

# Chapter 1

## Introduction to Management and Organizations

In this chapter, we'll introduce you to who managers are and what they do. One thing you'll discover is that the work managers do is vitally important to organizations. But you'll also see that being a manager—a good manager—isn't easy. The best companies and organizations are more flexible, more efficient, and more adaptable. Focus on the following learning outcomes as you read and study this chapter.

### LEARNING OUTCOMES

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- 1.1 Explain why managers are important to an organization.
- 1.2 Tell who managers are and where they work.
- 1.3 Describe the characteristics of an organization.
- 1.4 Describe the factors that are reshaping and redefining the manager's job.
- 1.5 Explain the value of studying management.

### CHAPTER VIGNETTE SUMMARY

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Cirque du Soleil is an iconic Canadian success story and founder Guy Laliberté is the public face of this 4,000 person company. The vignettes in this chapter focus on the dynamics between the CEO, Daniel Lamarre and founder Guy Laliberté as they employ management techniques to manage a highly creative and artistic enterprise. The subtext in the opening vignette is the story of Guy's mission to fight global poverty through the founding of the One Drop Foundation. This theme of responsible leadership and social responsibility is woven throughout the balance of the text. The second vignette asks students to think about what the purpose was of the original organization, whether this purpose changed over time, and what additional kinds of organizations Cirque employed to achieve its mission. The third vignette thrusts students into the world of the modern manager where they need to manage multicultural challenges, technological challenges, and the demands for more accountability.

This opening dilemma should be used to encourage discussion on the role of managers and the reality that the workplace and the expectation of managers are evolving. You should find that many of your students have experience attending a Cirque performance and working on the service industry and that they will have stories about the demanding nature of the industry, what is expected of them from their managers, and if they have served in a supervisory role what is expected of managers. Chapter 1 continues with an examination of the functions of management, managerial roles and skills, the diverse nature of modern business organizations, and rewards and challenges offered by a career in management.

**CHAPTER OUTLINE**

## INTRODUCTION.

The concept of management and managers is introduced in this chapter.

1. WHO ARE MANAGERS AND WHY ARE THEY IMPORTANT?
  - A. The changing nature of organizations and work has blurred the clear lines of distinction between managers and non-managerial employees. Many workers' jobs now include managerial activities. Definitions used in the past no longer work.
  - B. The first reason managers are important is because organizations need their managerial skills and abilities more than ever in uncertain, complex, and chaotic times. Secondly, *managers do matter* to organizations! Managers can and do have an impact—positive and negative. Finally, one more study of organizational performance recently found that managerial ability was important in creating organizational value.
  - C. How do we define a manager? A **manager** is someone who works with and through other people by coordinating their work activities in order to accomplish organizational goals. However, keep in mind that managers may have other work duties not related to integrating the work of others.
  - D. Managers can be classified by their level in the organization, particularly for traditionally structured organizations. (See **Exhibit 1-1.**)
    1. **First-line managers** are the lowest level of management. They're often called supervisors.
    2. **Middle managers** include all levels of management between the first-line level and the top level of the organization.
    3. **Top managers** include managers at or near the top of the organization who are responsible for making organization-wide decisions and establishing the plans and goals that affect the entire organization.
2. WHAT IS MANAGEMENT AND WHAT DO MANAGERS DO?
  - A. **Management** refers to the process of coordinating work activities so that they're completed efficiently and effectively with and through other people.
    1. **Efficiency** is getting the most output from the least amount of inputs, the goal of which is to minimize resource costs. (See **Exhibit 1-2.**)
    2. **Effectiveness** is completing activities so that organizational goals are attained; often described as "doing the right things." (See **Exhibit 1-2.**)
  - B. Management Functions.

Henri Fayol, a French industrialist from the early part of the 1900s, proposed that managers perform five management functions: POCCC (plan, organize, command, coordinate, control).

    1. These functions still provide the basis around which popular management textbooks are organized, but the functions have been condensed to four. (See **Exhibit 1-3.**)
      - a. **Planning** involves the process of defining goals, establishing strategies for achieving those goals, and developing plans to integrate and coordinate activities.

- b. **Organizing** is the process of determining what tasks are to be done, who is to do them, how the tasks are to be grouped, who reports to whom, and where decisions are to be made.
  - c. **Leading** includes motivating subordinates, influencing individuals or teams as they work, selecting the most effective communication channel, or dealing in any way with employee behaviour issues.
  - d. **Controlling** is monitoring activities to ensure that they are being accomplished, comparing performance with previously set goals, and correcting any significant deviations.
- C. Management Roles.
- Henry Mintzberg, a researcher at McGill University, conducted a precise study of managers at work. He concluded that managers perform 10 different, but highly interrelated roles.
1. **Management roles** refer to specific categories of managerial behaviour. Mintzberg's 10 management roles are grouped into three categories (See **Exhibit 1-4.**)
    - a. **Interpersonal roles** include figurehead, leadership, and liaison activities.
    - b. **Informational roles** include monitoring, disseminating, and spokesperson activities.
    - c. **Decisional roles** include those of entrepreneur, disturbance handler, resource allocator, and negotiator.
  2. Follow-up studies suggest managers perform similar roles, however, the emphasis that managers give to the various roles seems to change with their organizational level.
  3. While each approach has merit, the functional approach still represents the most useful way of classifying the manager's job.
  4. Robert L. Katz found through his research in the early 1970s that managers need three essential skills or competencies. (See **Exhibit 1-5.**)
    - a. **Technical skills** are skills that include knowledge of and proficiency in a certain specialized field.
    - b. **Human skills** include the ability to work well with other people both individually and in a group.
    - c. **Conceptual skills** include the ability to think and to conceptualize about abstract and complex situations, to see the organization as a whole, and to understand the relationships among the various subunits, and to visualize how the organization fits into its broader environment.
3. WHAT IS AN ORGANIZATION?  
An **organization** is a deliberate arrangement of people to accomplish some specific purpose. (See **Exhibit 1-6.**). Although these three characteristics are important to defining what an organization is, the concept of an organization is changing. **Exhibit 1-7** lists some of the important differences between the traditional organization and the new organization.
4. THE SIZE OF ORGANIZATIONS

- A. Managers and employees work in a variety of sizes of organizations.
1. Large organizations represent only 2 percent of the organizations in Canada.
  2. Nearly 98 percent of organizations employ fewer than 100 people.
  3. About 16 percent of the labour force is self-employed.
  4. Most Canadians (around 78 percent) work in the service sector of the economy.
- B. The Types of Organizations.  
Managers and employees work in a variety of organizations, and the type of organization has an impact on what managers can do.
1. Large organizations in the **private sector** (the part of the economy run by organizations which are free from direct government control) are often **publicly held** which means shares are not available on the stock market.
  2. There are also numerous **privately held organizations**, (whose shares are not available on the stock exchange) and these organizations may be individually owned, family-owned, or owned by some other group of individuals.
  3. Many managers work in the **nonprofit sector** where the emphasis is on providing charity or services, rather than making a profit.
  4. Other organizational forms such as **NGOs** (non-governmental organizations) focus on humanitarian, development and environmental sustainability activities.
  5. Some managers and employees work in the **public sector** (the part of the economy controlled by the government) as **civil servants** (working for local, provincial, or federal government departments) for **crown corporations** (companies owned by the government but independently managed).
5. HOW IS THE MANAGER'S JOB CHANGING?  
Managers have always had to deal with changes taking place inside and outside their organizations. In today's world, where managers everywhere are dealing with corporate ethics scandals, demands to be more socially responsible, challenges of managing a diverse workforce, and globalization, change is constant.
- A. Importance of Customers to the Manager's Job.  
Managers are recognizing that delivering consistent, high-quality customer service is essential for survival and success in today's competitive environment, and that employees are an important part of that equation. The implication is clear—managers must create a customer-responsive organization where employees are friendly and courteous, accessible, knowledgeable, prompt in responding to customer needs and willing to do what's necessary to please the customer.
- B. Importance of Social Media to the Manager's Job  
Employees don't just use these on their personal time, but also for work purposes. That's why managers need to understand and manage the power and peril of social media. More and more businesses are turning to social media not just as a way to connect with customers but also as a way to manage their human resources and tap into their innovation and talent. That's the potential power of social media.
- C. Importance of Innovation to the Manager's Job

Innovation means doing things differently, exploring new territory, and taking risks. And innovation isn't just for high-tech or other technologically sophisticated organizations. Innovative efforts can be found in all types of organizations. Innovation is critical throughout all levels and parts of an organization.

- D. **Importance of Adaptability to the Manager's Job**  
An adaptable organization creates a set of skills, processes, and a culture that enable it to continuously look for new problems and offer solutions before the clients even realize they have a need. **See Exhibit 1-8** for the characteristics of adaptable organizations.
- E. **Importance of Sustainability to the Manager's Job**  
What's emerging in the twenty-first century is the concept of managing in a sustainable way, which has had the effect of widening corporate responsibility not only to managing in an efficient and effective way, but also to responding strategically to a wide range of environmental and societal challenges.

## 6. WHY STUDY MANAGEMENT?

Management is needed in all types and sizes of organizations.

- A. **The Universality of Management**—the certainty that management is needed in all types and sizes of organizations, at all organizational levels, and in all organizational work areas, regardless of where they're located. (See **Exhibit 1-9**.)
  - 1. We interact with organizations every day of our lives. Every product we use and every action we take is provided or affected by organizations. These organizations require managers. Organizations that are well managed develop a loyal customer base, grow, and prosper.
  - 2. By studying management, students will be able to recognize good management and encourage it, as well as to recognize poor management and work to get it corrected.
- B. **The Reality of Work**—after graduating, you will either manage or be managed. A course in management provides insights into the way your boss behaves and the internal working of organizations. You don't have to aspire to be a manager to gain something valuable from a course in management.
- C. If you decide to pursue self-employment, you will require an understanding of management, as you will need to manage yourself as well as others.

## ANSWERS TO REVIEW AND DISCUSSION QUESTIONS

1. *How do managers differ from nonmanagerial employees? Is your course instructor a manager? Discuss in terms of management functions, roles, and skills.*

The changing nature of organizations and work has blurred the clear lines of distinction between managers and non-managerial employees. Many workers' jobs now include managerial activities. Definitions used in the past no longer work.

A course instructor would generally not fall within the definition of a manager when utilizing managerial functions. This is predominantly due to the relationship between instructors and students. Students are not employees but, more appropriately, clients. In fact, in some cases, an instructor may have little say about the course content or how it is to be taught. In these instances, the instructor clearly makes few decisions. Regardless, course instructors, in their position as teacher (in contrast to a position such as department head) are not managers.

In terms of managerial roles, course instructors are perhaps involved in some ways in the interpersonal, informational, and decisional roles. For example, a course instructor could be seen as a liaison (interpersonal role), a monitor and disseminator (both informational roles), and a disturbance handler and negotiator (both decisional roles). Looking at managerial skills, course instructors obviously need a lot of technical skills—in this case, knowledge about the latest research and conceptual developments in a particular discipline. They also need significant human skills as they deal with their students. To a limited extent, the instructor might need to utilize conceptual skills as courses are planned or as departmental curriculums are debated.

2. *In today's economic environment, which is more important to organizations—efficiency, effectiveness, or adaptability? Explain your choice.*

In a rapidly changing economic environment that we face today, adaptability would seem to be more important to organizations, as efficiency and effectiveness are essentially prerequisites for competing in such an environment. An adaptable organization creates a set of skills, processes, and a culture that enable it to continuously look for new problems and offer solutions before the clients even realize they have a need. This is exactly what is required to compete today.

3. *What are the four functions of management? Briefly describe each of them.*

The management process can be condensed to four functions: planning, organizing, leading and controlling. These processes are interrelated and interdependent.

- Planning – encompasses defining an organization's goals, establishing an overall strategy for achieving those goals, and developing comprehensive plans to integrate and coordinate.
- Organizing – determining what tasks are to be done, who is to do them, how the tasks are to be grouped, who reports to whom, and where decisions are to be made.

- Leading – managers motivate employees, direct the activities of others, select the most effective communication channel, or resolve conflicts among members.
  - Controlling – to ensure that things are going, as they should, a manager must monitor performance. The monitoring, comparing, and correcting are the controlling process.
4. *What are the three categories of management roles proposed by Mintzberg? Provide an example of each.*
- Interpersonal roles – involve working with people inside and outside the organization and/or performing duties that are ceremonial and symbolic in nature. For example, training and motivating employees, greeting visitors and signing legal documents are all interpersonal roles a manager may assume.
  - Informational roles – involve receiving, collecting and disseminating information. An example would be reading reports and holding staff meetings.
  - Decisional roles – revolve around making choices. For example, a manager may develop organizational strategy and set budgets for the upcoming year.
5. *“The manager’s most basic responsibility is to focus people toward performance of work activities to achieve desired outcomes.” What is your interpretation of this statement? Do you agree with it? Why or why not?*
- This statement essentially reflect the definition of a manager: A **manager** is someone who works with and through other people by coordinating their work activities in order to accomplish organizational goals. As such, it would be difficult to disagree with this statement.
6. *What is an organization? Why are managers important to an organization’s success?*
- An organization is a systematic arrangement of people brought together to accomplish some specific purpose. All organizations share three common characteristics. 1) Every organization has a purpose and is made up of people who are grouped in some fashion. 2) No purpose or goal can be achieved by itself, therefore, organizations have members. 3) All organizations develop a systematic structure that defines and limits the behaviour of its members.
- Managers direct the activities of other people in the organization. Customarily classified as top, middle, or first line, they supervise both operative employees and lower-level managers. First-line managers are responsible for directing the day-to-day activities of operative employees. Middle managers manage other managers and possibly some operative employees. They are responsible for translating the goals set by top management into specific details. Top managers are responsible for making decisions about the direction of the organization and establishing policies that affect all organizational members.
7. *Why is an understanding of management important even if you don’t plan to be a manager?*

Even if you don't plan to be a manager, any organization you encounter will have managers. As such, it will be extremely useful to understand their responsibilities, challenges, and experience.

8. *How could an organization build an adaptive culture?*

This question will be revisited in Chapter 2 when the elements of culture are discussed in detail. At this point, it is an opportunity to weave the discussion of adaptability into the concepts of wicked problems, the creation of a learning organization and the building of effective knowledge management systems.

## **ETHICS DILEMMA TEACHING SUGGESTIONS**

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Moving to a management position isn't easy and organizations often provide little help in making the transition. Would it surprise you to learn that 26 percent of new managers feel they are unprepared to transition into management roles, 58 percent of new managers don't receive any training to help them make the transition, and 50 percent of first-time managers fail in that transition?

Does an organization have an ethical responsibility to assist its new managers in their new positions? Why or why not? What could organizations do to make this transition easier? Suppose you were a new manager; what support would you expect from your organization? From your manager?

### **Teaching Suggestions:**

Students responses will vary. However, you may want to suggest that it could be considered unethical to knowingly set managers up to fail by promoting them without preparing them for their new position through training, mentoring, etc. In this sense, organizations do have an ethical responsibility to assist its new managers in their new positions. As a new manager, management training prior to assuming the new position and ongoing mentorship from a more experience manager would be the desired type of support from the organization and from a manager.

## **WORKING TOGETHER — TEAM-BASED EXERCISE**

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### **A New Beginning**

This exercise asks students, in small groups, to develop a list of characteristics that make individuals good managers. Then for each characteristic, the students are to identify which management function it falls under and which of Mintzberg's 10 roles the good managers seemed to fill.

### **Teaching Suggestions:**

1. Before the in-class group activity, have each student identify three managers they have worked with (this could be a current or previous boss, a family member



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

### CASE APPLICATION 1 – ANSWER SUGGESTIONS

#### Building a Better Boss

1. *Describe the findings of Project Oxygen using the functions approach, Mintzberg's roles approach, and the skills approach.*

According to the functions approach, it appears that, of the four functions of planning, organizing, leading, and controlling, the Project Oxygen attributes mostly emphasize leading, with emphasis on coaching, communication, and the absence of micromanagement. According to the roles approach, Project Oxygen appear to emphasize interpersonal roles, with the emphasis on communication, coaching and listening. According to the skills approach, Project Oxygen appears to emphasize human skills, as the attributes reflect the ability to work well with other people both individually and in a group.

2. *Are you surprised at what Google found out about “building a better boss?” Explain your answer.*

Not really surprised. The list of attributes is what you would intuitively expect a good boss to be, particularly with the emphasis on employee empowerment in the “new” organization. The only minor surprise is seeing technical skills ranked last when they were thought to be first.

3. *What's the difference between encouraging managers to be great managers and knowing what being a great manager involves?*

Merely encouraging managers to be great managers is too general and not helpful in assisting them to do so. On the other hand, having the criteria in hand enables training in specific aspects of being a great manager, depending on the specific needs of each manager.

4. *What could other companies learn from Google's experiences?*

Other companies could learn the importance of defining more specifically what attribute managers should have to increase the likelihood that individual who possess these attributes are recruited or trained to acquire them.

5. *Would you want to work for a company like Google? Why or why not?*

Anyone who values empowerment and the absence of micromanagement – which score high on the list of desired attributes – would likely want to work for a company like Google.

## CASE APPLICATION 2 – ANSWER SUGGESTIONS

### Lipshultz, Levin & Gray LLC

1. *Describe the culture at the Lipshultz firm.*

Lipshultz's culture is very informal. It promotes creativity, individual development, group interchange, diversity, good humour, family and community, all for the purpose of assisting in its clients' growth.

2. *What is your sense of how committed Siegel is to the culture?*

Given the major changes to the office that Siegel has made (no desks, miniature golf course, no walls or cubicles, etc.), it would appear that he is very committed to the culture as stated.

3. *How comfortable/uncomfortable would you be working in this environment?*

The major downside would be when complex work that requires a high degree of concentration has to be done. It would likely be difficult to do this in solitude, which I would find more conducive to the task at hand.

4. *Would should Siegel say to the employees? Why?*

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