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BUSINESS

A CHANGING WORLD

NINTH EDITION

Managing for Quality and Competitiveness

The 8 dimensions of product quality

- **Performance**
 - How well the product performs in comparison to how it was designed to perform
- **Reliability**
 - Likelihood that the product will perform throughout its expected life
- **Durability**
 - The actual life expectancy of the product
- **Conformance**
 - Does the product meet its specifications as designed
- **Features**
 - What different functions or tasks can the product perform
- **Aesthetics**
 - Is the styling, color, workmanship pleasing to the customer
- **Serviceability**
 - What is the ease of fixing or repairing the product if it fails
- **Perceived Quality**
 - Based on customer's experience before, during and after they purchase a product

CHAPTER 6

The Nature of Management

CHAPTER 7

Organization, Teamwork and
Communication

CHAPTER 8

Managing Service and Manufacturing
Operations

Enter the World of Business

Facebook COO: Sheryl Sandberg

- As chief operating officer, Sandberg is charged with controlling Facebook's user growth and increasing the site's earnings
- As second in command, Sandberg deals with lawsuits, privacy issues, potential legislation and more
- Sandberg announced her next big task: attract more small businesses to Facebook
- ? *Why is Sheryl Sandberg's job as COO so important?*
- ? *How do you think Sandberg's job as a Google executive prepared her to help run Facebook?*
- ? *Why is Facebook trying to attract small businesses?*

The Importance of Management

Management

- A process designed to achieve an organization's objectives by using its resources effectively and efficiently in a changing environment

Managers

- Those individuals in organizations who make decisions about the use of resources and who are concerned with planning, organizing, staffing, directing and controlling the organization's activities to reach its objectives

The Importance of Management

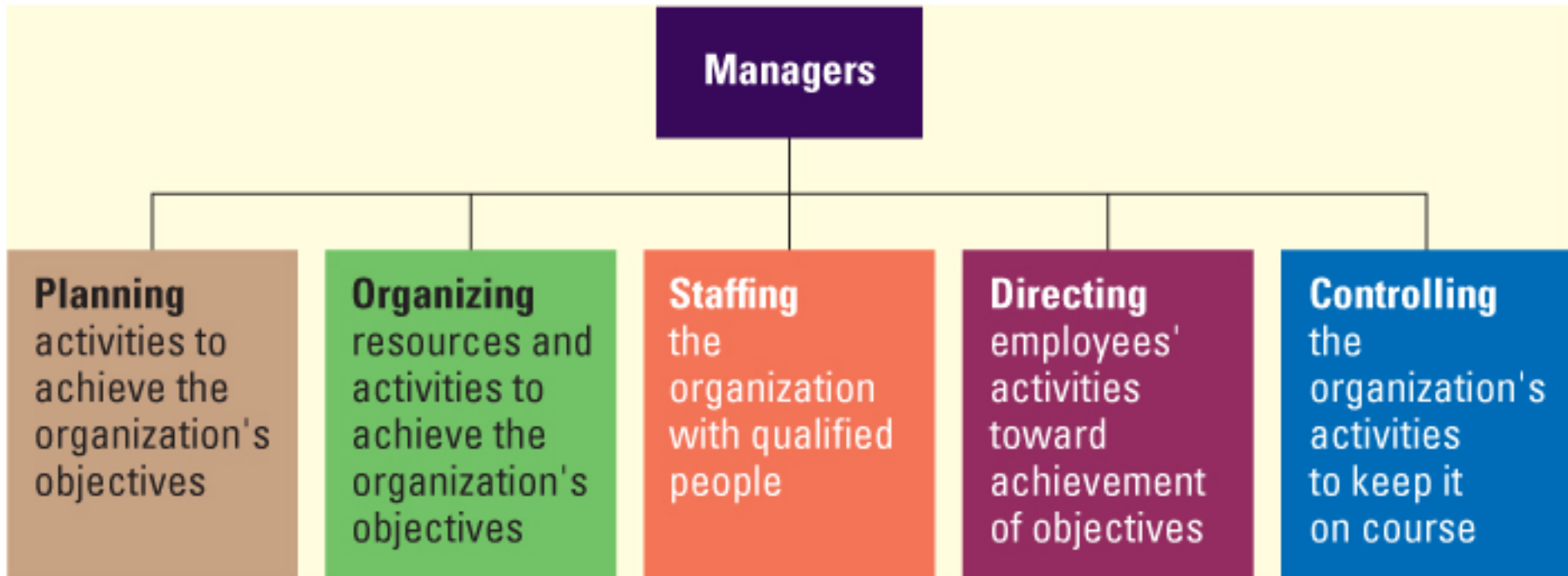
- ❖ To meet their objectives, every organization must acquire these three resources
 - Employees – successful companies foster employee loyalty
 - Suppliers – maximize efficiency and reduce costs
 - Financial resources – pay for essential activities
- ❖ Managers must carefully coordinate and control these resources for the organization

The Importance of Management

- ❑ Sergio Marchionne, the CEO of Fiat, saved the company from near bankruptcy and put it on the road to multi-million dollar profits and the purchase of Chrysler
- ❑ Since then Chrysler has returned to profitability



Management Functions



Management Functions

- **Planning** is the process of determining the organization's objectives and deciding how to accomplish them; the first function of management

Mission is the statement of an organization's fundamental purpose and basic philosophy

Goals are the results the company wants to achieve

Planning

Objectives are measurable statements on common issues such as profit, competitive advantage, efficiency and growth

Plans specify what should be done, by whom, where, when and how

Management Functions

Strategic Plans

- Establish long-range objectives and overall strategy or course of action by which a firm fulfills its mission

Tactical Plans

- Short-range plans designed to implement the activities and objectives specified in the strategic plan

Operational Plans

- Very short-term plans, specify actions individuals, work groups, or departments must accomplish to achieve the tactical plan and ultimately the strategic plan

Crisis Management or Contingency Planning.

- An element in planning that deals with potential disasters

Management Functions



Southwest Airlines acquired AirTran as part of its strategic plan to expand operations

Management Functions



- Firms need to develop contingency plans – sometimes quickly
- To prevent folding, Merrill Lynch arranged to sell itself to Bank of America in 2008

Management Functions

Organizing

- The structuring of resources and activities to accomplish objectives in an efficient and effective manner
- ❖ Review plans and determine what is necessary to implement them
- ❖ Divide work into small units and assign to specific individuals, groups or departments

Organizing is continuous because change is inevitable

Management Functions

Organizing is important for several reasons

- ✓ Helps create synergy where the effect of the whole system equals more than that of its parts
- ✓ Establishes lines of authority
- ✓ Improves communication
- ✓ Helps avoid duplication of resources
- ✓ Improves competitiveness by speeding up decision making

Management Functions

Staffing

- Hiring of people to carry out the work of the organization

Manager's duties include

- Recruiting
- Determining what skills are needed for specific jobs
- Motivating and training employees
- Determining pay and benefits
- Preparing employees for higher-level jobs

Management Functions

- » Some companies choose to recruit people through online job websites
- » Monster.com is one of the world's largest employment website



Management Functions

Downsizing

- The elimination of a significant number of employees from an organization
 - Production, sales and technical positions can be outsourced to countries with lower labor costs
 - Downsizing has helped companies reduce costs quickly
 - However, this involves loss of jobs and lowered morale for remaining employees
 - An effective manager will promote optimism and positive thinking while minimizing criticism

Management Functions

Directing

- Motivating and leading employees to achieve organizational objectives
 - ❖ Tell employees what to do and when to do it using deadlines, then encourage them to do their work
 - ❖ Directing also involves determining and administering rewards and recognition
 - ❖ Managers may motivate by providing incentives but recognition and appreciation are often the best motivators

Management Functions

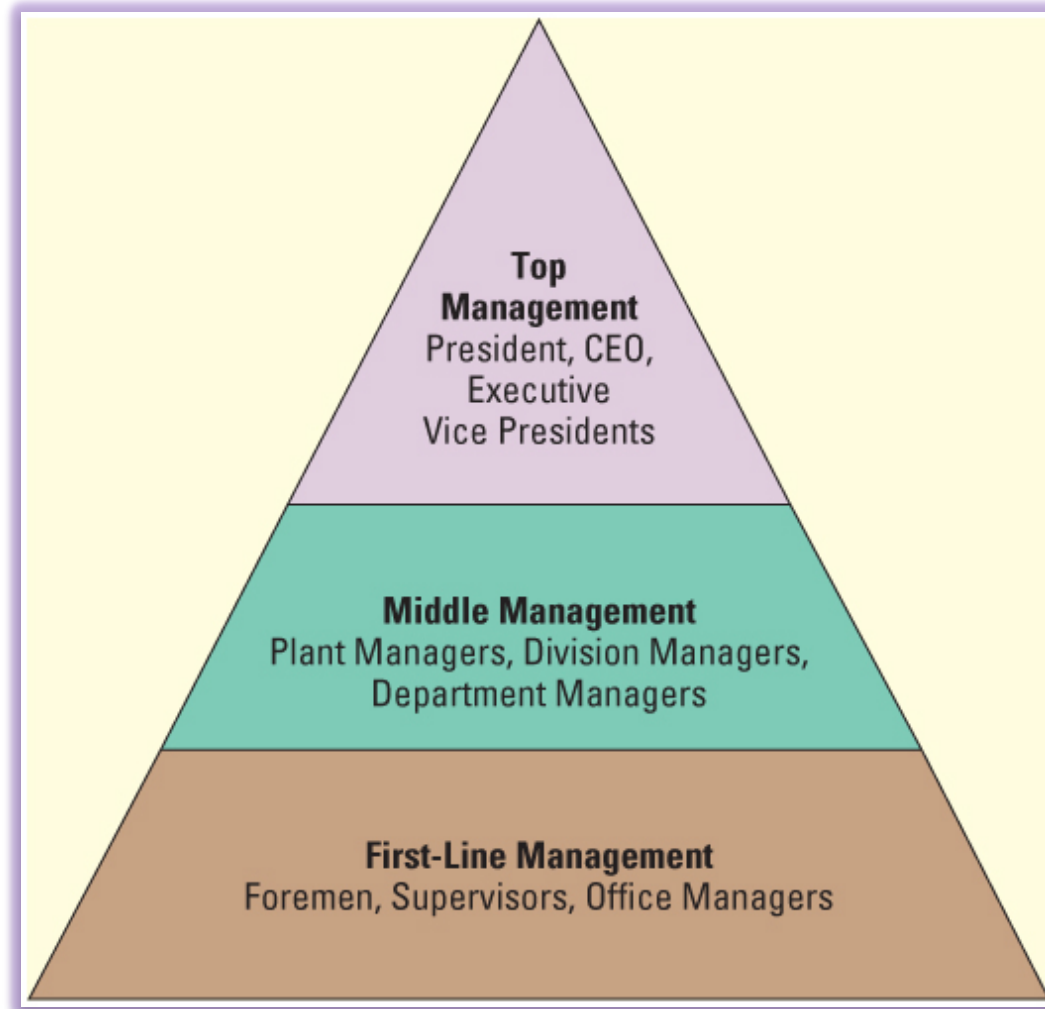
Controlling

- The process of evaluating and correcting activities to keep the organization on course

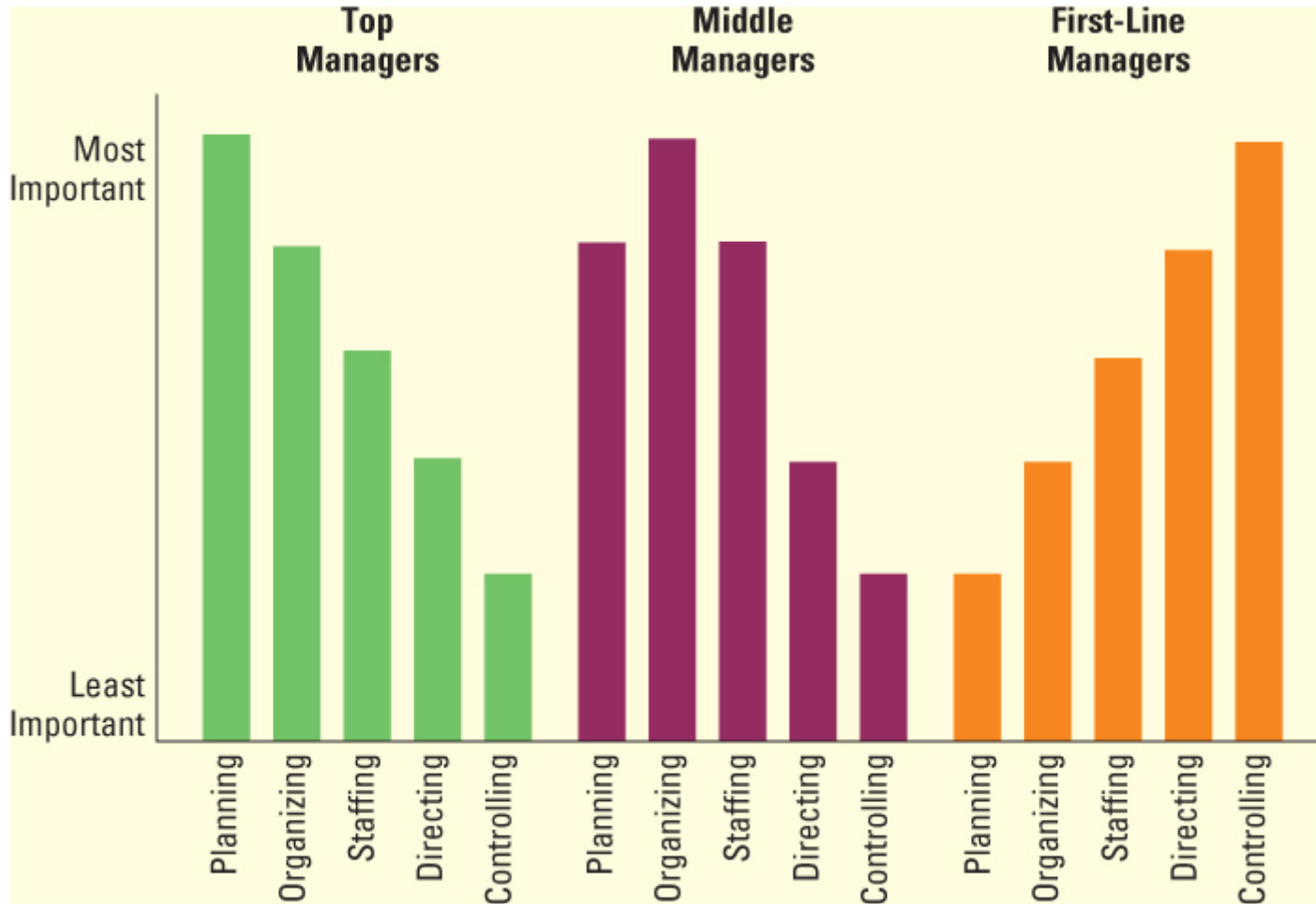
Control involves five activities

- Measuring performance
- Comparing performance with standards or objectives
- Identifying deviations from the standards
- Investigating the causes of deviations
- Taking corrective action when necessary

Levels of Management



Levels of Management



Importance
of
Management
Functions to
Managers in
Each Level

Levels of Management

Top Managers

- The president and other top executives of a business, such as the chief executive officer (CEO), chief financial officer (CFO), and chief operations officer (COO), who have overall responsibility for the organization
 - ❑ In publically owned corporations, the CEO's boss is the board of directors
 - ❑ Compensation committees work with boards of directors and CEOs to try and keep pay in line with performance
 - ❑ Workforce diversity is good for workers and for the bottom line

Levels of Management

TABLE 6.2

Five Rules of Successful Diversity Recruiting



Rule	Action
1. Get everyone involved.	Educate all employees on the tangible benefits of diversity recruiting to garner support and enthusiasm for those initiatives.
2. Showcase your diversity.	Prospective employees are not likely to become excited about joining your company just because you say that your company is diversity-friendly; they need to see it.
3. Work with diversity groups within your community.	By supporting community-based diversity organizations, your company will generate the priceless word-of-mouth publicity that will lead qualified diversity candidates to your company.
4. Spend money.	If you are serious about diversity recruiting, you will need to spend some money getting your message out to the right places.
5. Sell, sell, sell—and measure your return on investment.	Employers need to sell their company to prospective diversity employees and present them with a convincing case as to why their company is a good fit for the diversity candidate.

Source: Adapted from Juan Rodriguez, "The Five Rules of Successful Diversity Recruiting," *Diversityjobs.com*, www.diversityjobs.com/Rules-of-Successful-Diversity-Recruiting (accessed February 25, 2010).

Levels of Management

TABLE 6.1

The Highest Paid CEOs

Rank	CEO	Company	Compensation (millions)
1.	John Hammergren	McKesson	\$131.2
2.	Ralph Lauren	Polo Ralph Lauren	66.7
3.	Michael Fascitelli	Vornado Realty	64.4
4.	Robert Iger	Walt Disney	53.3
5.	George Paz	Express Scripts	51.5
6.	Jeffrey Boyd	Priceline.com	50.2
7.	Lew Frankfort	Coach	49.5
8.	Stephen Hemsley	UnitedHealth Group	48.8
9.	John D. Wren	Omnicom Group	45.6
10.	Michael Watford	Ultra Petroleum	43.7



Source: Christopher Helman, "America's 25 Highest-Paid CEOs," *Forbes*, October 12, 2011, www.forbes.com/sites/christopherhelman/2011/10/12/americas-25-highest-paid-ceos/ (accessed March 6, 2012).

Levels of Management



- ❖ Mark Zuckerberg is a CEO that does not receive high annual compensation
- ❖ In 2012 he announced he would go from a salary of \$600,000 to an annual pay of just \$1

Levels of Management

Middle Managers

- Those members of an organization responsible for the tactical planning that implements the general guidelines established by top management
- Middle managers have more focused responsibilities and spend more time organizing than other managers
- In business, plant managers, division managers and department managers make up middle management
- The ranks of middle managers have been shrinking as more companies downsize to be more productive

Levels of Management

First-Line Managers

- Those who supervise both workers and the daily operations of an organization
 - ✓ Responsible for implementing plans established by middle management and directing workers' daily performance
 - ✓ Spend most of their time directing and controlling
 - ✓ Commonly called foreman, supervisor and office service manager

Areas of Management

At each level, managers specialize in: finance, production and operations, human resources, marketing and administration

Financial Managers

- Focus on obtaining needed funds for the successful operation of an organization and using those funds to further organizational goals
 - Projecting income and expenses; determining financing needs
 - Investing extra funds
 - Protecting and monitoring the money flow

Areas of Management

- ❖ This financial manager of a city hedge fund analyzes data from financial charts
- ❖ Financial managers are responsible for obtaining necessary funding, both in the short-term and long-term



Areas of Management

Productions and Operations Managers

- Develop and administer the activities involved in transforming resources into goods, services and ideas ready for the marketplace

Typically involved in

- ✓ Planning and designing production facilities
- ✓ Purchasing raw materials and supplies and managing inventory
- ✓ Scheduling processes to meet demand
- ✓ Ensuring products meet quality standards

Areas of Management

Human Resources Managers

- Handle the staffing function and deal with employees in a formalized manner
 - ▶ Determine the human resource needs
 - ▶ Recruit and hire new employees
 - ▶ Develop and administer employee benefits, training and performance appraisal programs
 - ▶ Deal with government regulations

Areas of Management

Marketing Managers

- Responsible for planning, pricing, and promoting products and making them available to customers

Specific jobs are found in areas such as

- Marketing research
- Advertising
- Personal selling
- Retailing
- Digital marketing



Areas of Management

Information Technology (IT) Managers

- Responsible for implementing, maintaining, and controlling technology applications in business, such as computer networks
 - IT managers are tasked with
 - Securing computer systems
 - Protecting the systems' data
 - Staff training and support



Areas of Management

Administrative Managers

- Manage an entire business or a major segment of a business; they are not specialists but coordinate the activities of specialized managers

- ❖ Often called general managers because their responsibilities are so broad



Going Green

Patagonia Strives to Save the Planet

- Patagonia sells durable and eco-friendly outdoor gear
- Patagonia founder and owner Yvon Chouinard sees saving the planet as an ongoing and evolving quest
- ? *What initiatives has Patagonia taken to promote its value of sustainability?*
- ? *Describe why consumers tend to be more loyal to “green”, environmentally friendly companies*
- ? *Under Chouinard’s leadership, Patagonia launched the Patagonia Music Collective. How does this new venture relate back to the company’s green values?*

Skills Needed by Managers

TABLE 6.3 Managerial Roles

Type of Role	Specific Role	Examples of Role Activities
Decisional	Entrepreneur	Commit organizational resources to develop innovative goods and services; decide to expand internationally to obtain new customers for the organization's products.
	Disturbance handler	Move quickly to take corrective action to deal with unexpected problems facing the organization from the external environment, such as a crisis like an oil spill, or from the internal environment, such as producing faulty goods or services.
	Resource allocator	Allocate organizational resources among different functions and departments of the organization; set budgets and salaries of middle and first-level managers.
Informational	Negotiator	Work with suppliers, distributors, and labor unions to reach agreements about the quality and price of input, technical, and human resources; work with other organizations to establish agreements to pool resources to work on joint projects.
	Monitor	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 environment that may affect the organization in the future.
	Disseminator	Inform employees about changes taking place in the external and internal environment that will affect them and the organization; communicate to employees the organization's vision and purpose.
Interpersonal	Spokesperson	Launch a national advertising campaign to promote new goods and services; give a speech to inform the local community about the organization's future intentions.
	Figurehead	Outline future organizational goals to employees at company meetings; open a new corporate headquarters building; state the organization's ethical guidelines and the principles of behavior employees are to follow in their dealings with customers and suppliers.
	Leader	Provide an example for employees to follow; give direct commands and orders to subordinates; make decisions concerning the use of human and technical resources; mobilize employee support for specific organizational goals.
	Liaison	Coordinate the work of managers in different departments; establish alliances between different organizations to share resources to produce new goods and services.

Source: Gareth R. Jones and Jennifer M. George, *Essentials of Contemporary Management* (Burr Ridge, IL: McGraw-Hill/Irwin, 2007, 3rd edition), p. 14.

Skills Needed by Managers

Leadership

- The ability to influence employees to work toward organizational goals
 - ❖ *Autocratic leaders* make all the decisions then tell employees what must be done and how to do it
 - ❖ *Democratic leaders* involve their employees in decisions
 - ❖ *Free-rein leaders* let their employees work without much interference; setting performance standards and letting employees find their own way to meet them

Skills Needed by Managers

TABLE 6.4

**Seven Tips for
Successful Leadership**



- Build effective and responsive interpersonal relationships.
- Communicate effectively—in person, print, e-mail, etc.
- Build the team and enable employees to collaborate effectively.
- Understand the financial aspects of the business.
- Know how to create an environment in which people experience positive morale and recognition.
- Lead by example.
- Help people grow and develop.

Source: Susan M. Heathfield, "Seven Tips About Successful Management," *About.com*, <http://humanresources.about.com/cs/managementissues/qt/mgmtsuccess.htm> (accessed February 25, 2010)

Skills Needed by Managers

TABLE 6.5

**America's Most
Admired Companies
and their CEOs**



Company	Chief Executive Officer
Apple	Tim Cook
Google	Larry Page
Amazon.com	Jeff Bezos
Coca-Cola	Muhtar Kent
IBM	Virginia Rometty
FedEx	David J. Bronczek
Berkshire Hathaway	Warren Buffett
Starbucks	Howard Schultz
Procter & Gamble	Robert McDonald
Southwest Airlines	Gary C. Kelly

Source: Adapted from "World's Most Admired Companies," *CNNMoney*, <http://money.cnn.com/magazines/fortune/most-admired/> (accessed March 6, 2012).

Skills Needed by Managers

Technical Expertise

- The specialized knowledge and training needed to perform jobs that are related to particular areas of management
- Needed most by first-line managers and least critical to top-level managers

Conceptual Skills

- The ability to think in abstract terms and to see how parts fit together to form the whole
- Needed most by top level managers

Skills Needed by Managers

Analytical Skills

- The ability to identify relevant issues, recognize their importance, understand the relationships between them and perceive the underlying causes of a situation
- Most important to the success of top level managers

Human Relation Skills

- The ability to deal with people, both inside and outside the organization
- Especially important in organizations that provide services, such as hospitals, airlines and banks

Skills Needed by Managers

- ❑ Flight attendant David Holmes became a YouTube sensation by [rapping passenger instructions](#)
- ❑ Southwest Airlines' managers and employees are well-known for their excellent human relations skills



Where Do Managers Come From?

Organizations acquire managers in three ways:

- ✓ Promoting employees from within
 - Tends to increase motivation
- ✓ Hiring managers from other organizations
 - Expensive to relocate people
- ✓ Hiring managers straight out of universities
 - Look for people who are trainable and a good fit with their corporate culture

Where Do Managers Come From?

- General Electric's excellent managerial training programs are renowned around the world
- The company knows good managers aren't born, they are made



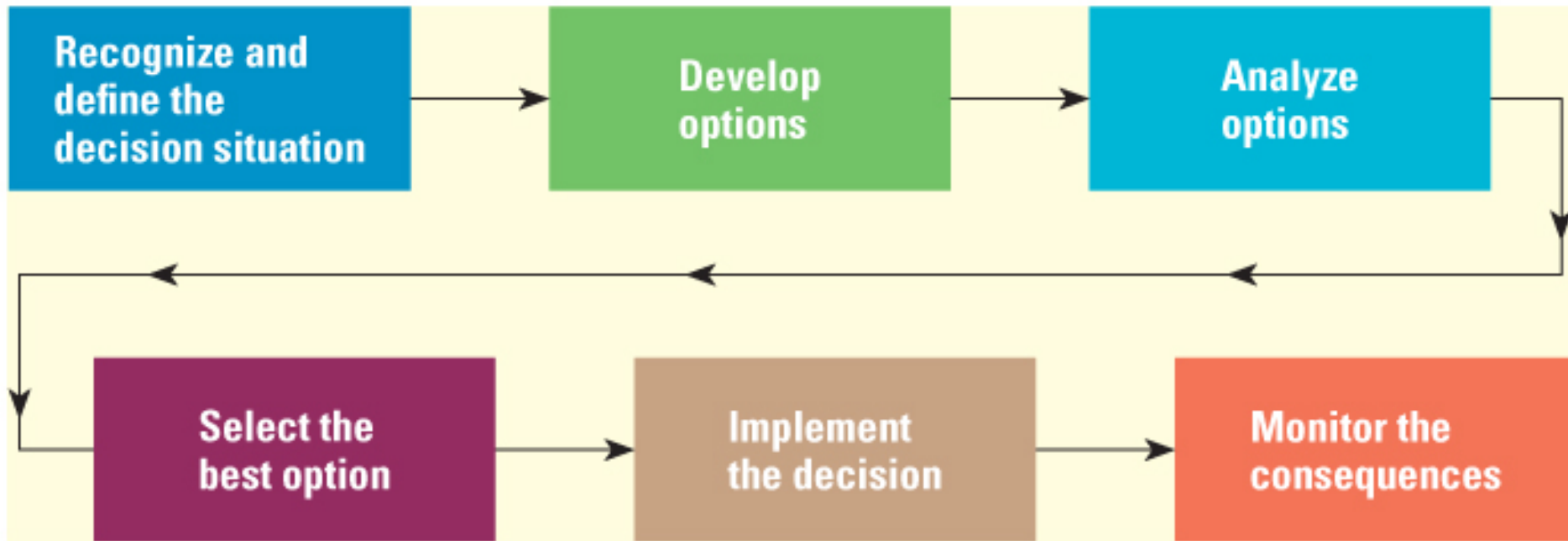
Responding to Business Challenges

Managers and Employees See Different Corporate Culture

- Many top managers believe they have values-based cultures where employees can grow and make ethical decisions
- However, 43% of employees described the workplace as “command-and-control” or “top-down management”
- ? *How does a values-based culture differ from a top-down chain of command?*
- ? *Why do you think more managers want to adopt a values-based corporate culture?*
- ? *How can managers make sure that they are successfully*

Decision Making

Steps in the Decision Making Process



Decision Making

Recognizing and Defining the Decision Situation

- ❖ Situations may be positive or negative
- ❖ Situations calling for small-scale decisions occur without warning
- ❖ Large-scale decisions generally occur after some warning signs; managers must recognize those signs
- ❖ Once a situation is recognized, management must define it

Decision Making

Developing options is the second step in the decision making process

- ❖ A list of possible courses of action should include both standard and creative plans

Analyzing options is the next step

- ❖ Management must look at the practicality and appropriateness of each option

Selecting the best option is step four

- ❖ Often a subjective procedure

Decision Making

Step five is Implementing the Decision

- ❖ This step can be fairly simple, or very complex and no matter how well planned the implementation is, unforeseen problems will arise

Monitoring the Consequences is the final step

- ❖ Has the implementation of the decision accomplished the desired result?
- ❖ Is yes, then the decision was sound
- ❖ If no, then more analysis is warranted

The Reality of Management

Managers spend a lot of time establishing and updating an agenda of goals and plans for carrying out their responsibilities

Agenda

- A calendar containing both specific and vague items, that covers short-term goals and long-term objectives

Networking

- The building of relationships and sharing of information with colleagues who can help managers achieve the items on their agenda

The Reality of Management

Websites like LinkedIn are helping managers and employees network with one another to achieve their professional goals

The screenshot displays the LinkedIn homepage. At the top, the LinkedIn logo is on the left, and navigation links for 'Home', 'What is LinkedIn?', and 'Join Today' are in the center. On the right, there are input fields for 'Email' and 'Password', followed by a 'Sign In' button. Below the navigation, a main heading states 'Over 150 million professionals use LinkedIn to exchange information, ideas and opportunities'. Three bullet points with icons describe the platform's benefits: staying informed about contacts and industry, finding people and knowledge to achieve goals, and controlling professional identity online. To the right of these benefits is a 'Join LinkedIn Today' registration form with fields for 'First Name', 'Last Name', 'Email', and 'Password'. A note indicates the password must be 6 or more characters, and there is a green 'Join Now' button. Below the registration form is a search bar with the text 'Search for someone by name:' and input fields for 'First Name' and 'Last Name', along with a 'Go' button. A small text link 'LinkedIn member directory: a b c d e f g h i j k l m n o p q r s t u v w x y z more' and 'Browse members by country' is visible below the search bar. At the bottom of the page, there is a footer with various links including 'Help Center', 'About', 'Blog', 'Careers', 'Advertising', 'Recruiting Solutions', 'Tools', 'Mobile', 'Developers', 'Publishers', 'Language', 'SlideShare', 'LinkedIn Updates', 'LinkedIn Answers', 'LinkedIn Jobs', 'Jobs Directory', 'Company Directory', 'Events Directory', 'Groups Directory', and 'Skills Directory'. The footer also includes 'Service Provider Directory', 'Title Directory', and 'LinkedIn Corporation © 2012 | User Agreement | Privacy Policy | Copyright Policy'.

Solve the Dilemma

Making Infinity Computers Competitive

- Infinity Computers sells notebook computers through direct mail or under their private brand names
- The CEO and president, George Anderson, wants to reorganize the company, making it more responsive and competitive while cutting costs
- ? *Evaluate Infinity's current situation and analyze its strengths and weaknesses*
- ? *Evaluate the opportunities for Infinity, including using its current strategy, and propose alternative strategies*
- ? *Suggest a plan for Infinity to compete successfully over the next 10 years*

Zappos Managers and Employees Lead Firm to Success

- Zappos formed itself around one mission: Deliver “WOW” through customer service
- Employees work in teams and managers do not micromanage but instead act more as a coach or motivator
- Both managers and workers plan, organize, lead and control
- ? *How does Zappos motivate employees to take on more leadership roles?*
- ? *Describe some of the ways in which Zappos leaders engage in the planning function*
- ? *Why is it necessary for Zappos leaders to control certain activities in the company?*