;
- A Describe the four functional areas of managerial activities.
- A Define the concept of management and discuss why managers are needed.
- A Identify three major categories of management.
- A Discuss the skills that are necessary for effective management.
- A Identify key roles of managers and discuss their differences.

SITUATION 1

Down Time at Commodore

In 1984, Commodore International Ltd. was on top of the home computer heap. Sales for fiscal 1984 had just hit \$1.27 billion, executives put their next goal at \$5 billion, and triumphant employees were making doorstops out of the discontinued computers of far bigger rivals.

1985 was another matter. In fact, Commodore had to deny rumors of an impending bankruptcy filing. Its debt more than doubled from the previous year to finance swollen inventories. Commodore's total stock-market value, which peaked at \$1.87 billion in 1983, plummeted to about \$340 million. The company reported a \$20.8 million loss for the March, 1985 quarter.

But Commodore isn't just another casualty of the home-computer

slump that humbled the likes of Coleco Industries Inc., Texas Instruments Inc., and Timex Corporation. How it got into this mess—shortly after profits more than tripled in two years—is a story of its difficult passage from the reign of its hard-driving but haphazard founder, Jack Tramiel, who abruptly resigned at the end of 1983 after a dispute with his longtime partner, Chairman Irving Gould.

Mr. Tramiel's corner-cutting, erratic style, and short-term focus set Commodore on its downhill course. The slowness of his aloof and far more formal successor as president, Marshall F. Smith, to see the trouble ahead and react to it contributed to the decline.

To come back, the company that sold more than five million low-priced home computers in the U.S. is gambling heavily on the Amiga™, a new machine priced in the \$1,500 to \$2,000 range that was introduced in July, 1985. Coming after the collapse of the consumer market for video games and under-\$200 computers, the Amiga and its dazzling sound and visual features are aimed at a newly defined "work-at-home" market of both businesses and consumers.

It poses Commodore's best—perhaps its only—chance of getting back on track. But the odds weigh heavily against Commodore; It must radically

alter a toy-computer image and score with a new model at a time of sluggish industry sales and over-crowded store shelves. The three biggest chains, with some 900 computer stores, don't intend to stock the Amiga.

Such worries are quite a comedown for Commodore, once a favorite of most major Wall Street investors, many of which recommended the stock even as the steep slide was in the offing. After all, Commodore's name was known in millions of households, it had its own chip-making plants to ensure supplies in a shortage, and it had more than 60 percent of the market for under-\$1,000 computers.

Few anticipated the errors made by new management or the 180-degree change in the company's personality after Mr. Tramiel left. Even in the best of times, the transition from the mercurial Mr. Tramiel to the methodical Mr. Smith would have been wrenching; for 25 years, Mr. Tramiel had been Commodore's sole source of direction and style. But his departure—coinciding with a consumer move away from the inexpensive products that are Commodore's mainstay—came just when the company needed especially strong leadership.

Mr. Tramiel left his company without any clear product strategy or many formal controls. His successor, Mr. Smith, wasn't nearly as controversial, but he had no experience in the fast-paced computer market. He revved up production based on unrealistically high sales estimates; he reduced rather than raised ad spending at a time of falling demand; he rejected his managers' advice and didn't cut prices in time for Christmas.

Mr. Smith's rigid management approach alienated some old-guard Commodore employees. Tramiel-trained managers weren't used to acting on their own. Months of infighting and indecision resulted with more than 30 employees leaving the company. However, under the direction of Mr. Smith, Commodore drafted its first strategic plan. Mr. Smith also engineered the \$31.6 million acquisition of the company that designed Amiga and is said to have almost doubled research spending. He hired a cadre of technology and marketing executives from PepsiCo. Inc., Apple, Nabisco Brands Inc., and IBM.

Morale also improved with the arrival of Thomas J. Rattigan, who had rebuilt PepsiCo's overseas bottling unit after an accounting scandal. He privately calls himself the plumber, intent on fixing Commodore's problems. "I got on the Titanic seven days after it sank when I took over the operation at Pepsi," Mr. Rattigan says. "The ship's afloat at Commodore—there may be a few icebergs in the water, but the ship's afloat."

Mr. Rattigan says the Amiga can generate sales of more than 150,000 units by Christmas. But at best, it might produce \$200 million in revenue in that time, forcing reliance on the fading Commodore 64^{1M} and a new successor, the much-praised Model 128TM. Even then, the huge growth and fat margins of the past aren't likely to resume. "I don't think anyone expects the golden years to return," says Clive Smith, the planning vice-president. "We'll have high profitability by its own terms."

Part 1 A THE SCOPE OF MANAGEMENT

The events that shaped the fortunes of Commodore International Ltd. in the mid-1980s, as described in Situation 1, are not that dissimilar from those facing organizations in other industries. Consider these news headlines of the time period;

A Coca-Cola Announces Production of "Classic Coke" Due
to Consumer Pressure A IBM Halts Production of PCjr* A
Chrysler Pays Back Federal Guaranteed Loan Seven Years
Ahead of Schedule A OPEC Ministers Cannot Agree on
Common Price for
Crude Oil
A Productivity in the U.S. Is Sagging A Business Failure
Rates at All-Time High A Ted Turner Announces Takeover
Effort of CBS Network A E. F. Hutton Accused of Improper
Handling of Checks A Interest Rates Drop to Seven-Year Low
A Corporate Giving to the Arts Increases

Few occupations are as challenging as managing a modern organization. Being a manager in today's world means being responsible to many different constituencies. Managers are responsible to their employees and for their welfare. They are accountable for attaining desired organization goals whether those goals are to increase profits, provide services to clients, or create a quality workplace for employees. And, managers are answerable to society for upholding its values and ideals.

Managing an organization is not an easy task. This is true whether the organization is very large, such as Commodore International Ltd., or very small, such as Ed's Shoe Repair Shop. Most seasoned managers adhere to Murphy's Law: 'If anything can go wrong, it will.' Effectively managing an organization (or escaping the wrath of Murphy's Law) requires managers to make informed decisions about people and the production of goods and services; to respond strategically to competition, to interpret correctly the laws that affect the organization, to plan for future activities, and to evaluate their own performance as well as the performance of others.

The situation described at Commodore International Ltd. underscores the many responsibilities and problems managers must contend with in today's business world. As evidenced by that case, managerial styles alone do not determine the degree of success an organization may achieve. Even years of prior experience as a manager of an organization is no guarantee of guiding the organization to successful outcomes. Consumer demand, employee morale, the type of products produced, appropriate use of resources, and competitor tactics all play an important role in managing an organization successfully. Managers, by attaining an understanding of the total organization and how individual actions contribute to the performance of the organization, can act to reduce the chances of "things going wrong."

To some extent, we are all managers, though not necessarily in an organizational sense. For better or worse, we have learned to manage our financial matters, our time, our social activities, and our career development. Through our own life experiences, we have developed the basic foundation for managing an organization. However, what many of us lack is a systematic and thorough understanding of managing an organization effectively. This book will provide you with an understanding of how to manage in a variety of organizational situations. The topics and ideas will be useful not only to those who have been hired recently for their first management position but also to those who have a wealth of prior managerial experience. We will build from the foundation of management that you currently have, whether from your personal or career experiences, and expose you to information and techniques about management that are both practical and appropriate for solving organizational problems. You will learn from this book not only what managers actually do but what managers should do to make their organizations more effective.

The need for effective management has perhaps never been greater than it is today. We are rapidly becoming a world community in that events thousands of miles away can affect the management of an organization almost immediately. Managers can no longer presume that supplies will be plentiful, that the money markets will provide the organization with necessary capital, that governments will be stable, or that the goods and services produced will not be subject to critical scrutiny by the consumer. It is a time when the need for bold, innovative, and thoughtful management exists. It is a time for all those individuals who want to accept the opportunity of managing in an organization to prepare themselves for the challenges that await.

This chapter is designed to establish a working foundation for our discussion of effective management within the organization. We will explain the context in which managers act; identify what constitutes an organization; discuss the various activities of managers; and define critical concepts relevant to the nature of managerial actions.

THE CONTEXT OF MANAGEMENT

An understanding of the practice of management begins with recognition that managers act within a context. Context refers to activities and events that occur external and internal to an organization. Important contextual activities and events external to an organization include competitors, technological change, economic conditions, societal values and attitudes, political processes, and physical conditions. Contextual activities and events internal to an organization include information, financial,

material, and human resources. It is important for managers to recognize and understand how these contextual activities and events influence an organization.

External Context

We have identified six areas that comprise the external context of an organization. Let's look at these in more detail.

Organizations that provide the same or similar goods or services to a market are known as competitors. Competitors may lower or raise the prices of their products, modify their products, or seek to capture a greater share of the market through increased advertising. Activities of competitors in a market are important for managers to recognize and to understand in order to make decisions about pricing, modifying one's own goods or services, and advertising.

The development of new procedures for producing goods or services or the development of an entirely new product involves technological change. Often, technological change can lead to a decrease in price due to the discovery of a cheaper method for manufacturing a product. Moreover, technological change can result in an organization's product becoming obsolete.

Economic conditions refer to the "state of the economy." Inflation rates, lending rates, Gross National Product, and money supply are among the economic conditions that influence the way managers operate in an organization. Indeed, failure of managers to understand economic conditions can result in substantial losses to an organization.

Societal values and attitudes are important in the business environment because they change over time. Values that are upheld by the citizenry and attitudes toward work and play affect the way managers relate to other members of the organization. Values and attitudes can also affect how customers respond to a product; thus, they can influence sales by the organization.

Political processes refer to the manner in which legislation evolves that not only governs organizations but the populace at large. Political parties, local school boards, and judicial systems are all part of a political process that influences managers in organizations.

Physical conditions involve natural events (e.g., sunny, rainy, or snowy weather) or acts of God (e.g., tornadoes, hurricanes, or earthquakes) that can influence or dictate how managers in an organization operate.

Internal Context

Four areas were identified as comprising an organization's internal context. Procedures, processes, data, and other kinds of knowledge that

managers of an organization utilize are known as information resources. Capital and other monetary instruments, or financial resources, are used to fund ongoing and future activities in the organization. Physical assets, or material resources, include plants, equipment, raw materials, furniture, and vehicles. Human resources include members of the organization such as the stockholders, managers, laborers, office support, and house-keeping staff.

The job of a manager is to recognize and understand how activities and events of both the external and internal context are interrelated. For instance, economic conditions have a strong impact on financial resources. But economic conditions can also influence human resources by way of labor supply, material resources in terms of valuing plants and machinery, and information resources in respect to the price one has to pay to obtain data that are essential to decision making.

As we will see, recognition of the relationships among and between these contextual dimensions can have profound effects on the way managers design and staff the organization, direct and control task activities and behaviors of subordinates, and plan for the future. Figure 1-1 illustrates the major contextual activities and events that must be considered by managers as they strive to successfully attain organizational goals.

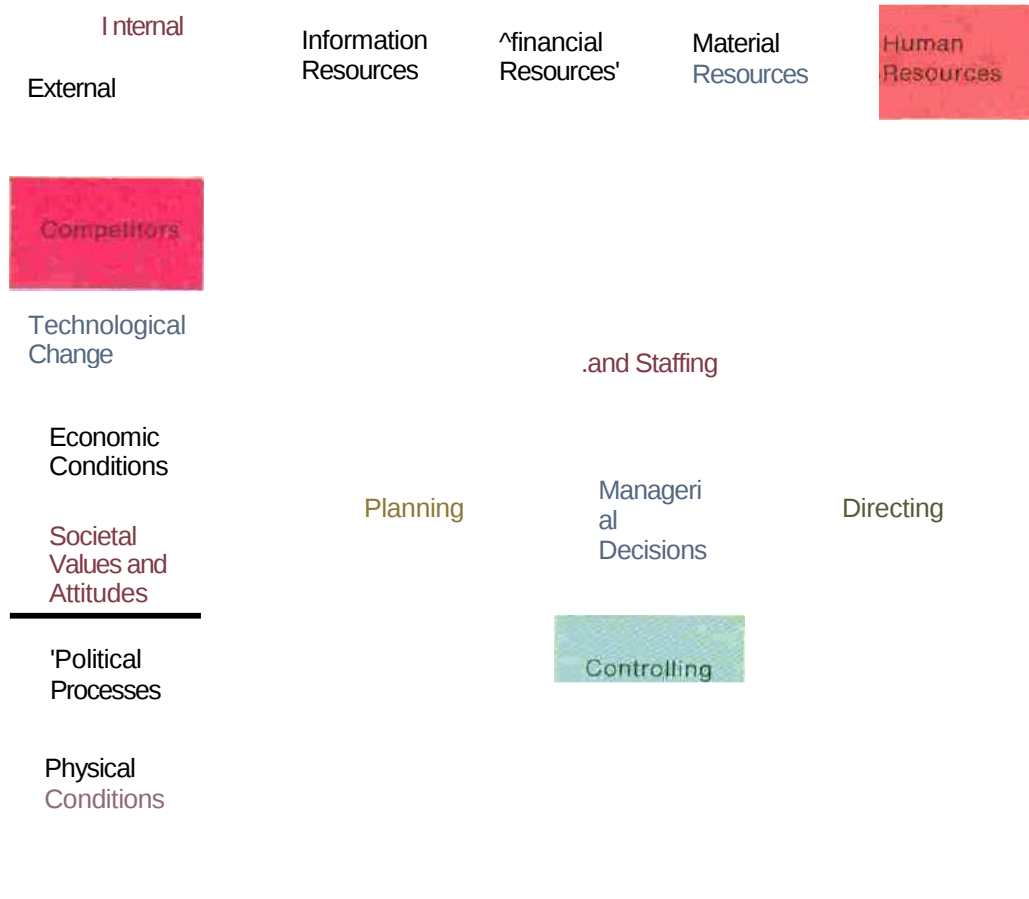
ORGANIZATION, MANAGEMENT, AND MANAGERS

The development of an understanding of how to manage begins with the definition and description of three key terms: organization, management, and managers. While these terms have been defined in different ways, we will want to establish one definition for each so that we can consider each from a common reference point.

What Is an Organization?

We spend most of our waking hours producing goods or activities. While this is not a novel observation, it does emphasize the nature of the human experience and the role of the individual in relation to people, events, and situations. The need to produce goods, such as food, transportation, or housing, and the need to produce activities, such as recreation or conversation, lead us to an understanding of the important role an organization plays in our daily lives. Indeed, it is difficult to think of a produced good or an activity that has not been influenced by some type of organization.

Figure 1-1 THE CONTEXT OF MANAGEMENT



Food crops produced in fields or gardens are made possible through the purchase of seeds, seedlings, tools, and equipment from nurseries and farm implement companies. Much of this food is distributed by trucking organizations to various supermarkets. These trucking organizations use the streets and highways built and maintained by political organizations such as city hall, state governments, and federal agencies. Supermarkets are housed in structures built by contractors who utilize crews of masons, carpenters, electricians, plumbers, and other skilled laborers.

Activities that tend to produce intangible goods, such as conversation or recreation, are also heavily influenced by organizations. We get together with friends to consume food and beverages distributed by food processors and bottling plants, while engaging in discussions over topics

Organizations are involved in almost every aspect of our lives. Could we function without them?



we've read about in newspapers and magazines issued by publishers. Likewise, we may go on vacations where organizations provide food, lodging, transportation, and entertainment. Organisations are so deeply intertwined in our daily lives that we often fail to recognize the extent of their influence.

An important question then is, "Why do organizations envelop our lives to the extent that they do?" Is it because humans do not have the capacity to be independent and self-sufficient? Hardly. One reason that organizations are so pronounced in our lives can be traced to Adam Smith's observation that two working together can produce more than two working alone. Smith referred to this as benefits obtained from the **division of labor** into specialized tasks to increase productivity. For example, in an English pin factory in the eighteenth century, Smith noted that 10 men specialized in their task could each produce about 4800 pins a day. But if they were to have produced pins separately, one of the men alone could not have produced more than twenty pins a day.¹ Hence, organizations, by virtue of dividing labor into specialized tasks, serve as vehicles for increasing individual productivity.

We define an **organization** throughout this text as a collectivity OX people engaged in a systematic effort to produce a good or an activity. As we will learn, this definition of an organization is not complete. For now, however, let us try to imagine what is *not* an organization based on the preceding definition.

Consider a chance meeting of three friends in a restaurant. If we define collectivity as two or more people, the group of friends in the restaurant will suffice. We can also note that an activity is being produced in the form of conversation which serves as an exchange of information

1. A. Smith, *The Wealth of Nations* (London: J. M. Dent & Sons, Ltd., 1910)

about each other and perhaps other mutual friends. However, what is missing is a systematic effort to produce a good or an activity. By systematic we mean that the members of the collectivity have defined a set of interrelated roles in the "organization," are working toward a common goal (the desire to produce a good or an activity), and are doing so in a manner that enables some predictability of each other's activities.

For instance, let us suppose that this same group of friends decides to meet once a week in a restaurant for lunch to exchange information about each other's careers. One individual is assigned the responsibility for calling the other two to remind them of the meeting and to determine if they will make it that week. Another individual in the group is assigned the task of securing a table at the restaurant to guarantee that the group will not have to wait upon arrival. The third individual is assigned the duty of collecting money to pay for the lunch as well as a tip. What has emerged from this process is a systematic effort to produce an activity; thus, the weekly meeting of three friends that started as a chance encounter has evolved into a simple organization.

Certainly, this "organization" is not as formidable as General Motors, but it is an organization nonetheless. We may speculate that in time, new friends join the group. Eventually the meeting is shifted to a hall at night in order to accommodate the number of people attending. We may also find the group engaging in multiple activities such as fund raising, organizing political events, and providing social get-togethers. Officers may be elected and the organization may publish a brochure that is used to recruit more members to the organization. Ultimately, the members may even decide to produce a good or service, thereby leaving other jobs to take employment in this newly created company. Many organizations have gotten their inception through this very process.

An organization can take on many shapes and forms. It is important for us not to be mentally locked into the idea that organizations are of one type such as large profit-oriented firms. In fact, large profit-oriented firms constitute only a small percentage of all organizations that currently operate in the United States. Most organizations are small and may be profit oriented or not-for-profit oriented. It is also important to recognize that while each organization may have unique characteristics, such as the product produced, the personnel hired, or the rewards distributed to management, organizations can be classified into broad "types" based on contextual characteristics that are commonly shared.

For now, we need to recognize that organizations are multiple, influence much of our lives, and must contain two or more individuals engaged in a systematic effort to produce a good or an activity. Additionally, we can note that organizations operate in a context comprised of both external and internal events and activities that managers must consider when engaged in planning, organizing and staffing, directing, and controlling.

What Is Management?

The term management is used in a variety of ways. It can refer to members of the organization who make key decisions regarding how and in what way goods or services are produced. Or we may use management to refer to a discipline of knowledge that has accumulated over the years through applications of scientific research and observation of managers in practice. Hence, management can also refer to the collective wisdom that has evolved from scientific study that can then be applied to specific managerial situations. However, we will throughout the text define management as a process of planning, organizing and staffing, directing, and controlling activities in an organization in a systematic way in order to achieve a common goal.

While uses of the term management may be multiple, it is useful to think of management as a process. By process we mean that management consists of an on-going and related set of activities and tasks. Those activities, in turn, are systematic in that managers are required to introduce order to their activities and conduct their tasks in a manner that is recognizable and consistent with the expectations of other members in the organization. Finally, we can note that management is a systematic process in pursuit of a common goal. That is, the practice of management requires that tasks and activities be derived from the desire to achieve the goals set forth by the members of the organization.

We have defined management in terms of a process whereby activities are systematized and directed toward a goal. As noted in the definition, management activities can be classified as planning, organizing and staffing, directing, and controlling. While managers may focus on one activity more than another depending on personal skills, aptitudes, and organizational requirements, all activities are interrelated. We characterize these as follows:

- A Planning. Planning is the selection and sequential ordering of tasks that are required to achieve an organizational goal. Plans may be short-term or long-term depending on the context of the organization and the necessity to achieve the goal in order for the organization to be successful.
- A Organizing and staffing. The assignment and coordination of tasks to be performed by members in the organization and the assignment and distribution of resources that are necessary to perform each task are known as organizing and staffing. This often requires activities toward the recruitment, placement, training, and development of organization members. Ideally, training and the assignment of tasks and resources would evolve from the planning activity. Each member is thus required to contribute output in his or her activities which will ultimately contribute to the overall success of the organization.

- A Directing.** Directing is the process of motivating, leading, and influencing activities of subordinates. Managers are required to motivate employees to do their best in a task assigned, to lead them toward the appropriate goal, and to influence their approach in completing the task.
- ▲ **Controlling.** Controlling involves the collection, evaluation, and comparison of information in order to correct for tasks that are improperly performed as well as to identify where activities by members in the organization can be improved.

Managers continually interrelate the four activities in order to arrive at decisions that will lead to the attainment of organizational goals. Managers make plans to implement future activities. They organize and staff planned activities with members who will produce a good or service. Managers must then direct members by motivating and leading them in their task activities. Finally, task activities are controlled by managers who evaluate the task activities to determine if they are attaining the desired goal.

Again, we can think back to our example of the three friends who decided to meet on a weekly basis for lunch. Management was applied when efforts were made to systematize their meeting in order to achieve the common goal of enhancing their friendship. Plans were established to meet at a specific time and at a specific place. Tasks were organized by assigning individuals responsibility to perform certain activities with available resources. Efforts were directed to motivate attendance by offering a congenial atmosphere and an opportunity to revive friendships. And activities were controlled by establishing criteria directed toward attendance at the weekly meetings. If we assume this small organization grew in size and took on different goals, then we would find that its management might take on a different form. But the requirements to engage in management are still the same. Figure 1-2 depicts the four managerial activities and their interrelationships based on our example.

What Are Managers?

Managers are individuals who are responsible for completing tasks that require the supervision of other members or organizational resources. However, it is true that some managers are more equal than others. In many large organizations, managers can be sorted into levels of a hierarchy. This hierarchy, consisting of first-line managers at the lowest level, middle managers, and then top managers at the highest level, is a useful classification. It not only identifies a career path for many members of the organization but also provides a way to identify the types and varieties of skills and tasks that must be performed.

Figure 1-2

INTERRELATIONS OF MANAGERIAL ACTIVITIES



First-line managers are situated at the lowest level in the managerial hierarchy. They may be titled "foreman" or "supervisor" within a department or unit of the organization. As managers, their primary managerial activity is to lead employees in the day-to-day tasks to be performed which contribute to the organization's goals. However, first-line managers must also be concerned with the control function in order to correct errors or solve problems directly related to the production of goods or services. For many employees in the organization, first-line management offers the initial entrance into a management position.

Middle managers are more diverse in terms of titles and task responsibilities. However, a distinguishing characteristic from other types of managers is that middle managers have supervisory responsibili-

ty for first-line managers and at times nonmanagement personnel in the organization. More importantly, middle managers are responsible for implementing the plans and policies of the organization by focusing on the coordination of tasks performed to achieve organizational goals. Middle managers may consist of divisional heads, plant managers, or departmental directors.

The smallest grouping of managers in an organization, top, or upper managers, is responsible for the overall performance of the organization. Top managers engage extensively in the formulation of strategies. They must also provide leadership, evaluate and shape the method of organizing, and control the direction the organization is moving in an effort to accomplish goals. Top managers usually have such titles as "chief executive officer" (CEO), "chairperson," "senior vice-president," and "president." Figure 1-3 illustrates the hierarchy of management.

It is not necessary that organizations conform to any one specific configuration along the management hierarchy. Depending on the context of the organization, top management may be quite large relative to middle and first-line management, or first-line management may be extremely small. For instance, many social service agencies have large numbers of top managers due to the need to have continued and on-going contact with the community. On the other hand, many high technology firms have few first-line managers, relying instead on employees to fulfill

Figure

THE HIERARCHY OF MANAGEMENT



the function of supervision by determining and evaluating their own individual activities. Figure 1-4 depicts how managers at different levels might distribute their time among the various managerial activities.

Figure 1-4 **KOW MANAGERS DISTRIBUTE THEIR TIME**



Management Skills

In the previous section we identified four important managerial activities: planning, organizing and staffing, directing, and controlling. It was suggested that these managerial activities need to be interrelated to achieve desired goals. In turn, the emphasis as to which activity a manager engages in most frequently is dependent on the hierarchy of management in which one is located. One last element must be added to the managerial picture. Managers, upon joining the managerial ranks of an organization, must possess certain skills that will enable them to perform their tasks successfully. In many ways, the skills that managers possess in the organization are the most valued resources of the organization. Poor managerial skills can defeat the most successful activities and in many cases can lead to the demise of the organization as related in the story of Sewell Avery in Situation 2.

SITUATION 2

Sewell Avery and Montgomery Ward Company

Sewell Avery was born in Saginaw, Michigan, in 1874, the son of a wealthy Michigan lumberman. For many years of his life, his was an admirable success story. He graduated from Michigan State University Law School in 1894 and started at the bottom in a small gypsum plant owned by his father. By the time he was 22 years old, he was manager of the plant. Then in 1901, the small firm was absorbed by the U.S. Gypsum Company. Four years later, Avery was president of U.S. Gypsum, *Time* magazine described him as a "suave and brilliant supersalesman," and he built U.S. Gypsum into one of the largest purveyors of building materials in the United States.

In the deep depression year of 1932, salesman Avery was called on by Ward's directors and creditors to rescue the floundering company which had suffered an \$8.7 million deficit in 1931. Avery gathered around him sharp young executives. He added new luxury items to Ward's stock and reentered the fashion merchandise field. He said, "We no longer depend on hicks and yokels. We sell more than overalls and manure-proof shoes!" The catalog was improved and seventy unprofitable stores were closed.

Avery was successful. In 12 years, he had changed a \$5,700,000 loss (1932) into a \$20,438,000 profit (1943). In 1932, the company lost 2.2 times as much money as Sears on a volume only 65 percent that of Sears; by 1939, Ward had 82 percent of Sears' business and 84 percent of Sears' profit.

Avery ruled Ward with an iron hand, with no regard for the feelings of employees or executives. He tolerated no dissension or deviations from his views. He ruled this billion-dollar firm as an old-fashioned tyrant and in the process lost dozens of capable high-level executives who found the management atmosphere he created to be intolerable. One such view that Avery had was a no-growth strategy after World War II. He had an adamant belief that a depression was imminent after the cessation of hostilities. His basis for this was the depression that did occur after World War I. Avery foresaw that the nation would have difficulties trying to readjust to a peacetime economy as industries halted production of war materials and reverted to peacetime production and as millions of men and women returning from the service tried to find employment. He predicted that "economic conditions are terrorizing beyond what we have known before." And he noted, "We [Ward] are starting nothing of any size; we are being cautious."

However, after World War II most population growth was taking place in major metropolitan areas, particularly in their suburbs. Shopping centers were burgeoning and were inevitably taking business from downtown and from smaller business districts. But Ward, under Avery's direction, repudiated expansion during this period of major change in shopping patterns, deliberately leaving the field to Sears, Penney, and other competitors.

A manager can be outstandingly successful at one stage of his or her career. Sewell Avery certainly was in his years as president of U.S. Gypsum Company and in his early leadership of a badly floundering Ward in the 1930s. Yet in another age, the formerly successful leader may lead an organization to a debacle. The great leader who is rigid and unbending often becomes error-

prone in later years and intolerant toward capable subordinates who do not accept all of his or her views.

Eventually, after Avery, Ward pulled itself around and tried to resurrect a growth pattern. However, the lost years could never be regained. Poor judgment, which permitted no deviating opinions, cast a sorry spell over the company. A man who for much of his life had evinced outstanding success led Ward down the wrong path and was too stubborn to admit it.

Source: Excerpted from *Management Mistakes* by Robert F. Hartley. Copyright © 1983 by John Wiley & Sons, Inc. Reprinted by permission of John Wiley & Sons, Inc.

Robert L. Katz suggests that three important managerial skills that must be cultivated and enhanced by the organization are technical, human, and conceptual.² The degree of development a manager has in each of these three skills will have a strong impact not only upon the success of the organization but also upon the career success of the manager.

Technical skills are those abilities that are necessary to carry out a specific task. That is, technical skills relate to the individual's expertise in performing a work-related task. Examples of technical skills are writing computer programs, completing accounting statements, analyzing marketing statistics, writing legal documents, or drafting a design for a new airfoil on an airplane. Technical skills are usually obtained through training programs that an organization may offer its managers or employees or may be obtained by way of a college degree. Indeed, many business schools throughout the country envision themselves as providing graduates with the technical skills that are necessary for them to be successful on the job.

Human skills involve the ability to work with, motivate, and direct individuals or groups in the organization whether they are subordinates, peers, or superiors. Human skills, therefore, relate to the individual's expertise in interacting with others in a way that will enhance the successful completion of the task at hand. Some human skills that are often necessary for managers to display are effective communication (writing and speaking), creation of a positive attitude toward others and the work setting, development of cooperation among group members, and motivation of subordinates.

Conceptual skills require an ability to understand the degree of complexity in a given situation and to reduce that complexity to a level whereby specific courses of action can be derived. Complexity exists due to the multiple contextual dimensions that affect an organization. That is, in any given situation, numerous factors are influenced by and influ-

2. R. L. Katz, "Skills of an Effective Administrator," *Harvard Business Review* 52, no. 5 (September-October 1974): 90-102. ■

FROM THE FIELD: Starting a Career in Business

In early 1986, we asked executives in a variety of industries what tips they could provide for a student starting a career in business. Hundreds offered their advice. Here is a sampling;

"Be flexible, with a willingness to accept tasks and positions that meet the company's needs (versus adhering stringently to personal career goals). Continue to expand knowledge through every possible educational channel. Accept responsibility, then meet it with an urgency and with high quality results." (The senior vice-president of a large pharmaceutical firm)

"Select courses requiring the development of problem-solving ability. Develop knowledge of the business and economic environment by outside reading such as *The Wall Street Journal* and *Business Week*. Develop competence in the analytical application of computer technology." (The vice-president for planning of a natural gas transmission firm)

"Prepare well in verbal skills, writing ability, and interpersonal skills. While good business practices are important to know and apply, the ultimate success of any manager is getting many people committed to a common set of priorities and goals." (The vice-president of a telecommunications firm)

"First, learn the technical skills. Second, prepare for management by observing and trying to understand how your superiors arrive at decisions," (The vice-president for finance of an air transportation firm)

"Get practical work experience. 'Street smarts' are critical to success. Work on people skills. Develop a winning attitude." (The president of a prepared foods firm)

"Be flexible. Do not be afraid to try different career paths or different industries. All businesses need bright, energetic, hard-working, ambitious individuals, and will pay to both obtain and keep them." (The vice-president and director of an industrial/commercial insulation firm)

"Learn to listen." (The vice-president for sales and marketing of a printing and publishing firm)

"Be inquisitive—open to new ideas. Be a student of both technology and human nature—neither can be effective without the other. There can be powerful synergy when the two are harmonized." (The senior vice-president for new product development of a computer software firm)

"Business is becoming increasingly global every year, especially the auto industry. Students should be prepared to handle the increased scope of worldwide business." (The director of international marketing of an automotive firm)

"The difference between a job and a career is about 20 hours per week. Most incoming people I see want a job with career benefits." (The vice-president for marketing of a soft drink sales firm)

"Express your opinions but be a team player (unless that includes unethical practices)." (The executive vice-president of a transportation services firm)

A number of recurring themes appeared in the executives' suggestions: The importance of people management skills and of good communications; of enthusiasm and hard work and a willingness to accept responsibility; of problem-solving ability; of knowledge of the 'real' business world—reading *The Wall Street Journal* was mentioned repeatedly; of presenting a favorable personal image; of flexibility; of being comfortable with the new technology; of being willing to get one's hands dirty. This book will deal with the key skills suggested in these tips. And, throughout, it will give you many glimpses of the 'real world' of business.

encing a situation. Understanding how an event is influenced by and influences other factors requires a high degree of conceptual development. Conceptual skills are the most difficult to develop and the most critical in applications to managerial activities. Situations that require conceptual skills include those dealing with the passage of laws that affect hiring patterns in an organization, competitors changing their marketing strategies, or the reorganization of one department which ultimately affects the activities of other departments in the organization.

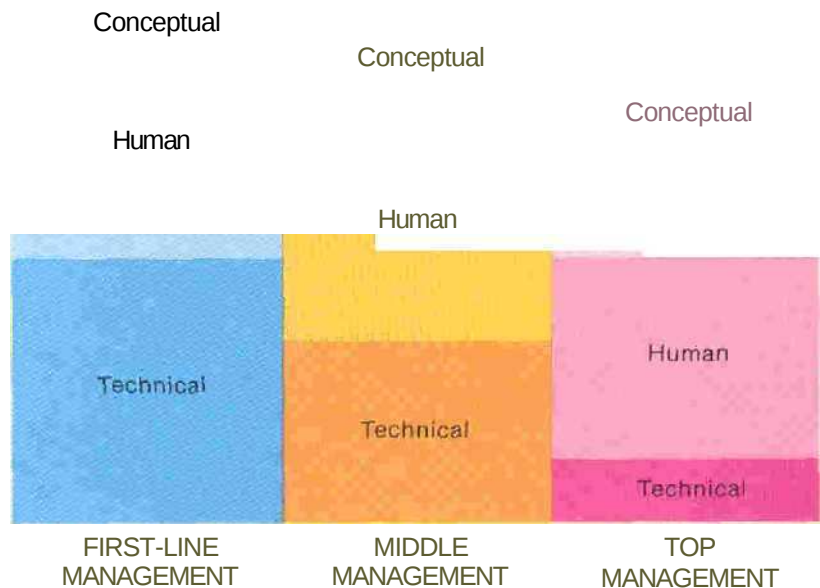
While successful managers must possess a high level of expertise in technical, human, and conceptual skills, it is also true that each skill will vary in importance according to the organization level at which the manager is located. Generally, technical skills become least important at the top level of the management hierarchy, replaced with a greater emphasis on conceptual skills. Technical skills are most pronounced at lower levels of management because managers are closer to the production process where technical expertise is in greatest demand. Human skills are equally necessary at each level of the management hierarchy. Conceptual skills are critical for top managers because the plans, policies, and decisions developed at this level require the ability to understand how a change in one activity will affect changes in other activities. The relative skills needed for effective performance at different levels of management are depicted in Figure 1-5.

Development of human and conceptual skills will be the main thrust of the material in this book. This emphasis does not imply that technical skills are believed to be less worthy. Rather, human and conceptual skills are the most difficult of the three to develop, often requiring the most training. For many organizations, newly recruited managers have obtained a foundation in technical skills through schooling. In addition, many organizations provide in-house training programs to develop technical skills that are specific to the operations of the organization. These training programs can last from one day to several years depending on the requirements of the tasks to be developed. Thus, technical skills will be de-emphasized in this book.

Human skills can be developed through an understanding of human and group behavior. Conceptual skills can be developed through knowledge of the various factors that influence organizational activities. Both human and conceptual skills require that individuals dedicate themselves to reflection, information gathering, and critical analyses of the events that surround them. However, such skills are not developed through intuition. Rather, development of human and conceptual skills is enhanced by establishing a framework that can describe, explain, and predict events that influence activities or a situation. While no perfect framework exists, we can assemble frameworks based on prior research and practice that will enable a manager to identify and respond to various factors that affect a given situation. Through time and the wisdom of others, we can hone and shape our way of looking at events with efforts toward reducing errors or incorrect assumptions.

Figure 1-5

MANAGERIAL SKILLS NECESSARY AT DIFFERENT LEVELS OF MANAGEMENT



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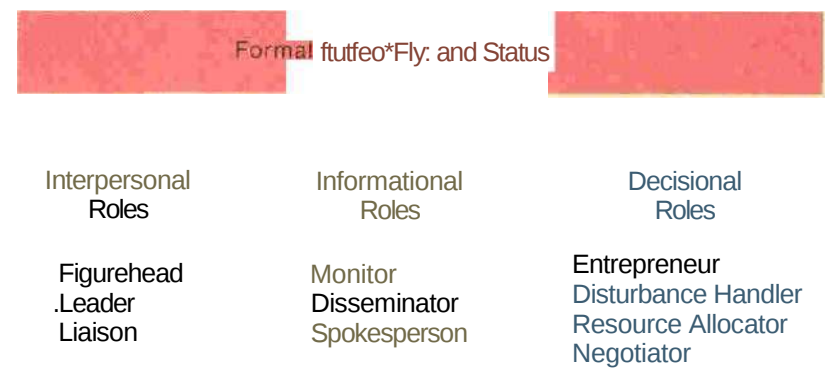
Managerial Roles

Managers must wear many hats in formulating and implementing task activities related to their positions. Henry Mintzberg, in an attempt to understand the diversity of hats managers must wear, examined managerial activities on a daily basis. His study enabled him to identify ten different but interrelated, organized sets of behavior, or roles, that managers assume. These ten roles can be separated into three general groupings: interpersonal roles, informational roles, and decisional roles, as displayed in Figure 1-6.³

Interpersonal Roles. Three of the manager's roles are enacted when the manager must engage in interpersonal relationships. The three roles of figurehead, leader, and liaison are each necessary to implement under differing circumstances. Adopting one or the other of the three

3. H. Mintzberg, "The Manager's Job: Folklore and Fact," *Harvard Business Review* vol. 53, no. 4 [July-August 1975]: 49-61,

Figure 1-6 THE RELATIONSHIP OF MANAGERIAL ROLES



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interpersonal roles is made easier by the formal authority the manager obtains from the organization.

The figurehead role is required when activity of a ceremonial nature is required within the organization. A baseball manager attending a minor league all-star game, the head chef of a prominent restaurant greeting customers at the door, and the president of a bank congratulating a new group of trainees are all examples of the figurehead role being enacted. While the figurehead role is routine, with little serious communication and no important decision making, its importance should not be overlooked. At the interpersonal level, it provides members and non-members alike with a sense of what the organization is about and the type of people the organization recruits.

Because a manager is in charge of subordinates, the leader role requires involvement with the coordination and control of the work by members being supervised. The leader role may be exercised in a direct or an indirect manner. Hiring, training, and motivating may all require the manager to directly relate to subordinates. However, establishing expectations regarding work quality, decision responsibility, or time commitments to the job are all outcomes of the leader role that are indirectly related to subordinates.

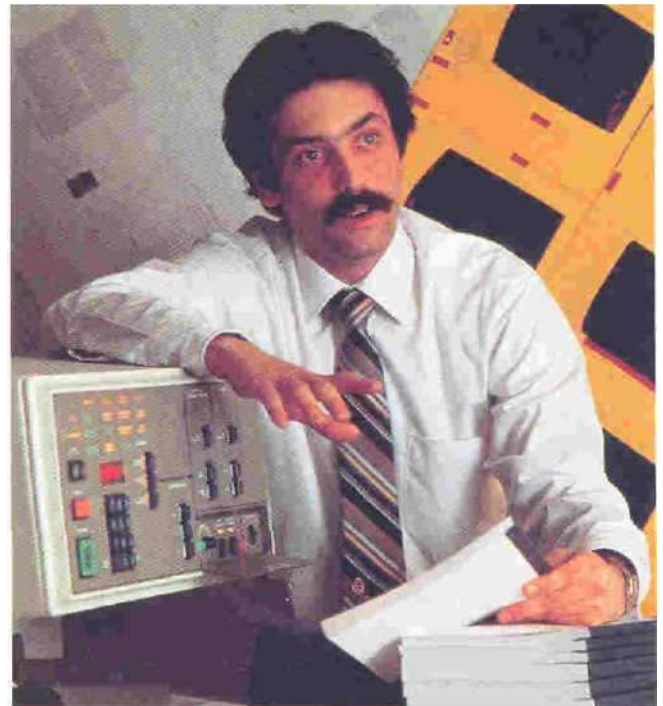
Quite often, managers are required to obtain information or resources that reside outside of their authority. The liaison role is enacted when managers make contact with other individuals, who may or may not reside in the organization, in order to complete the work performed

by their departments or work units. An auto assembly plant supervisor may telephone a tire supplier to determine the amount of inventory available for next week; a prosecuting attorney may meet with the presiding judge and defense attorney to discuss the use of motions and evidence in a libel trial; or a college professor may meet with professors in a separate department on campus to obtain information on a potential doctoral student. Ultimately, the liaison role enables a manager to develop a network for obtaining external information which can be useful for completing current and future work activities.

Informational Roles. Monitor, disseminator, and spokesperson are three informational roles that a manager may assume. Informational roles are created as a result of enacting the set of interpersonal roles already described. A network of interpersonal contacts with both subordinates and individuals residing outside of the work unit serves to establish the manager as an informational nerve center of the unit. Hence, the manager becomes a focal person for gathering, receiving, and transmitting information that concerns members of the work unit.

A manager assumes a monitor **role** by continually scanning the environment for information or activities and events that may identify opportunities or threats to the functioning of the work unit. While monitoring can be accomplished by reading periodicals and reports, much of

Can you determine what role this manager is assuming? Most managers assume various roles daily.



the manager's gathering of information is achieved through the network of contacts that has been established through the interpersonal roles. Unsolicited gossip at a banquet about a competitor's planned marketing program, a negative medical evaluation of an unsigned ball player that is introduced in a conversation while attending a game, or daily reading of a business periodical are all examples of a manager engaging in a monitor role.

The information that a manager gathers as a monitor must be gleaned and transmitted to appropriate members of the organization. The transmittal of information by a manager activates the **disseminator role**. Privileged information may be disseminated to subordinates, peers, or superiors in the organization. The manager may inform the marketing vice-president as to the specific strategy a company is planning to implement. A baseball manager may inform the team owner that an impending trade should be canceled due to the unfavorable medical report on one of the players. Or, reading *The Wall Street Journal* may inform the manager that a shipping strike is looming and thus enable her to inform subordinates that temporary layoffs may occur next month.

Occasionally, a manager must assume a **spokesperson role** by representing the work unit to people inside or outside of the organization. This representation would constitute efforts to lobby for resources that are critical to the work unit's activities or efforts to mollify individuals who have influence over activities. Hence, a top manager presenting a case before the board of directors to keep the work unit together during a reorganization period or a corporate president speaking before a campus chapter on the role the company plays in education would both constitute engaging in the spokesperson role.

Decisional Roles. Both interpersonal and informational roles are really preludes to what are often considered to be a manager's most important set of roles: entrepreneur, disturbance handler, resource allocator, and negotiator. All four constitute decisional roles which allow a manager to be successful in effectively relating to others as well as to obtain important and valid information.

The **entrepreneur role** comes into action when the manager seeks to improve the work unit. This can be accomplished by adapting new techniques to fit a particular situation or modifying old techniques to improve individual or group activity. Managers usually learn of new or innovative methods through the monitor role which we recall is information gathering activity. As a result, a supervisor purchases a new kiln which will shorten the drying process of ceramic tiles; A director of a youth club trains staff in the use of personal computers to increase file access; or a president establishes a new pension plan to increase morale in the company.

While the entrepreneur role establishes the manager as the initiator of change, the **disturbance handler role** establishes the manager as a

Academic Profile

KATHRYN M. BARTOL



Kathryn M. Bartol [Ph.D., Michigan State University] is Professor of Organizational Behavior and Management of Human Resources in the College of Management, University of Maryland, College Park. She is past president of the Academy of Management and is a fellow of the Academy of Management and the American Psychological Association. Professor Bartol is the author of *Male and Female Leaders in Small Work Groups* and of numerous articles that have appeared in the *Journal of Applied Psychology*, *Industrial and Labor Relations Review*, *Soviet Studies*, *Academy of Management Review*, *MIS Quarterly*, and elsewhere. She is a specialist on performance appraisal and compensation systems design. A former systems project leader in the computer field, she writes extensively on the management of human resources within high-technology environments. Professor Bartol is a consultant/trainer for a number of organizations and is a consulting editor for the *Journal of Applied Psychology*.

Q: Some writers of popular management books, and some managers, give the impression that management training in business schools may be irrelevant and misguided. What do you think causes such a view?

A: Unfortunately, some managers and even writers of popular management books are not very aware of current trends in management training in business schools. As a result, their comments often are based on sources like hearsay, quick looks at a few management textbooks, or even their own management training, which may now be obsolete. Within the last twenty years, growth in the knowledge base about management has accelerated exponentially, and it is becoming more difficult than ever for managers and others to keep up with advances. At the same time, management professors share some of the responsibility for views that management training may be irrelevant or misguided. They frequently are so busy working on new research projects and exchanging information with each other that they neglect to communicate new research findings to managers, particularly through writing articles geared specifically to managerial needs. Management professors simply haven't worked hard enough to disseminate new knowledge to managers.

Q: What do you think prospective managers gain from management training in business schools that they would not pick up on their own in the "real world"?

A: I recently asked a group of 300 new MBA students at my university how many had worked for a manager whom they considered to be relatively ineffective in handling people. Every single hand went up, even though most of these students were

under 30 and had only worked for a few years. Being a good manager is extremely difficult and prospective managers will find that "trial and error" is a long and costly way to learn how to manage. Most of us wouldn't even consider trying to learn chemistry or engineering that way. Management training in business schools offers an opportunity to learn about many basic concepts in areas such as motivation, organizational design, strategy and planning, decision making, and communications—to name a few. Typically, there also is a great deal of emphasis on learning how to apply these concepts through cases, role plays, and other class exercises. These concepts help prospective managers learn how to evaluate conditions and decide what action to take in the variety of situations that they are likely to confront. Think of these concepts as important tools which aid managers. Without these tools, and the training that goes with them, a manager's job is much more difficult. Q: Do you have any other thoughts on this issue?

A: One serious problem is that the management field is highly susceptible to fads. New approaches sometimes are embraced as if they are the key to unparalleled success. This is especially true if the new approaches are touted in the popular press, as was the case with Japanese management a couple of years ago. Then, when the new approach doesn't turn out to be the expected cure-all, it is summarily abandoned. Who is to blame for the fads; The popular writers, and sometimes the academics, who oversell the ideas? The managers who grab on to them? I suspect that the current generation of business school graduates will be more sophisticated as managers and put an end to this faddism.

responder to change. Organizations, unfortunately, are not so smoothly run that managers are never called upon to respond to unwelcome pressures. In these cases, the manager is required to act within a very short time period with an ultimate goal of bringing stability back to the organization. Disturbance handling occurs when a law partner must settle a disagreement among associates in the firm as to who will present a case before a judge; a personnel director must negotiate with striking employees dissatisfied with the methods for laying off employees; or a cannery first-line manager must respond to a sudden shortage of cans used to package perishable fruit because the supplier has reneged on a contract.

When a manager is placed in the position of having to decide to whom and in what quantity resources will be dispensed, the resource allocator role is assumed. Resources may include money, time, power, equipment, or people. During periods of resource abundance, this role can be easily performed by a manager. However, in most cases, organizations operate under conditions of resource scarcity; thus, decisions made regarding the allocation of resources can be critical for the success of the work unit, division, or organization. As a decision maker, the manager must strive to not only appropriately match resources with subordinates but also to ensure that the distribution of resources is interrelated to effectively complete the task to be performed. An office manager must provide secretaries in the office with appropriate equipment to generate and duplicate documents. A manager of a fast-food restaurant must coordinate work shifts to have the maximum number of employees working during the lunch hour. Corporate presidents may provide their administrative assistants with decision-making responsibility for day-to-day matters of the company.

In addition to decisions concerning organizational changes, disturbances, and resources, the manager must enact a negotiator role. The process of negotiation is possible only when an individual has the authority to commit organizational resources. Hence, as managers move up the managerial hierarchy and obtain control over more resources, they become more involved in the negotiator role. For example, the president of a record company may be called in to discuss terms of a possible contract with a major rock group; a production manager must negotiate with the personnel department to obtain individuals with specialized skills, or a college dean must negotiate with department chairpersons over course offerings and the number of faculty to be hired.

The mix and emphasis of roles that a manager will enact is highly dependent on the authority and status of the manager's position in the organization. Length of time on the job, position in the management hierarchy, goals of the subunit to be achieved, and skills the manager possesses are all important for determining which roles are more pronounced than others at any given time. For instance, a marketing manager is more likely to emphasise interpersonal roles due to time spent in sales and the emphasis on personal contact that is part of the marketing

process. Financial managers will perhaps exhibit more decisional roles due to their focus on economic efficiency of the organization. Staff managers, or those who perform in an advisory capacity, are likely to display a greater proportion of informational roles since, by training and experience, their emphasis has been on providing knowledge about specialized skills and topics. Regardless of the differences that may occur, it is also true that all managers enact interpersonal, informational, and decisional roles while performing their tasks.

IMPLICATIONS FOR MANAGEMENT

Effectively managing an organization is a demanding task. Managers must not only develop skills related to the functional areas of management, but also learn how to integrate these activities. What makes this process demanding is that events and activities external and internal to an organization can radically change the techniques and methods managers must use in order to arrive at successful outcomes. Managers cannot afford to be limited in their view of management nor can they simply rely on how things were done in the past; those managers that do, increase the risk of leading the organization into trouble.

The situations at Commodore International Ltd. and Montgomery Ward underscore this point. Both companies enjoyed tremendous success at one point in time. However, the inability of management to plan effectively for the future, to organize and staff the companies with appropriately skilled employees, to direct activities that encouraged employees to make solid contributions, and to implement adequate controls resulted in serious consequences for each organization. In addition, management in both companies failed to recognize how the context of their organizations had changed. Management at Commodore International did not recognize that the demand for video games had collapsed. Sewell Avery was convinced that the country was on the verge of a major economic depression after World War II and thus refused to move stores to the suburbs.

Even the most seasoned and successful managers are prone to mistakes. However, a more complete knowledge of the managerial process can reduce the chances of managers making mistakes that will have dire consequences on an organization. Such knowledge may help managers to better plan, organize and staff, direct, and control organization activities within the context of their organization.

KEY TERMS AND CONCEPTS

■ conceptual skills
I context
I controlling
directing

disseminator role
disturbance handling
division of labor
entrepreneur role

figurehead role	negotiator role	
first-line managers	organization	
human skills		organizing and staffing
leader role liaison	planning	
role management		resource allocator role
managers middle	spokesperson role	
managers monitor	technical skills	
role		top. or upper managers

REVIEW QUESTIONS

1. Identify constituents of an organization to whom managers are responsible.
2. What are the six conditions that comprise an organization's external context?
3. What are the four conditions that comprise an organization's internal context?
4. Explain why the division of labor leads to increased productivity.
5. What are the key dimensions of an organization? How does an organization differ from a group of friends who happen to meet on the street?
6. List and discuss the four managerial activities. How does each activity contribute to the attainment of organizational goals?
7. What is the difference between management and managers?
8. Identify and describe the three levels of the managerial hierarchy.
9. What are the three skills that are required to be an effective manager? How do these skills vary along levels of the managerial hierarchy?
10. Identify the three organized sets of behavior, or roles, that managers must assume. What specific roles are grouped within each of the three categories?

CASE 1 A Mr. Gasket's foe Hrudka

Lots of people start little companies and get rich by taking them public. Joe Hrudka was one of these people, only he did it twice with the same company—Mr. Gasket Company. In the process, the hot-rod racer has succeeded where W. R. Grace & Co., one of the nation's largest companies, gave up. His story demonstrates that entrepreneurs, how-

ever eccentric, sometimes can stay closer to their markets than managers of the giants of industry can.

Mr. Hrudka began the business in 1964, two years after he raced his souped-up 1954 Chevy down an Indianapolis dragstrip to win his second consecutive National Hot Rod Championship. As a racer, he lamented

that engine manifold exhaust gaskets, made of cork, didn't last long under high-performance conditions. So, he made a reusable heat-resistant gasket out of asbestos. He was able to make his first gasket from \$5 worth of material in his backyard garage. He soon went into the gasket business with two partners, but later he bought them out for \$250 each. Mr. Hrudka took Mr. Gasket public in 1969. Two years later, it was sold for \$18 million to W. R. Grace, just as the performance-car-parts industry skidded into a decade-long slump. He bought back the company for \$4.3 million in April, 1981, when sporty cars were coming back into vogue. He took the company public for the second time in October, 1983., but still owns 58 percent of the stock.

People who buy Mr. Gasket products tend to be single males between the ages of 16 and 45. "You go to the malt shop and you want people to look at your car," says Rich Smith, a vice-president of administration. "'It's ego; that's the bottom line.'" The man who understands this better than anyone else is Mr. Hrudka, president and chief executive officer. He still pals around with old racing buddies, visits car shows all over the country, and hits the race tracks regularly to stay in touch with his customers. Personally worth an estimated \$125 million, he still polishes his collection of a dozen 1957 Chevies, cleaning each crevice with a Q-tip.

Joe Hrudka does things his customers would like to do if they could. A few years ago, when a Cleveland discotheque denied him admission because he wasn't wearing a "proper" jacket (he was wearing one made of calf leather), he bought the place for \$300,000 and fired everyone. After operating the club for three years, he sold it for a profit.

When W. R. Grace acquired Mr. Gasket, Mr. Hrudka received a consulting contract. But management at Grace did not include him in their decision process. Grace's managers demanded lots of studies before introducing new products, thus stifling ideas, Mr. Hrudka claims. With Mr. Hrudka back at the helm, he changes products overnight.

Mr. Hrudka is obsessed with order and discipline both on and off the job. This includes having the lawn at his Palm Beach, Florida, home manicured so that each blade of grass is the same height. He also arranges his wardrobe, which at one time included 1,200 shirts, from light to dark colors. Discipline and order are also demanded from his employees at Mr. Gasket. Sometimes, he fines top executives \$5 when they don't return a chair to its original place. Mr. Hrudka knows he has a reputation as a tough boss. "Years ago, I was probably too hard on people, but I've mellowed," he says. "Now I only go crazy when they should have known better."

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1. Identify the internal and external contextual dimensions that have the greatest impact on the success of Mr. Gasket.
2. Give examples of interpersonal, informational, and decisional roles in Joe Hrudka's managerial style. Which of the roles does he emphasize as a manager of the company?
3. Which of the following managerial activities appears to be most important to Joe Hrudka in the management of Mr. Gasket: planning, organizing and staffing, directing, or controlling?