LEARNING OBJECTIVES

After studying this chapter, you should be able to:

✓ Describe what management is, why management is important, what managers do, and how managers utilise organisational resources efficiently and effectively to achieve organisational goals.

✓ Distinguish among planning, organising, leading and controlling (the four principal managerial functions), and explain how managers’ ability to handle each one can affect organisational performance.

✓ Differentiate among levels of management, and understand the responsibilities of managers at different levels in the organisational hierarchy.

✓ Identify the roles managers perform, the skills they need to execute those roles effectively, and the way new information technology is affecting these roles and skills.

✓ Discuss the principal challenges managers face in today’s increasingly competitive global environment.

A Manager’s Challenge

The Rise of Siemens

Werner von Siemens was born in Germany in a small town near Hannover in December 1816. No one could then know that the fourth child of a poor farmer’s family would become the founder of one of the world’s best-known companies.

While showing ample potential in science and engineering, Werner was denied a university education due to the financial constraints of his family. He thus chose the security of the Army
as a profession. It was quickly noticed that he was inventive and apt at engineering problems and this aptitude also translated into business acumen. During his time in the army, Werner and his brother registered their first patent and sold the rights to it – leaving them financially comfortable and allowing Werner to research further into his main interest – telegraphy. This field was at the time relatively underdeveloped, but Werner showed truly managerial foresight in predicting it to be the ‘technology of the future’. Through developing a superior product, Werner finally opened his first business with a skilled mechanical engineer, Johann Georg Halske, in Berlin in 1847.

The success of this company was rapid and Werner soon had to dedicate his entire time to the business. Werner realised that the technology that Telegraphen-Bau-Anstalt Siemens & Halske was providing would predominantly be bought by governments and large corporations. Thus, in order to advance the company, Werner internationalised and opened the first two offices outside Prussia (then a distinct part of the German empire), showing entrepreneurial spirit ahead of his time. The first international office opened was in London in 1850 with a second office in St Petersburg in 1855 and a third in Austria three years later. To maintain close control over the foreign subsidiaries, Werner’s brothers managed the branches in London and St Petersburg. Within 10 years of operating, Siemens had already become a truly global company due to Werner’s instinct and managerial abilities to spot developing and new markets.

Werner continued his innovation and astute management of the business. His biggest success was the invention of the dynamo-machine, with which he coined the term ‘electrical engineering’.

However, it was not just Werner’s innovations or his entrepreneurial spirit that made the company what it is today. Werner was a manager who cared for his employees, noticing that ‘the firm could only be made to develop satisfactorily if one could further its interest by ensuring that all employees work together in a cheerful and efficient manner’. Werner negotiated social benefits that were ahead of their time. Siemens & Halske had a company pension scheme by 1872, a 9-hour working day (the norm was 10–12 for labour) and a profit-sharing scheme called ‘stocktaking bonus’ which was launched in 1866.

After Werner’s retirement the company re-formed as a stock corporation in 1897 and developed to be one of the largest international companies by 1914, with 10 foreign subsidiaries and branch offices in another 49 countries.

The astute management of the company was taken forward by Werner’s descendents, who managed the firm through rising competition and two world wars. It was Werner’s third son, Carl Friedrich, who continued in his father’s tradition of being ahead of his time in business. Carl started to rebuild the company after the First World War by concentrating and focusing the company direction based on its expertise and withdrawing from non-traditional areas of business. Carl was also responsible for various strategic alliances, mergers and acquisitions during his time at the helm. Siemens was the first company that ever posted sales figures in excess of 1 billion Marks. In the 1930s and 1940s Siemens was the largest electrical company in the world despite the Great Depression.

Due to its strong family values Siemens managed to survive the devastating Second World War in which nearly 80 per cent of its assets were lost and through some decisive management and its belief in people the company turned into the largest employer in Germany in the 1960s and 1970s.

Today Siemens operates in 190 countries, has nearly half a million employees and still believes that employees and innovation are its strongest assets. The success speaks for the effective management of the company, which had sales exceeding €75 billion and profits exceeding €2 billion in 2005.
Overview

The history of Siemens’ ups and downs through competition, political instabilities and industrial volatilities illustrates many of the challenges facing people who become managers. Managing a large company is a complex activity, and effective managers must possess many skills, knowledge and abilities. Management is an unpredictable process. Making the right decision is difficult; even effective managers often make mistakes, but the most effective managers are the ones who learn from their mistakes and continually strive to find ways to help their companies increase their competitive advantage, improve performance and essentially survive in the volatile business environment.

This chapter looks at what managers do, and what skills and abilities they must develop if they are to manage their organisations successfully over time. It also identifies the different kinds of managers that organisations need, and the skills and abilities they must develop if they are to be successful. Finally, some of the challenges that managers must address if their organisations are to grow and prosper are addressed.

What Is Management?

When you think of a ‘manager’, what kind of person comes to mind? Do you see someone who, like Werner von Siemens, can determine the future prosperity of a large for-profit company? Or do you see the administrator of a not-for-profit organisation, such as a school, library or charity, or the person in charge of your local supermarket or McDonald’s restaurant, or the person you answer to if you have a part-time job? What do all these managers have in common?

First, they all work in organisations. Organisations are collections of people who work together and co-ordinate their actions to achieve a wide variety of goals, or desired future outcomes. Second, as managers, they are the people responsible for supervising the use of an organisation’s social capital and other, more tangible, resources to achieve its goals. This use of resources needs to be co-ordinated over time. Management, then, is the planning, organising, leading and controlling of social capital and other resources to achieve organisational goals efficiently and effectively. An organisation’s resources include assets such as people and their skills, know-how and knowledge; machinery; raw materials; computers and IT; and financial capital.

Achieving High Performance: A Manager’s Goal

One of the most important goals that organisations and their members try to achieve is to provide some kind of product or service that customers desire. The principal goal of any Chief Executive Officer (CEO) is to manage an organisation so that a new stream of products and services are created that customers are willing to buy. For Werner von Siemens, these were generators, and for Siemens now it is medical devices, for example. The principal goal of doctors, nurses and hospital administrators is to increase their hospital’s ability to make sick people well. Likewise, the principal goal of each McDonald’s restaurant manager is to produce burgers, fries and shakes that people want to pay for and eat. All these activities have to be undertaken within set standards, rules, regulations and codes of practice. The achievements of such organisational goals and functions is called organisational performance.
Organisational performance is a measure of how efficiently and effectively managers use resources to satisfy customers and achieve organisational goals. Organisational performance increases in direct proportion to increases in efficiency and effectiveness (Fig. 1.1).

Efficiency is a measure of how well or how productively resources are used to achieve a goal. Organisations are efficient when managers minimise the amount of input resources (such as labour, raw materials and component parts) or the amount of time needed to produce a given output of products or services. For example, McDonald’s developed a more efficient deep fryer that not only reduced the amount of oil used in cooking by 30 per cent but also speeded up the cooking of French fries. Werner von Siemens invented the first dynamo that allowed the cheaper production of electricity. A manager’s responsibility is to ensure that an organisation and its members perform as efficiently – i.e. with as few resources as possible – all the activities needed to provide goods and services to customers.

Effectiveness is a measure of the appropriateness of the goals that managers have selected for the organisation to pursue, and of the degree to which the organisation achieves those goals. Some years ago, for example, managers at McDonald’s decided on the goal of providing breakfast service to attract more customers. The choice of this goal has proved very smart, for sales of breakfast food now account for more than 30 per cent of McDonald’s revenues. High-performing organisations, such as Siemens, McDonald’s, ASDA, Intel, IKEA and Accenture, are simultaneously efficient and effective, as shown in Fig. 1.1. Effective managers are those who choose the right organisational goals to pursue, and have the skills to utilise resources efficiently.
Why Study Management?

Today, more and more students than ever before are enrolling for places in business courses. The number of people wishing to pursue Master of Business Administration (MBA) degrees – today’s passport to an advanced management position – either on campus or from online universities, is at an all-time high. Student numbers are also increasing at an undergraduate level – including a growing demand for business courses. Why is the study of management currently so popular?

First, resources in the twenty-first century are valuable and scarce, so the more efficient and effective use that organisations can make of them, the greater the benefit for all. In addition, the efficient and effective use of resources has a direct impact on the socio-economic situation and prosperity of people in society. Because managers are the people who decide how to use many of a society’s resources – its skilled employees, raw materials like oil and land, computers and information systems and financial assets – their decisions directly impact the socio-economic situation of a society and the people in it. Understanding what managers do, and how they do it, is of central importance to understanding how a society works, and how it creates prosperity.

Second, although most people are not managers, and many may never intend to become managers, almost all of us encounter managers because most people have jobs and bosses. Moreover, many people today are working in groups and teams and have to deal with co-workers. Studying management helps people to understand how to deal with their bosses and their co-workers: it reveals how other people behave and make decisions at work that enable organisations to work in harmony and drive forward the achievement of organisational goals. Management also teaches people not yet in positions of authority how to lead co-workers, solve conflicts between them and increase team performance.

Third, in today’s society people often feel that they are in competition for a well-paying job and an interesting and satisfying career in a volatile labour market. Understanding management is one important path towards obtaining such a position. Complexity and increasing responsibility often provide more stimulating and interesting jobs; any person who desires a motivating job that changes over time might therefore do well to develop management skills and become promotable. A person who has been working for several years and then returns to university for an MBA can usually, after earning the degree, significantly enhance their career prospects.

Indeed, once one reaches the top echelons within an organisation, rewards can be immense. The CEOs and other top executives or managers of companies, for example, receive millions in salary, bonuses and share options each year. What is it that managers actually do to receive such rewards?

Managerial Functions

The job of management is to help an organisation make the best use of its resources to achieve its goals. How do managers accomplish this objective? They do so by performing four essential managerial functions: planning, organising, leading and controlling (Fig. 1.2). The arrows linking these functions in Fig. 1.2 suggest the sequence in which managers typically perform these functions. The French manager Henri Fayol first outlined the nature of these managerial activities around the turn of the twentieth century in General and Industrial Management, a book that remains the classic statement of what managers must do to create a high-performing organisation.
Managers at all levels and in all departments – whether in small or large organisations, for-profit or not-for-profit organisations, or organisations that operate in one country or throughout the world – are responsible for performing these four functions, which we look at next. How well managers perform these functions determines how efficient and effective their organisations are.

### Planning

Planning is a process that managers use to identify and select appropriate goals and courses of action. The three steps in the planning process are (1) deciding which goals the organisation will pursue, (2) deciding what actions to adopt to attain these goals and (3) deciding how to allocate organisational resources to accomplish them. The performance level is determined by how effective managers are at planning.7

As an example of planning in action, consider the situation confronting Michael Dell, CEO of Dell Computer, the very profitable PC maker.8 In 1984, the 19-year-old Dell saw an opportunity to enter the PC market by assembling PCs and then selling them directly to customers. Dell began to plan how to put his idea into practice. First, he decided that his goal was to sell an inexpensive PC, to undercut the prices of companies such as Compaq. Second, he had to decide on a course of action to achieve this goal. He decided to sell directly to customers by telephone and to bypass expensive computer stores that sold Compaq or Apple PCs. He also had to decide how to obtain low-cost components and how to tell potential customers about his products. Third, he had to decide how to allocate his limited funds (he had only £2,750) to buy labour and other resources. He chose to hire three people and work with them around a table to assemble his PCs.
To put his vision of making and selling PCs into practice, Dell had to plan. Despite organisational growth or complexity (both of which Dell experienced), the process of planning remains a constant. This does not mean that plans themselves are not subject to change, as change is a part of any organisation. Dell and his managers continually plan how to maintain its position as the biggest and highest-performing PC maker that sells predominantly online and through the telephone. In 2003, Dell announced it would begin to sell printers and personal digital assistants (PDAs); this brought it into direct competition with Hewlett-Packard (HP), the leading printer maker, and Palm One, the maker of the Palm Pilot. In the same year, Dell also brought out its own Internet music player, the Digital Jukebox, to compete against Apple's iPod, and in 2004 it reduced the price of its player to compete more effectively against Apple. In April 2004, Dell's player was selling at a significantly lower price than Apple's, and analysts were wondering what effect this would have on iPod sales and Apple's future performance.

Such continuous and stringent planning results in a strategy: a cluster of decisions concerning what organisational goals to pursue, what actions to take and how to use resources to achieve goals. The decisions that were the outcome of Michael Dell's planning formed a low-cost strategy. A low-cost strategy is a way of obtaining customers’ loyalty by making decisions that allow the organisation to make its products or services cheaper than its competitors so that prices can be kept low. Dell has constantly refined this strategy and explored new ways to reduce costs. Dell has become the most profitable PC maker as a result of its low-cost strategy, and it is hoping to repeat its success in the music player business. By contrast, Apple's strategy has been to deliver new, exciting and different computer and digital products, such as the iPod, to its customers – a strategy known as differentiation. The mini iPod was developed for people on the go, for example; it is as small as a (thick) credit card, has unique, easy-to-use controls and comes in a variety of bright contemporary colours.

Planning is a difficult activity because normally the goals that an organisation should pursue and how best to pursue them – which strategies to adopt – are not immediately clear. Managers take risks when they commit organisational resources to pursue a particular strategy: both success or failure are possible outcomes of the planning process. Dell succeeded spectacularly, but many other PC makers either went out of business (such as Packard Bell and Digital) or lost huge sums of money (like IBM) trying to compete in this industry. In Chapter 8 we focus on the planning process and the strategies organisations can select, and also how these strategies can help organisations to respond to the opportunities or threats in an industry. The story of Rolf Eriksen (Case 1.1) highlights how planning and strategising can lead a company forward.

**Case 1.1: New CEO brings change at H&M**

One global company that required new and innovative thinking to take it forward was Swedish clothing retailer H&M. Hennes & Mauritz, as it was known when it was established in 1947 by Erling Persson, has moved from being a solely Nordic player to a global fashion retailer. This was achieved mainly through the appointment of the Dane Rolf Eriksen as CEO in 2000. Prior to this role, Eriksen had been responsible for the Danish and Swedish operation of H&M. Within his first year of being CEO he managed to increase net income by 49.5 per cent, to £211.3 million; sales rose by 29 per cent, to £2.61 billion. In the first quarter of 2002, earnings rose by 33 per cent. By 2005 it was argued that H&M had benefited from a constant growth of 21 per cent per
year over the previous decade, and it was expected that sales figures would exceed £4.4 billion in 2006. H&M has now 1,200 stores in more than 20 countries, and by 2007 Eriksen expects to manage another 100 stores worldwide.

Achieving such a successful growth was a result of Eriksen’s management of the company: he has shown that he can respond to opportunities. H&M was the pioneer of affordable, fashionable clothing. The company’s strength under Eriksen is to quickly translate current trends into products for the masses, aided by the CEO’s realisation that ‘The world is becoming smaller and smaller, especially for the young customers’. Eriksen has been able to slash costs, streamline distribution and broaden H&M’s lines by assuming a similar taste in fashion around the world, whether it be New York, Paris, Stockholm or Berlin. With his vision, he has been able to position H&M as a growing rival of well-established brands such as GAP or Benetton. Eriksen has been successful in realigning H&M’s target group to middle-class customers, away from a ‘cheap and cheerful’ image towards affordable clothing that can be changed according to trends in fashion.

One of Eriksen’s most successful ventures in driving forward H&M as a leading fashion retailer was the commissioning of one-off clothing lines with Chanel designer Karl Lagerfeld in 2004. The collection sold out within three days of the launch and stores reported a 12 per cent increase in sales in that month. Such a special edition was repeated, with a one-off 40-piece line from Stella McCartney, a member of the Gucci fashion group. H&M is hoping to appeal to fashion-conscious people who cannot afford the signature line: a stroke of genius in exploiting the current climate for branded fashion.

Eriksen has the ability to see potential growth, such as Eastern European and Asian markets, or collaborations with upmarket designers – a vision that has made H&M the global company it is today. For Eriksen as CEO, planning and organising are vital functions that must be continuously worked on by managers at all levels of the company.

Organising

Organising is a process that managers use to establish a structure of working relationships that allow organisational members to interact and co-operate to achieve organisational goals. Organising involves grouping people into departments according to the kinds of job-specific tasks they perform. In organising, managers also lay out the lines of authority and responsibility between different individuals and groups, and decide how best to co-ordinate organisational resources, particularly human resources.

The outcome of organising is the creation of an organisational structure, a formal system of task and reporting relationships that co-ordinates and motivates members so that they work together to achieve organisational goals. Organisational structure determines how an organisation’s resources can be best used to create products and services. As Siemens grew, for example, Werner von Siemens faced the issue of how to structure the organisation. Early on, Siemens was hiring new employees at a staggering rate, and deciding how to design the managerial hierarchy (the structure of the reporting relationships) to best motivate and co-ordinate managers’ activities was important. As Siemens grew and internationalised, more complex kinds of organisational structures needed to be created to achieve its goals. The aspects that influence organisational structure and the process of organising this structure will be examined in more detail in Chapters 9–11.
Leading

The concept of leadership is both a complex and interdependent process involving leaders and followers in a reciprocal relationship. The various theoretical frameworks and concepts available to explain this phenomenon are examined in more detail in Chapter 14. However as leadership is one of the four principal functions of management, it is briefly described here within the context of performing these functions. A key facet of leadership is to articulate a clear vision for organisational members to follow. This should enable organisational members to understand the role they play in achieving organisational goals. Leadership can depend on the use of power, influence, vision, persuasion and communication skills to co-ordinate the behaviours of individuals and groups so that their activities and efforts are in harmony. The ideal outcome of good leadership is a high level of motivation and commitment among organisational members. Employees at Dell Computer, for example, responded well to Michael Dell’s ‘hands-on’ leadership style, which resulted in a hardworking, committed workforce.

Controlling

In controlling, managers evaluate how well an organisation is achieving its goals, and take action to maintain or improve performance. Managers monitor the performance of individuals, departments and the organisation as a whole, for example, to see whether they are meeting desired performance standards. If standards are not being met, managers must take action to improve performance.

The outcome of the control process is the ability to measure performance accurately and regulate organisational efficiency and effectiveness. To exercise control, managers must decide which goals to measure – perhaps goals pertaining to productivity, quality, or responsiveness to customers – and then they must design information and control systems that will provide the data they need to assess performance. The controlling function also allows managers to evaluate how well they themselves are performing the other three functions of management – planning, organising and leading – and to take corrective action where necessary. This relies on organisational feedback mechanisms.

Michael Dell had difficulty establishing effective control systems because his company was growing so rapidly and he lacked experienced managers. In 1988 Dell’s costs soared because no controls were in place to monitor inventory, which had built up rapidly. In 1993 financial problems arose because of ill-advised foreign currency transactions. In 1994 Dell’s new line of laptop computers crashed because poor quality control resulted in defective products, some of which caught fire. To solve these and other control problems, Dell hired experienced managers to put the correct control systems in place. As a result, by 1998 Dell was able to make computers for about 10 per cent less than its competitors, creating a major source of competitive advantage. By 2001 Dell had become so efficient it was driving its competitors out of the market because it had realised a 15–20 per cent cost advantage over them.10 By 2003 it was the biggest PC maker in the world. Controlling, like the other managerial functions, is an ongoing, dynamic, ever-changing process that demands constant attention and action. Because controlling is a function essential to organisational survival, the influence and impact of this function on all aspects of organisational behaviour will be revisited throughout the text.

The four managerial functions – planning, organising, leading and controlling – are all essential to a manager’s job. At all levels in a managerial hierarchy, and across all departments
in an organisation, effective management means making decisions and managing these four activities successfully.

Types of Managers

To perform efficiently and effectively, organisations employ different types of managers – for example, first-line managers, middle managers and senior managers, who are arranged in a hierarchy (Fig. 1.3). Typically, first-line managers report to middle managers and middle managers report to senior managers. Managers at each level have different but related responsibilities for utilising organisational resources to increase efficiency and effectiveness. Within each department, various levels of management may exist that reflect this particular categorisation and organisational hierarchy. A department, such as manufacturing, accounting or engineering, is a group of people who work together and may possess similar skills or use the same kind of knowledge, tools or techniques to perform one function that helps to achieve the overall organisational goal. The chapter next examines the reasons why organisations use a hierarchy of managers and group them into departments. We then examine some recent changes taking place in managerial hierarchies.

Levels of Management

As just discussed, organisations normally have various levels of management. Figure 1.3 is one possible example.

First-line managers

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

Examples of first-line managers include the supervisor of a work team in the manufacturing department of a car plant, the ward sister in an obstetrics ward of a hospital, or the foreman overseeing a crew of labourers on a construction site. At Dell Computer, first-line managers include the supervisors responsible for controlling the quality of Dell computers or the level of customer service provided by Dell’s telephone salespeople. When Michael Dell started his company, he personally controlled the computer assembly process and thus performed as a first-line manager or supervisor.

Middle managers
Middle managers are responsible for finding the best way to organise human and other resources to achieve organisational goals. To increase efficiency, middle managers find ways to help subordinates better to utilise resources to reduce manufacturing costs or improve customer service. To increase effectiveness, middle managers evaluate whether the goals that the organisation is pursuing are appropriate and suggest to senior managers ways in which goals should be changed. Very often, the suggestions that middle managers make to senior managers can dramatically increase organisational performance. A major part of the middle manager’s job is developing and fine-tuning skills and know-how, such as manufacturing or marketing expertise, that allow the organisation to be efficient and effective. Middle managers make thousands of specific decisions about the production of goods and services. Some of the decisions a middle-manager may face are:

- Which supervisor should be chosen for a particular project?
- Where can we find the highest-quality resources?
- How should employees be organised to allow them to make the best use of resources?

Behind any successful and committed team, department or individual employee, there will usually be a first-class middle manager, who is able to motivate, lead and reward staff to find ways to obtain the resources they need to do outstanding and innovative jobs in the workplace.

Senior managers
In contrast to middle managers, senior managers are responsible for the performance of all departments:11 they have cross-departmental responsibility. Senior managers establish organisational goals, such as which products and services the company should produce; they decide how the different departments should interact; and they monitor how well middle managers in each department utilise resources to achieve goals.12 Senior managers are ultimately responsible for the success or failure of an organisation, and their performance (like Werner von Siemens or Rolf Eriksen of H&M) is continually scrutinised by people inside and outside the organisation, such as other employees and investors.13

The CEO is a company’s most senior manager, the one to whom all other senior managers report. Together, the CEO and the chief operating officer (COO) – also called Managing Director (MD) – are responsible for developing good working relationships among the senior managers of various departments (for example, manufacturing and marketing). A central concern of the CEO is the creation of a smoothly functioning senior-management team, a group composed of the CEO, the COO/MD and the department heads of an organisation to help to achieve organisational goals.14
The relative importance of planning, organising, leading and controlling – the four managerial functions – to any particular manager depends on their position in the managerial hierarchy. The amount of time that managers spend planning and organising the resources to maintain and improve organisational performance increases as they ascend the hierarchy (Fig. 1.4). Senior managers usually devote most of their time to planning and organising, the functions so crucial to determining an organisation’s long-term performance. The lower that managers’ positions are in the hierarchy, the more time the managers tend to spend leading and controlling first-line managers or non-managerial employees.

The Managerial Hierarchy

Because so much of a manager’s responsibility is to acquire and develop critical resources, managers are typically members of specific departments. Managers inside a department possess job-specific skills and are known, for example, as marketing managers or manufacturing managers. As Fig. 1.3 indicates, first-line, middle and senior managers, who differ from one another by virtue of their job-specific responsibilities, are found in each of an organisation’s major departments. Inside each department, a *managerial hierarchy* thus emerges.

At Dell Computer, for example, Michael Dell hired experts to take charge of the marketing, sales and manufacturing departments and to develop work procedures to help first-line managers control the company’s explosive sales growth. The head of manufacturing quickly found that he had no time to supervise computer assembly, so he recruited manufacturing middle managers from other companies to assume this responsibility.
Reaction Time

1. Describe the difference between efficiency and effectiveness, and identify any real organisations that you think are, or are not, efficient and effective.

2. Identify an organisation that you believe is high-performing and one that you believe is low-performing. Give five reasons why you think the performance levels of the two organisations differ so much.

3. Try to identify the managerial hierarchy of your university department.

Recent Changes in Managerial Hierarchies

The tasks and responsibilities of managers at different levels have been changing dramatically in recent years. Three major factors that have led to these changes are global competition and advances in new IT and in e-commerce. Intense competition for resources from organisations, both nationally and internationally, has put increased pressure on all managers to improve efficiency, effectiveness and organisational performance. Increasingly, senior managers are encouraging lower-level managers to look beyond the goals of their own departments and take a cross-departmental view to find new opportunities to improve organisational performance. New ITs give managers at all levels access to more and better information and improve their ability to plan, organise, lead and control; this has also revolutionised the way the managerial hierarchy works.18

Restructuring and Outsourcing

To take advantage of IT and e-commerce and their ability to reduce operating costs, CEOs and senior management teams have been restructuring organisations and outsourcing specific organisational activities to reduce the number of employees on the payroll.

Restructuring

Restructuring involves the use of IT to downsize an organisation or shrink its operations by eliminating the jobs of large numbers of top, middle or first-line managers and non-managerial employees. In some industries, for example car manufacturing, IT allows fewer employees to perform a given task because it increases each person’s ability to process information and make decisions more quickly and accurately. UK overall investment into information and communication technology (ICT) has increased by 133 per cent since 1992, to £25.7 billion in 2001.19 In the US, companies are spending over £27.3 billion a year on advanced IT, and it is likely that a large part of this investment has been made to improve efficiency and effectiveness. Some of the effects of IT on management are discussed in Chapter 18.

Restructuring, however, can produce some powerful negative outcomes. IT can reduce the morale of the remaining employees, who are worried about their own job security, and senior managers of many downsized organisations can come to realise that they have downsized too far, because employees complain they are overworked and because more customers complain about poor-quality service.20 Some more recent restructuring initiatives – for example in the National Health Service (NHS) in the UK – are about creating more effective and efficient job descriptions to streamline the delivery of a service. The Department of Health (DoH) in England
has created new levels of qualifications, such as associate practitioner roles, to restructure its service delivery.\textsuperscript{21}

**Outsourcing**

Outsourcing involves contracting with another company, usually in a low-cost country abroad, so that it can perform an activity – such as manufacturing or marketing – the organisation previously performed itself. Outsourcing promotes efficiency by reducing costs and by allowing an organisation to make better use of its remaining resources. The need to respond to low-cost global competition has speeded up outsourcing dramatically since 2000: 3 million US jobs in the manufacturing sector have been lost as companies moved their operations to countries such as China, Taiwan and Malaysia. Tens of thousands of high-paying jobs in IT have moved to countries such as India and Russia, where programmers work for one-third the salary of those in the US.

In the UK, an ongoing decline in manufacturing industry has seen a decrease in manufacturing jobs of nearly 4 per cent per annum since 2000, which is more than double the EU–25 average. This means that manufacturing jobs now account for approximately 14.9 per cent of employment in the UK,\textsuperscript{22} in 2004 approximately 3.5 million people were employed in manufacturing compared to over 7 million in the late 1970s.\textsuperscript{23} While some of this decline may be due to natural wastage, the majority can be assigned to the move away from expensive western European labour to workers in cheaper countries.

Large for-profit organisations today typically employ 10–20 per cent fewer employees than they did 10 years ago because of restructuring and outsourcing. Siemens, IBM, HP, Dell and Du Pont are among the thousands of organisations that have streamlined their operations to increase efficiency and effectiveness. The argument is that the managers and employees who have lost their jobs will find employment in new and growing organisations where their skills and experience will be better utilised. The millions of manufacturing jobs that have been lost overseas are expected to be replaced by higher-paying jobs in the service sector that are made possible because of the growth in global trade. However, the downside of outsourcing and reengineering is an overreliance on technology. This can prove to be detrimental to organisational performance, especially in light of the emerging discipline of knowledge management (KM) where loss of staff may also mean loss of expertise and performance-enhancing knowledge. The issues surrounding the retaining of knowledge and information will be further examined in Chapter 18.

**Empowerment and Self-managed Teams**

Another major change in management has taken place at the level of first-line managers, who typically supervise the employees engaged in producing goods and services. Many companies have taken two key steps to reduce costs and improve quality. One is the empowerment of their workforces to expand employees’ knowledge, tasks and responsibilities. The other is the creation of self-managed teams – groups of employees given responsibility for supervising their own activities and for monitoring the quality of the goods and services they provide.\textsuperscript{24} Members of self-managed teams assume many of the responsibilities and duties previously performed by first-line managers.\textsuperscript{25}

What is the role of the first-line manager in this new work context? First-line managers act as coaches or mentors whose job is not to tell employees what to do but to provide advice and guidance and help teams find new ways to perform their tasks more efficiently.\textsuperscript{26} Both self-managed teams and empowerment are concepts that will be discussed as part of the leadership debate and effective team working in Chapters 14 and 15.
TIPS FOR PRACTICE

1. Think about how customers perceive the products and services that your organisation offers, if these adequately meet their needs and how they might be improved.

2. Explore whether your organisation can be better at obtaining or using resources to increase efficiency and effectiveness.

3. Think about how the skills and know-how of departments is helping your organisation to achieve its competitive advantage. Take steps to improve these skills whenever possible.

IT and Managerial Roles and Skills

A managerial role is a set of specific tasks that a manager is expected to perform because of the position he or she holds in an organisation. One well-known model of managerial roles was developed by Henry Mintzberg, who detailed 10 specific roles that effective managers undertake. Although Mintzberg’s roles overlap with Fayol’s model (p. 41) they are useful because they focus on what managers do in a typical hour, day or week in an organisation as they go about the job of managing.27 We now discuss these roles and the skills managers need to develop to perform effectively.

Managerial Roles Identified by Mintzberg

Henry Mintzberg developed a model of managerial behaviours that reduces the thousands of specific tasks that managers need to perform as they plan, organise, lead and control organisational resources to 10 roles.28 Managers assume each of these roles to influence the behaviour of individuals and groups inside and outside the organisation. The people who are directly or indirectly affected by what the organisation does are called organisational stakeholders, and they can be identified as internal or external. People inside the organisation (internal stakeholders) include other managers and employees. People outside the organisation (external stakeholders) can include shareholders, customers, suppliers, the local community in which an organisation is located and any local or government agency that has an interest in the organisation and what it does.29 Mintzberg grouped the 10 roles into three broad categories: decisional, informational and interpersonal, as described in Table 1.1. Managers often perform many of these roles from minute to minute while engaged in the more general functions of planning, organising, leading and controlling.

Decisional roles

Decisional roles are closely associated with the methods managers use to plan strategy and utilise resources. The role of the entrepreneur is to provide more and better information to use in deciding which projects or programmes to initiate and resources to invest to increase organisational performance. As a disturbance handler, a manager has to move quickly to manage the unexpected event or crisis that may threaten the organisation and to implement solutions quickly. As a resource allocator, a manager has to decide how best to use people and other resources to increase organisational performance. While engaged in that role, the manager must also be a negotiator, reaching agreements with other managers or groups or with the organisation and...
outside groups such as suppliers or customers. The advancement of IT may enable managers to perform these roles more efficiently and effectively.

### Informational roles

Informational roles are closely associated with the tasks necessary to *obtain and seek information*, which is the **monitor** role. Acting as a **disseminator**, a manager should be able to transmit information to employees to influence their work attitudes and behaviour. As a **spokesperson** a manager should be able to promote the organisation so that people inside and outside it respond

<table>
<thead>
<tr>
<th>Type of role</th>
<th>Specific role</th>
<th>Examples of role activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decisional</td>
<td>Entrepreneur</td>
<td>Commit organisational resources to develop innovative goods and services; decide to expand internationally to obtain new customers for the organisation’s products</td>
</tr>
<tr>
<td></td>
<td>Disturbance handler</td>
<td>Move quickly to take corrective action to deal with unexpected problems facing the organisation from the external environment (such as a crisis like an oil spill), or from the internal environment (such as producing faulty goods or services)</td>
</tr>
<tr>
<td></td>
<td>Resource allocator</td>
<td>Allocate organisational resources among different functions and departments of the organisation; set budgets and salaries of middle and first-level managers</td>
</tr>
<tr>
<td></td>
<td>Monitor</td>
<td>Evaluate the performance of managers in different functions and take corrective action to improve their performance; watch for changes occurring in the external and internal environments that may affect the organisation in the future</td>
</tr>
<tr>
<td></td>
<td>Disseminator</td>
<td>Inform employees about changes taking place in the external and internal environments that will affect them and the organisation; communicate the organisation’s vision and purpose to employees</td>
</tr>
<tr>
<td></td>
<td>Spokesperson</td>
<td>Launch a national advertising campaign to promote new goods and services; give a speech to inform the local community about the organisation’s future intentions</td>
</tr>
<tr>
<td>Interpersonal</td>
<td>Figurehead</td>
<td>Outline future organisational goals to employees at company meetings; open a new corporate headquarters; state the organisational ethical guidelines and the principles of behaviour that employees should follow in their dealings with customers and suppliers</td>
</tr>
<tr>
<td></td>
<td>Leader</td>
<td>Provide an example for employees to follow; give direct commands and orders to subordinates; make decisions concerning the use of human resource and technical resources; mobilise employee support for specific organisational goals</td>
</tr>
<tr>
<td></td>
<td>Liaison</td>
<td>Co-ordinate the work of managers in different departments; establish alliances between different organisations to share resources to produce new goods and services</td>
</tr>
</tbody>
</table>
positively. While these roles may be influenced by IT, the function of those roles more specifically relates to the brokering of internal and external knowledge sources, and developments in IT may facilitate this process.

**Interpersonal roles**

Managers assume interpersonal roles to provide direction and supervision for both employees and the organisation as a whole. The role of a **figurehead** is to inform employees and other interested parties, such as shareholders, about what the organisation's mission is, and what it is seeking to achieve. At all levels managers can act as figureheads and role models who establish appropriate ways to behave in the organisation. In order to perform better as **leaders**, managers should focus on training, counselling and mentoring subordinates to help them reach their full potential. Finally, as a **liaison**, a manager should be able to show his or her ability to link and coordinate the activities of people and groups both inside and outside the organisation. As with the other roles, IT may prove to be a useful tool in facilitating these functions.

**Being a Manager**

Our discussion of managerial roles may seem to suggest that a manager’s job is highly orchestrated and that management is a logical, orderly process in which managers rationally calculate the best way to use resources to achieve organisational goals. In reality, being a manager often involves acting emotionally and relying on intuition and instinct. Quick, immediate reactions to situations, rather than deliberate thought and reflection, are an important aspect of managerial action. Managers are often overloaded with responsibilities and do not have time to spend on analysing every nuance of a situation. Managers therefore make decisions in uncertain conditions and often without all the necessary and appropriate information, leaving the outcome ambiguous. For senior managers, in particular, the situation is constantly changing, and a decision that seems right today may prove to be wrong tomorrow. In addition, the job of a manager involves constant interaction with other individuals; Chapter 5 will discuss the diversity of human beings and will show that people are not predictable and thus may cause managers at times to act in a non-rational and subjective manner.

Managers have to face a range of problems (high variety). Managers frequently must deal with many problems simultaneously (fragmentation), often must make snap decisions (brevity) and must frequently rely on experience gained throughout their careers to do their jobs to the best of their abilities. It is no small wonder that many managers claim that they are performing their jobs well if they are right just half of the time, and it is understandable why experienced managers should accept failure by their subordinates as a normal part of the learning experience. Managers and their subordinates learn from both their successes and their failures.

**Managerial Skills**

Both education and experience enable managers to recognise and develop the personal skills they need to put organisational resources to their best use. Michael Dell realised from the start that he lacked sufficient experience and technical expertise in marketing, finance and planning to guide his company alone. He recruited experienced managers from other IT companies, such as IBM and HP, to help him build his company. Research has shown that education and experience help managers acquire three principal types of skills: conceptual, human, and...
As you might expect, the level of these skills that managers need depends on their level in the managerial hierarchy. Typically planning and organising require higher levels of conceptual skills, while leading and controlling require more human and technical skills (Fig. 1.5).

**Conceptual skills**

Conceptual skills are demonstrated in the ability to *analyse* and *diagnose* a situation and to distinguish between cause and effect. Senior managers require the best conceptual skills because their primary responsibilities are planning and organising. By all accounts, Werner von Siemens’ success came from his ability to identify new opportunities and mobilise resources to take advantage of them.

Formal education and training can be very important in helping managers develop conceptual skills, by introducing the variety of *conceptual tools* (theories and techniques in marketing, finance and other areas) that managers need to perform their roles effectively. The study of management helps to develop the skills that allow managers to understand the bigger picture confronting an organisation. The ability to focus *holistically* on the organisational context enables managers to see beyond the situation immediately at hand and consider choices, while keeping in mind the organisation’s long-term goals.

Continuing management education and training, including training in advanced IT, is now an integral step in building managerial skills, because new theories and techniques, such as *business-to-business* (B2B) networks, are constantly being developed to improve organisational
effectiveness. A quick scan through a magazine such as The Economist or Management Today
reveals a host of seminars on topics such as advanced marketing, finance, leadership and human
resources management (HRM) that are offered to managers at many levels in the organisation,
from the most senior corporate executives to middle managers. Within the private sector many
companies – Shell, British Airways or Motorola, and many other organisations, for example –
designate a budget for attending management development programmes. The public sector also
invests large amounts of money in developing the managerial capabilities of their staff.

In addition, many non-managerial employees who are performing at a high level (because they
have studied management) are often sent to intensive management training programmes to develop
their management skills and to prepare them for promotion to higher management positions.

**Human skills**

Human skills include the ability to understand, alter, lead and control the behaviour of other
individuals and groups. The ability to communicate, to co-ordinate, to motivate people and to
mould individuals into cohesive teams, distinguishes effective from ineffective managers.

Like conceptual skills, human skills can be learned through education and training, as well
as be developed through experience. Organisations increasingly utilise advanced programmes
in leadership skills and team training as they seek to capitalise on the advantages of self-managed
teams. To manage personal interactions effectively, each person in an organisation needs to
learn how to empathise with other people – to understand their viewpoints and the problems
they face. One way to help managers understand their personal strengths and weaknesses is
to have their superiors, peers and subordinates provide feedback about their performance.

Thorough and direct feedback allows managers to develop their human skills: in some contexts,
such feedback is known as a ‘360 degree approach’, in which superiors, subordinates and peers
comment on an individual’s behaviour. There are a variety of tools available to assess an
individual’s skill set, but providing the feedback generated by such tools needs to be carefully
managed for it to be constructive.

**Technical skills**

Technical skills are the job-specific knowledge and techniques required to perform an organisa-
tional role. Examples include a manager’s specific manufacturing, accounting, marketing – and,
increasingly, IT – skills. Managers need a range of technical skills to be effective. The array of
technical skills managers need depends on their position in their organisation. The manager of
a restaurant, for example, may need accounting and bookkeeping skills to keep track of receipts
and costs and to administer the payroll, and aesthetic skills to keep the restaurant looking attract-
tive for customers.

Effective managers need all three kinds of skills – conceptual, human and technical. The
absence of even one of these can lead to failure. One of the biggest problems that people who start
small businesses confront is their lack of appropriate conceptual and human skills. Someone
who has the technical skills to start a new business does not necessarily know how to manage the
venture successfully. Similarly, one of the biggest problems that scientists or engineers who
switch careers from research to management confront is their lack of effective human skills.

Management skills, roles and functions are closely related, and wise managers or prospective
managers are constantly in search of the latest educational contributions to help them develop
the conceptual, human and technical skills they need to function in today’s changing and
increasingly competitive global environment.
Today, the term *competencies* is often used to refer to a specific set of skills, abilities and experiences that gives one manager the ability to perform at a higher level than in a particular organisational setting. Developing such competencies through education and training has become a major priority for both aspiring managers and the organisations they work for. As we discussed earlier, many people are enrolling in advanced management courses, but companies such as IBM have established their own colleges to train and develop their employees and managers at all levels. Every year, for example, General Electric (GE) puts thousands of its employees through management programmes designed to identify the employees whom the company believes have superior competencies and whom it can develop to become its future senior managers. In many organisations promotion is closely tied to a manager’s ability to acquire the competencies that a particular company believes are important. At 3M, the company that developed the Post-it note, for example, the ability to successfully lead a new product development team is viewed as a vital requirement for promotion; at IBM, the ability to attract and retain clients is viewed as a vital competency its consultants must possess. We discuss specific kinds of managerial competencies throughout this book.

**TIPS FOR PRACTICE**

1. Think about how much time managers spend performing each of the four tasks of planning, organising, leading and controlling. Decide if managers are spending the appropriate amount of time on each.

2. To compare how well managers perform their different roles, you may want to use Mintzberg’s model and compare a manager against it to assess his or her behaviour.

3. Find out whether managers possess the right levels of conceptual, technical and human skills to perform their jobs effectively.

**Challenges for Management in a Global Environment**

Because the world has been changing more rapidly than ever before, managers and other employees throughout an organisation need to perform at higher and higher levels. In the last 20 years, competition between organisations nationally and internationally has increased dramatically. The rise of *global organisations* – organisations that operate and compete in more than one country – has put severe pressure on many organisations to improve their performance and to identify better ways to use their resources. The successes of the German chemical companies Schering and Hoechst, Italian furniture manufacturer Natuzzi, Korean electronics companies Samsung and LG, Brazilian plane maker Embraer and Europe’s Airbus Industries are putting pressure on organisations in other countries to raise their level of performance to compete successfully.

Even in the not-for-profit sector, global competition is driving change. Schools, universities, police forces and government agencies are re-examining their operations. Some English universities now have a campus in other countries, for example. European and Asian hospital systems have learned much from the very effective US model.
Managers who make no attempt to learn and adapt to changes in the global environment will find themselves reacting rather than innovating, and their organisations often become uncompetitive and fail. Four major challenges stand out for managers in today’s world:

- Building a competitive advantage
- Maintaining ethical standards
- Managing a diverse workforce
- Utilising new information systems and technologies.

All of these topics will be discussed in more detail in later chapters and all these factors play an important role in understanding both modern management and its practices.

**Building Competitive Advantage**

What are the most important lessons for managers and organisations to learn if they are to reach, and remain at, the top of the competitive business environment? The answer relates to the use of organisational resources to build a **competitive advantage**. Competitive advantage is the ability of one organisation to outperform others because it produces desired products or services more efficiently and effectively than its competitors. One model of competitive advantage is the ‘four building blocks’ that advocates superior **efficiency**; **quality**; **speed**, **flexibility** and **innovation**; and **responsiveness to customers** (Fig. 1.6).

**Increasing efficiency**

Organisations increase their efficiency when they reduce the quantity of resources (such as people and raw materials) they use to produce goods or services. In today’s competitive environment, organisations constantly are seeking new ways of using their resources to improve efficiency.
Many organisations are training their workforces in the new skills and techniques that are needed to operate within today’s sophisticated technologically advanced working environment. Similarly, cross-training gives employees the range of multi-tasking skills and organising employees in new ways (such as in self-managed teams, see p. 14) allows them to make good use of their skills. These are all key steps in the effort to improve productivity. Japanese and German companies invest far more in training employees than do American or Italian companies. In the UK in 2002, 90 per cent of employers provided some form of training to their staff, with 62 per cent providing off-the-job training.

Managers must improve efficiency if their organisations are to compete successfully with companies operating in India, Malaysia, China and other countries where employees are paid comparatively low wages. New methods must be devised either to increase efficiency or to gain some other competitive advantage – higher-quality products, for example – if outsourcing and the loss of jobs to low-cost countries are to be prevented.

**Increasing quality**

The challenge from global organisations such as Korean electronics manufacturers, Mexican agricultural producers and European marketing and financial firms has also increased pressure on companies to improve the skills and abilities of their workforce in order to improve the quality of their products and services. One major way to improve quality has been to introduce different techniques to ensure tighter quality controls. One of these quality-enhancing techniques is known as total quality management (TQM). Employees involved in TQM are often organised into quality control teams responsible for continually finding new and better ways to perform their jobs; they also must monitor and evaluate the quality of the products they produce at all stages of the development and production cycle. TQM is based on a significant new philosophy of managing behaviour in organisations; a detailed discussion of this approach, and ways of managing TQM successfully, can be found in Chapter 9.

**Increasing speed, flexibility and innovation**

Today, companies can win or lose the competitive race depending on their speed – how fast they can bring new products to market – or their flexibility – how easily they can change or alter the way they perform their activities to respond to the actions of their competitors. Companies that have speed and flexibility are agile competitors: their managers have superior planning and organising abilities; they can think ahead, decide what to do and then speedily mobilise their resources to respond to a changing environment. We examine how managers can build speed and flexibility in their organisations in Chapters 7 and 8.

**Innovation** – the process of creating new or improved products and services that customers want or developing better ways to produce or provide goods and services – poses a particular challenge. Managers must create an organisational setting in which people are encouraged to be innovative. Typically, innovation takes place in small groups or teams. Management decentralises control of work activities to team members and creates an organisational culture that rewards risk taking. Understanding and managing innovation and creating such a work setting are among the most difficult of managerial tasks. Chapter 18 discusses innovation in more detail.

**Increasing responsiveness to customers**

Organisations compete for customers with their products and services, so training employees to be responsive to customers’ needs is vital for all organisations, and particularly for service
organisations. Retail stores, banks and hospitals, for example, depend entirely on their employees to provide high-quality service at a reasonable cost.41 As many countries (like the UK) move toward a more service-based economy (in part because of the loss of manufacturing jobs to China, Malaysia and other countries with low labour costs), managing behaviour in service organisations is becoming increasingly important. Many organisations are empowering their customer service employees and giving them the authority to take the lead in providing high-quality customer service. As noted previously, the empowering of non-managerial employees changes the role of first-line managers, and often leads to the more efficient use of organisational resources.

Maintaining Ethical and Socially Responsible Standards

Managers at all levels are under considerable pressure to increase the level at which their organisations perform.42 For example, senior managers receive pressure from shareholders to increase the performance of the entire organisation to boost the stock price, improve profits, or raise dividends. In turn, senior managers may then pressure middle managers to find new ways to use organisational resources to increase efficiency or quality, and thus attract new customers and earn more revenues.

Pressure to increase performance can be healthy for an organisation because it causes managers to question the way the organisation is working and it encourages them to find new and better ways to plan, organise, lead and control. However, too much pressure to perform can be harmful.43 It may induce managers to behave unethically in dealings with stakeholders both inside and outside the organisation.44 For example, a purchasing manager for a large retail chain might buy inferior clothing as a cost-cutting measure; or to secure a large foreign contract, a sales manager in a large defence company might offer bribes to foreign officials. The issue of corporate social responsibility concerns the obligations that a company should have toward all stakeholders within the communities in which they operate. An example of companies that act in a socially irresponsible and unethical way is now described (Case 1.2).

Case 1.2: Death through painkillers

On 30 September 2004 the painkiller Vioxx, manufactured by Merck, one of the largest German pharmaceutical companies, was banned after it had been claimed that more than 60,000 people had died from the drug worldwide. This case caused a series of investigations in Britain, where 103 deaths had been officially linked to the use of Vioxx, although it was believed that the actual figure of Vioxx-related deaths is close to 2,000.

The drug had been sold since 1999 and it was believed that worldwide it had been prescribed to nearly 20 million patients. In the UK the drug had been prescribed to 400,000 patients as it was believed to be a ‘miracle drug’ treating everything from severe arthritis pain to minor injuries – but without the nasty side-effects of stomach ulcers commonly associated with other painkillers. However, as it turned out, this was not the case: many people died of heart attacks, strokes, or related illnesses.

In their attempts to obtain and maintain market share in an increasingly competitive industry, Merck behaved in an unethical and socially irresponsible way. Investigations uncovered evidence that the cardiovascular problems associated with the drug had been identified by the
head of research, Edward Scolnick, in 2000. Merck was accused of deliberately withholding information about fatal side-effects in both the US and the UK. A review of confidential material and consent forms for a trial of the drug in the UK showed that many patients had not been told about the risks and concerns related to the use of the drug.

While the UK Legal Service Commission has decided not to fund law suits against Merck, many British relatives of people who died from Vioxx-related side-effects are now considering joining US proceedings against the company, supported by a landmark ruling in Texas where Merck was found negligent and the widow of a Vioxx patient was awarded £141 million.

Unethical behaviour of pharmaceutical companies has already been costly to the industry; Eli Lilly – a research-based pharmaceutical company also operating in the UK – had to pay settlements of more than £380 million when one of its drugs was found to increase the risk of diabetes. However, the company earned more than £2.4 billion from the drug in 2004. Do companies – for profit reasons – take such dangers to patients to be a calculated risk worth taking?!

Managing a Diverse Workforce

Another challenge for managers is to recognise the need to treat human resources in a fair and equitable manner. Today, the age, gender, race, ethnicity, religion, sexual preference and socio-economic makeup of the workforce present new challenges. Managers must establish employment procedures and practices that are legal and fair and do not discriminate against any organisational members.45

In the past, white male employees dominated the ranks of management. Today increasing numbers of organisations are realising that to motivate effectively and take advantage of the talents of a diverse workforce, they must make promotion opportunities available to all employees, including women and minorities.46 Managers must also recognise the performance-enhancing possibilities in the ability to take advantage of the skills and experiences of different kinds of people.47

Managers who value their diverse employees not only invest in developing these employees’ skills and capabilities but also link rewards to their performance. They are the managers who succeed in promoting performance in the long term.48 Today, more and more organisations are realising that people are their most important resource and that developing and protecting human resources is an important challenge for management in a competitive global environment. We discuss the complex issues surrounding the management of a diverse workforce in Chapter 5.

Utilising IT and E-Commerce

As has already been discussed, another important challenge for managers is the efficiency of new IT and e-commerce.49 New technologies such as computer-controlled manufacturing and information systems that link and enable employees in new ways are continually being developed. In a setting that uses self-managed teams, for example, sophisticated computer information systems link the activities of team members so that each member knows what the others are doing. This co-ordination helps to improve quality and increase the pace of innovation. Microsoft, Hitachi, IBM and other companies make extensive use of information systems such as email, the Internet and videoconferencing, accessible by means of PCs, to build a competitive advantage. The importance of IT is discussed in detail in Chapters 16 and 18.
1. What are the building blocks of competitive advantage? Why is obtaining a competitive advantage important to managers?

2. In what ways do you think managers’ jobs have changed the most over the last 10 years? Why have these changes occurred?

Summary and Review

What is management? A manager is a person responsible for supervising the use of an organisation's resources to meet its goals. An organisation is a collection of people who work together and co-ordinate their actions to achieve a wide variety of goals. Management is the process of using organisational resources to achieve organisational goals effectively and efficiently through planning, organising, leading and controlling. An efficient organisation makes the most productive use of its resources. An effective organisation pursues appropriate goals and achieves them by using its resources to create the goods or services that customers want.

Managerial functions The four principal managerial functions are planning, organising, leading and controlling. Managers at all levels of the organisation and in all departments perform these functions. Effective management means managing these activities successfully.

Types of managers Organisations typically have three levels of management. First-line managers are responsible for the day-to-day supervision of non-managerial employees. Middle managers are responsible for developing and utilising organisational resources efficiently and effectively. Senior managers have cross-departmental responsibility. The senior manager’s job is to establish appropriate goals for the entire organisation and to verify that department managers are utilising resources to achieve those goals. To increase efficiency and effectiveness, some organisations have altered their managerial hierarchies by restructuring, empowering their workforces, utilising self-managed teams and utilising new IT.

IT and managerial roles and skills According to Mintzberg, managers play 10 different roles: figurehead, leader, liaison, monitor, disseminator, spokesperson, entrepreneur, disturbance handler, resource allocator and negotiator. Three types of skills help managers perform these roles effectively: conceptual, human and technical skills. IT is changing both the way managers perform their roles and the skills they need to perform these roles because it provides richer and more meaningful information.

Challenges for management in a global environment Today’s competitive global environment presents many interesting challenges to managers. One of the main challenges is building a competitive advantage by increasing efficiency; quality; speed, flexibility and innovation; and customer responsiveness. Others are behaving ethically toward people inside and outside the organisation; managing a diverse workforce; and utilising new information systems and technologies.
CHAPTER 1: MANAGERS AND MANAGING

Topic for Action

■ Choose an organisation such as a school or a bank; visit it; then list the different organisational resources it uses.

■ Visit an organisation, and talk to first-line, middle and senior managers about their respective management roles in the organisation and what they do to help the organisation be efficient and effective.

■ Ask a middle or senior manager, perhaps someone you already know, to give examples of how he or she performs the managerial functions of planning, organising, leading and controlling. How much time does he or she spend in performing each function?

■ Like Mintzberg, try to find a co-operative manager who will allow you to follow him or her around for a day. List the roles the manager plays, and indicate how much time he or she spends performing them.

Applied Independent Learning

Building Management Skills

Thinking About Managers and Management

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

1. Think of your direct supervisor. Of what department is he or she a member, and at what level of management is this person?

2. How do you characterise your supervisor’s approach to management? For example, which particular management functions and roles does this person perform most often? What kinds of management skills does this manager have?

3. Do you think the functions, roles and skills of your supervisor are appropriate for the particular job he or she performs? How could this manager improve his or her task performance? How can IT affect this?

4. How did your supervisor’s approach to management affect your attitudes and behaviour? For example, how well did you perform as a subordinate, and how motivated were you?

5. Think of the organisation and its resources. Do its managers utilise organisational resources effectively? Which resources contribute most to the organisation’s performance?

6. Describe the way the organisation treats its human resources. How does this treatment affect the attitudes and behaviours of the workforce?

7. If you could give your manager one piece of advice or change one management practice in the organisation, what would it be?

8. How attuned are the managers in the organisation to the need to increase efficiency, quality, innovation or responsiveness to customers? How well do you think the organisation performs its prime goals of providing the goods or services that customers want or need the most?
Managing Ethically

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

1. Either by yourself or in a group, give three reasons why you think the behaviour was unethical. For example, what rules or norms were broken? Who benefited or was harmed by what took place? What was the outcome for the people involved?

2. What steps might you take to prevent such unethical behaviour in the future and encourage people to behave in an ethical way?

Small Group Breakout Exercise

Opening a New Restaurant

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

You and your partners have decided to open a large, full service restaurant in your local community; it will be open from 7 a.m. to 10 p.m. to serve breakfast, lunch and dinner. Each of you is investing £50,000 in the venture, and together you have secured a bank loan for an additional £300,000 to begin operations. You and your partners have little experience in managing a restaurant beyond serving meals or eating in restaurants, and you now face the task of deciding how you will manage the restaurant and what your respective roles will be.

1. Decide what each partner’s managerial role in the restaurant will be. For example, who will be responsible for the necessary departments and specific activities? Describe your managerial hierarchy.

2. Which building blocks of competitive advantage do you need to establish to help your restaurant succeed? What criteria will you use to evaluate how successfully you are managing the restaurant?

3. Discuss the most important decisions that must be made about (a) planning, (b) organising, (c) leading and (d) controlling, to allow you and your partners to utilise organisational resources effectively and build a competitive advantage.

4. For each managerial function, list the issue that will contribute the most to your restaurant’s success.

Exploring the World Wide Web

Use the Internet to find a company or a manager and discover how he or she deals with the four principles of management. Online resources you may want to consider are The Economist, BusinessWeek, the Financial Times, Management Today or other current periodicals, newspaper business sections, or professional magazines.
Can A US-Style Boss Rev Up Siemens?

CEO-designate Kleinfeld cut his teeth in America, but he may meet resistance from labour and polls at home

It’s safe to say Klaus Kleinfeld didn’t have much trouble adjusting to life in America after Siemens (SI) made him chief operating officer of its US units in 2001. Kleinfeld soon won invitations to join the boards of a dozen prestigious organisations including the Metropolitan Opera and Alcoa, Inc. (AA) He ran two New York marathons and frequented the city’s jazz clubs. Under Kleinfeld, who was promoted to CEO of Siemens’ US unit in 2002, the company played a big role in building Houston’s Reliant Stadium, scene in February of that most American of events, the Super Bowl.

Now, Kleinfeld, 46, is set to become the latest German manager to parlay US experience and attitude into a top job at a German corporate icon. On 7 July, Siemens announced that, effective in January, Kleinfeld would succeed Heinrich von Pierer as CEO of the $89 billion Munich conglomerate, which makes everything from light bulbs and power plants to trains and mobile phones. The question is whether the energetic Kleinfeld will fare better than some other German bosses who tried to import US-style management techniques, with their emphasis on speed and profit. ‘Kleinfeld stands for the modern approach in German industry, of trying to cope with globalisation and move out of the old, well-trodden path,’ says Jens van Scherpenberg, head of the Americas Research Unit at the German Institute for International & Security Affairs, a Berlin think tank.

The Right Stuff?

Trouble is, others who fit that description haven’t always fared so well. Remember Thomas Middelhoff, the self-styled ‘American with a German passport’? He was ousted as CEO of media giant Bertelsmann in 2002 after disagreeing with the controlling family over plans to go public. Then there was Ulrich Schumacher, CEO of chipmaker Infineon Technologies (IFX), who led a successful initial public offering on Wall Street but lost his job in March. Schumacher alienated board members and labour representatives with his inclination to act without consulting others – a no-no in consensus-driven Germany.

Kleinfeld, a member of Siemens’ corporate executive committee, seems to be a different breed. By choosing Kleinfeld as his successor, von Pierer clearly hopes his young protégé will be more in the mould of Deutsche Telekom (DT): CEO Kai-Uwe Ricke, 42, has led a turnaround at the telecom giant. Kleinfeld isn’t talking to the press, waiting at least until 28 July, when the Siemens supervisory board is expected to ratify his appointment. But those who know Kleinfeld, who joined Siemens in 1987, say he combines an ability to push change with an antenna for human nature. ‘He’s young, and he belongs to another generation, but he’s also a Siemens guy who knows Siemens culture,’ says Roland Berger, chairman of Munich-based Roland Berger Strategy Consultants.

The CEO-designate has already begun to make changes. His fingerprints were on Siemens’ decision, also announced on 7 July, to merge the mobile phone division with the land-line telecom unit. In the US, Kleinfeld managed to get Siemens’ disparate fiefdoms to co-operate more on marketing. One result was the contract to provide everything from telecom equipment to computer networks for Houston’s $750 million Reliant Park convention and sporting complex.

In fact, Kleinfeld probably won the top job because he showed he could get Siemens divisions to work together to win big orders. The company has struggled for years to prove that
synergies among branches justify the inherent unwieldiness of a far-flung conglomerate. He also got Siemens’ legions of proud engineers to see things more from their customers’ point of view. After a $553 million loss in 2001, Siemens reported an $810 million profit for its US units in 2002 and a $561 million profit in 2003, after which he returned to Germany. ‘He was instrumental in getting it working,’ says Gerhard Schulmeyer, Kleinfeld’s predecessor as CEO of Siemens in the US.

Back home, Kleinfeld will have to spend a lot of time smoothing out relations with politicians and unions. In the US, where Siemens had sales of $16.6 billion in 2003, the company cut staff by 15,000 to 65,000, by selling or closing unprofitable units but also by shifting work to lower-wage countries such as India. Von Pierer has reduced the German workforce by more than 50,000 (to 167,000) since becoming CEO in 1992.

**Investor Pressure**

But by imposing cuts gradually, the diplomatic von Pierer managed to avoid serious confrontation with Germany’s powerful labour unions and their allies in Parliament. That is becoming more difficult. Labour leaders are sore that they were forced recently to give in to demands that workers at a mobile phone factory put in extra hours without extra pay. Siemens threatened to shift the work to Hungary. ‘Siemens has damaged its image with that kind of action,’ says Wolfgang Müller, a worker on the supervisory board.

Siemens’ shareholders are another restive constituency. The company’s shares have fallen 8.9 per cent this year, vs. a 6.9 per cent gain for their rival the General Electric Co. (GE). While Siemens is profitable, earning $1.45 billion on sales of $21 billion in the last quarter, there are problem areas. The telecommunications equipment businesses have wobbly margins, and the transportation unit is in the midst of a costly recall of defective streetcars. Kleinfeld will face pressure from investors to slim down the company. Some analysts also say it would make sense for Siemens to put its mobile-handset business into a joint venture (JV) with another manufacturer such as Samsung Electronics Co.

Kleinfeld will have to do a lot of creative thinking. But people who have worked with him say he’s good at that. ‘He was exceptionally exact but not narrow-minded; on the contrary, very independent and creative,’ says Peter Fassheber, a retired professor at Georg-August University in Göttingen who supervised Kleinfeld’s research in the early 1980s. Kleinfeld focused on the intersection of psychology and economics. If Kleinfeld can reconcile human nature with economic reality at Siemens, he might just succeed.

**Questions**

1. How would you describe Klaus Kleinfeld’s approach to managing?
2. What skills and abilities helped him rise to become Siemens’ CEO?


**Notes and References**

6  H. Fayol, General and Industrial Management (New York: IEEE Press, 1984). Fayol actually identified five different managerial functions, but most scholars today believe that these four capture the essence of his ideas.
29 Ibid.
32 Ibid.
34 Ibid.