

FOURTH EDITION

FUNDAMENTALS OF MANAGEMENT

ESSENTIAL CONCEPTS AND APPLICATIONS

STEPHEN P. ROBBINS
DAVID A. DECENZO

Part 1: Introduction

Chapter 1

Managers and Management

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LEARNING OUTCOMES

After reading this chapter, I will be able to:

- 1. Describe the difference between managers and operative employees.**
- 2. Explain what is meant by the term *management*.**
- 3. Differentiate between efficiency and effectiveness.**
- 4. Describe the four primary processes of management.**
- 5. Classify the three levels of managers and identify the primary responsibility of each group.**

LEARNING OUTCOMES (cont'd)

After reading this chapter, I will be able to:

- 6. Summarize the essential roles performed by managers.**
- 7. Discuss whether the manager's job is generic.**
- 8. Describe the four general skills necessary for becoming a successful manager.**
- 9. Describe the value of studying management.**
- 10. Identify the relevance of popular humanities and social science courses to management practices.**

Organizations

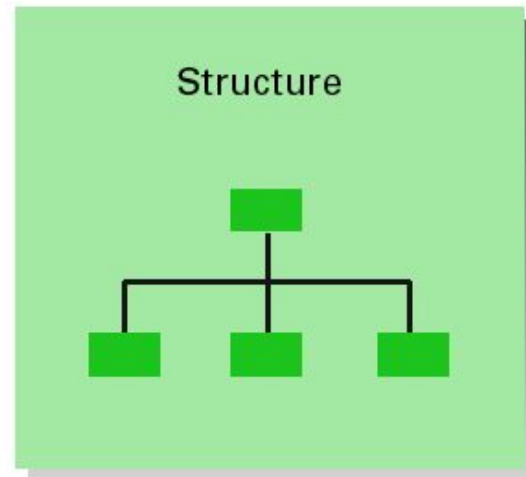
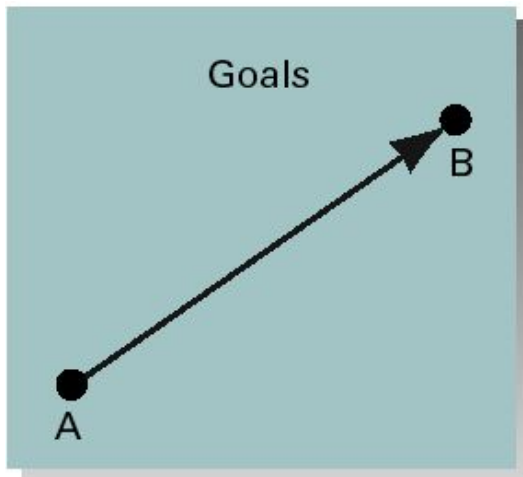
- Organization

- A systematic arrangement of people brought together to accomplish some specific purpose; applies to all organizations—for-profit as well as not-for-profit organizations.
- Where managers work (manage)

- Common characteristics

- Goals
- Structure
- People

Common Characteristics of Organizations



People Differences

- Operatives

- People who work directly on a job or task and have no responsibility for overseeing the work of others

- Managers

- Individuals in an organization who direct the activities of others



Organizational Levels

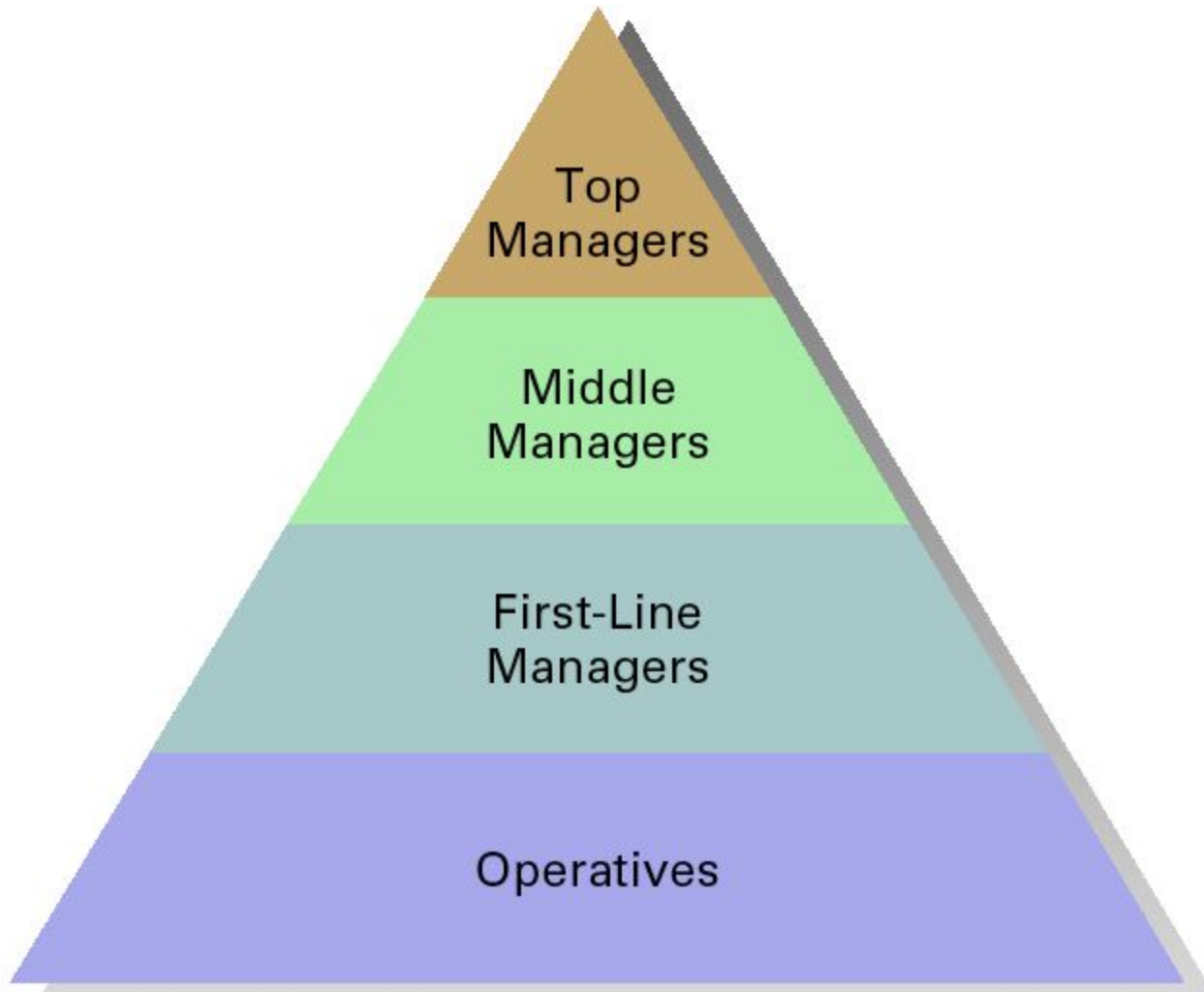


EXHIBIT 1.2

Identifying Managers

- First-line managers
 - Supervisors responsible for directing the day-to-day activities of operative employees
- Middle managers
 - Individuals at levels of management between the first-line manager and top management
- Top managers
 - Individuals who are responsible for making decisions about the direction of the organization and establishing policies that affect all organizational members

Management Defined

- Management

- The process of getting things done, *effectively and efficiently*, through and with other people

- **Efficiency**

- ❖ Means doing the thing correctly; refers to the relationship between inputs and outputs; seeks to minimize resource costs

- **Effectiveness**

- ❖ Means doing the right things; goal attainment

Efficiency and Effectiveness

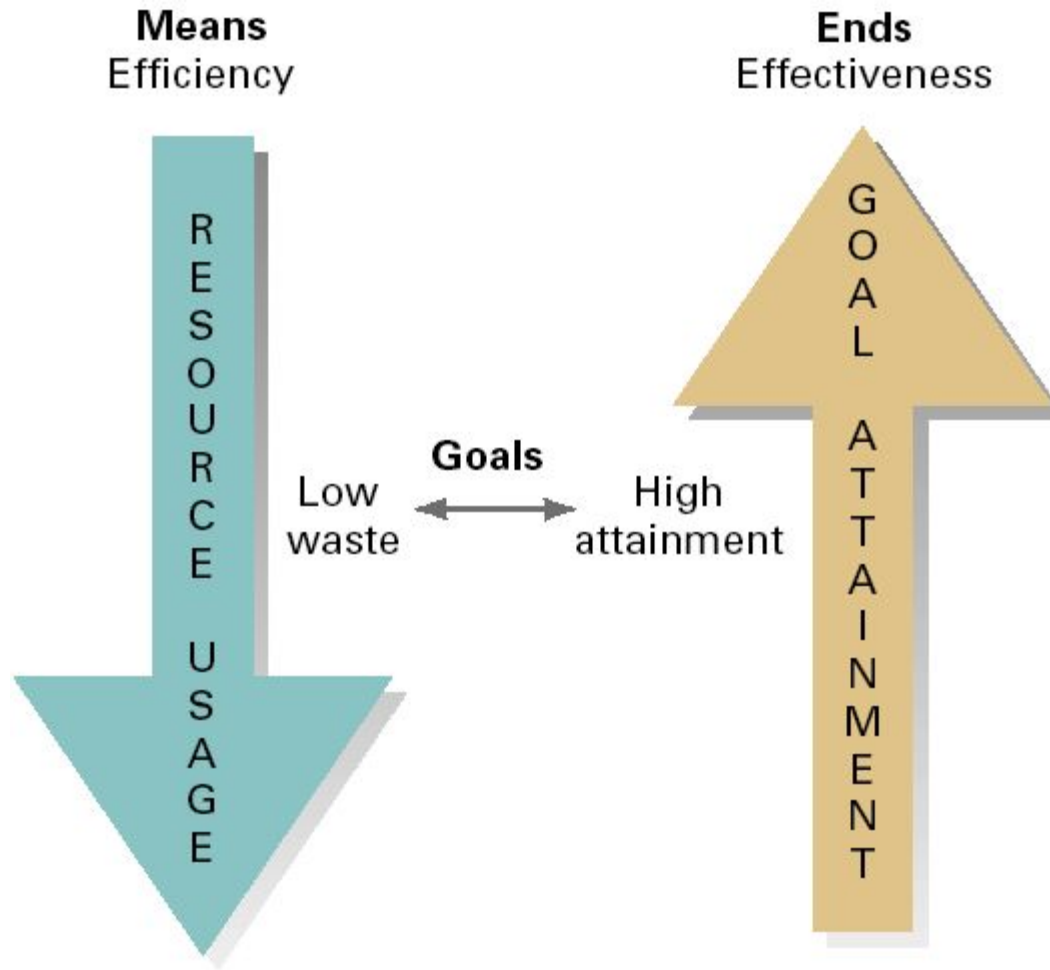
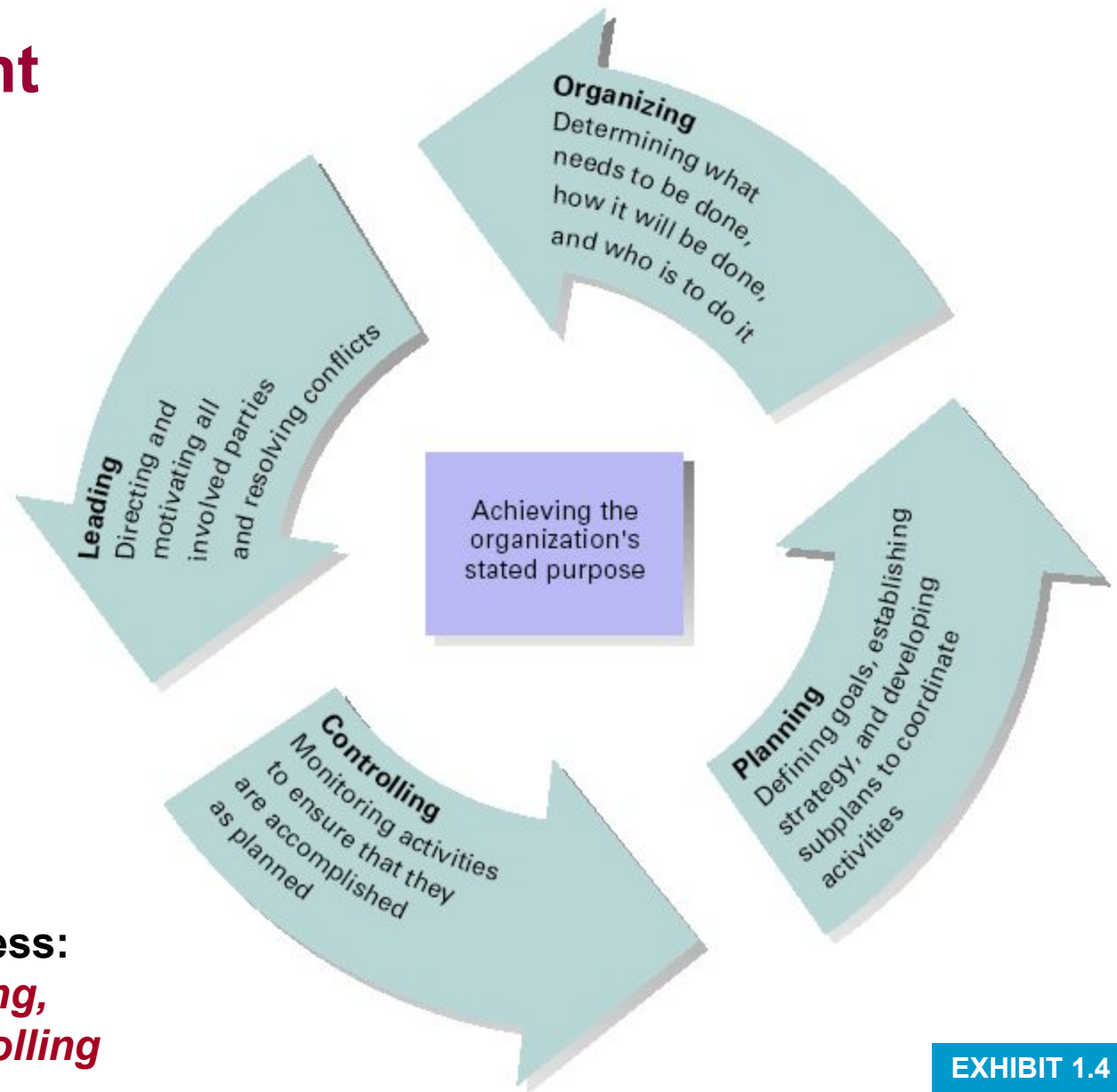


EXHIBIT 1.3

Management Process Activities



Management process:
*planning, organizing,
leading, and controlling*

Management Process

- Planning

- Includes defining goals, establishing strategy, and developing plans to coordinate activities

- Organizing

- Includes determining what tasks 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



Management Process

- Leading
 - Includes motivating employees, directing the activities of others, selecting the most effective communication channel, and resolving conflicts
- Controlling
 - The process of monitoring performance, comparing it with goals, and correcting any significant deviations



Mintzberg's Managerial Roles

- Interpersonal

- Figurehead
- Leader
- Liaison

- Informational

- Monitor
- Disseminator
- Spokesperson

- Decisional

- Entrepreneur
- Disturbance handler
- Resource allocator
- Negotiator



Is The Manager's Job Universal?

- Level in the organization
 - Do managers manage differently based on where they are in the organization?
- Profit versus not-for-profit
 - Is managing in a commercial enterprise different than managing in a non-commercial organization?
- Size of organization
 - Does the size of an organization affect how managers function in the organization?
- Management concepts and national borders
 - Is management the same in all economic, cultural, social and political systems?

Distribution of Time per Activity by Organizational Level

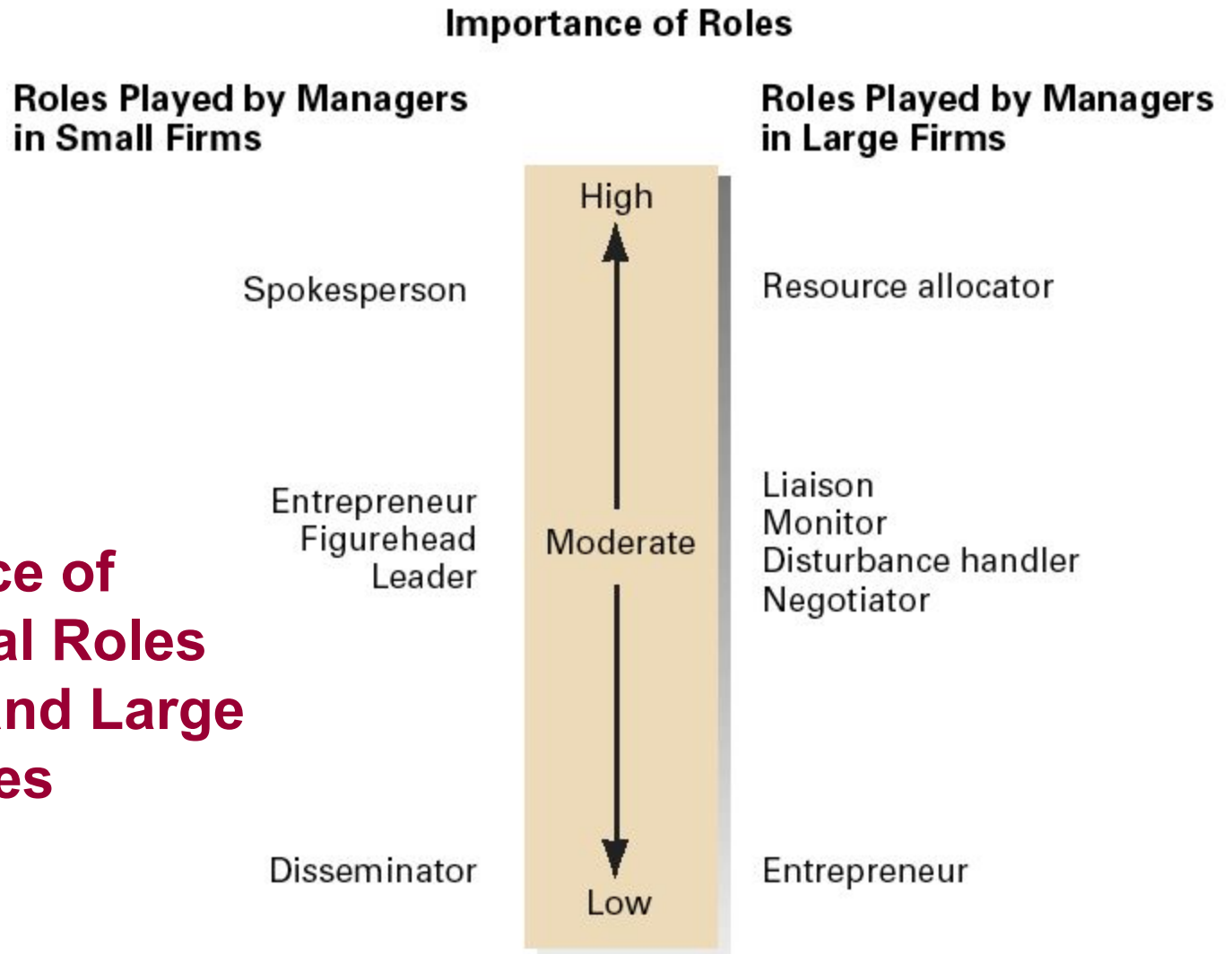


Source: Adapted from T. A. Mahoney, T. H. Jerdee, and S. J. Carroll, "The Job(s) of Management," *Industrial Relations* 4, No.2 (1965), p.103.

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EXHIBIT 1.6

Importance of Managerial Roles in Small and Large Businesses



Source: Adapted from J. G. P. Paolillo, "The Manager's Self Assessments of Managerial Roles: Small vs. Large Firms," *American Journals of Small Business*, January–March 1984, pp.61–62.

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EXHIBIT 1.7

General Skills for Managers

- **Conceptual skills**

- A manager's mental ability to coordinate all of the organization's interests and activities

- **Interpersonal skills**

- A manager's ability to work with, understand, mentor, and motivate others, both individually and in groups

- **Technical skills**

- A manager's ability to use the tools, procedures, and techniques of a specialized field

- **Political skills**

- A manager's ability to build a power base and establish the right connections

Specific Skills for Managers

- Behaviors related to a manager's *effectiveness*:
 - Controlling the organization's environment and its resources.
 - Organizing and coordinating.
 - Handling information.
 - Providing for growth and development.
 - Motivating employees and handling conflicts.
 - Strategic problem solving.

Management Charter Initiative Competencies for Middle Managers

1. **Initiate and implement change and improvement in services, products, and systems**
2. **Monitor maintain, and improve service and product delivery**
3. **Monitor and control the use of resources**
4. **Secure effective resource allocation for activities and projects**
5. **Recruit and select personnel**
6. **Develop teams, individuals, and self to enhance performance**
7. **Plan, allocate, and evaluate work carried out by teams, individuals and self**
8. **Create, maintain, and enhance effective working relationships**
9. **Seek, evaluate, and organize information for action**
10. **Exchange information to solve problems and make decisions**

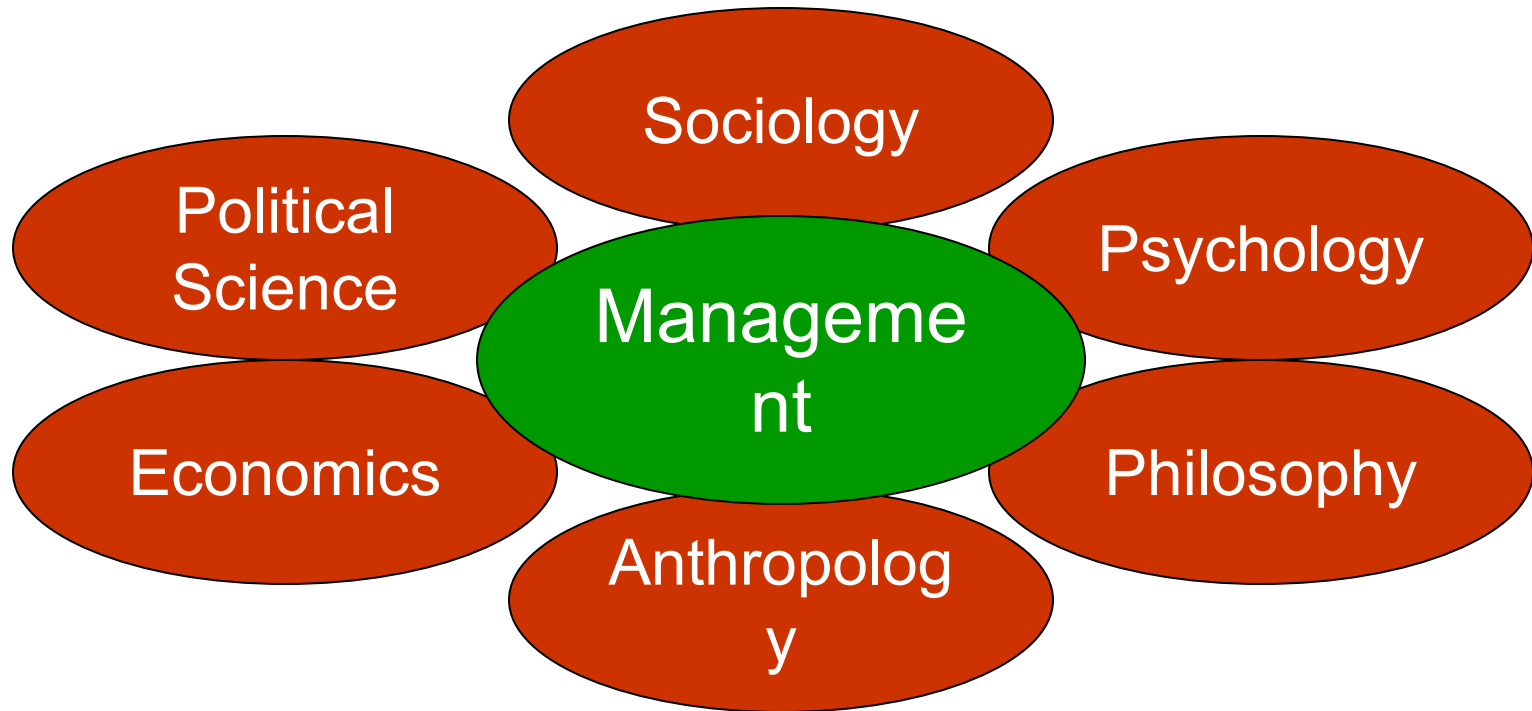
How Much Importance Does The Marketplace Put On Managers?

- Good (effective) managerial skills are a scarce commodity.
 - Managerial compensation packages are one measure of the value that organizations place on them.
 - Management compensation reflects the market forces of supply and demand.
 - ❖ Management superstars, like superstar athletes in professional sports, are wooed with signing bonuses, interest-free loans, performance incentive packages, and guaranteed contracts.

Why Study Management?

- We all have a vested interest in improving the way organizations are managed.
 - Better organizations are, in part, the result of good management.
- You will eventually either manage or be managed
 - Gaining an understanding of the management process provides the foundation for developing management skills and insight into the behavior of individuals and the organizations.

How Does Management Relate To Other Disciplines?

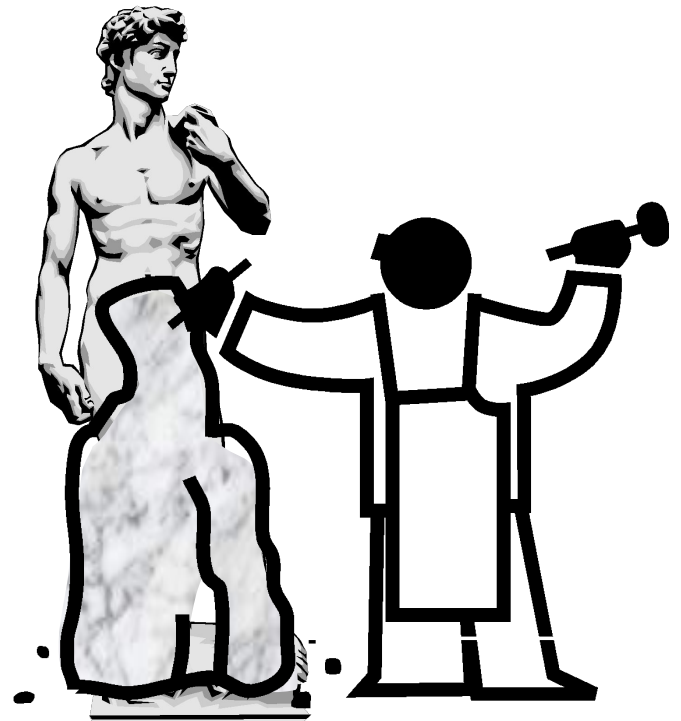


H I S T O R Y M O D U L E

The Historical Roots of Contemporary Management Practices

The Pre-modern Era

- Ancient massive construction projects
 - Egyptian pyramids
 - Great Wall of China
- Michelangelo the manager



Adam Smith's Contribution To The Field Of Management

- Wrote the *Wealth of Nations* (1776)
 - Advocated the economic advantages that organizations and society would reap from the division of labor:
 - ❖ Increased productivity by increasing each worker's skill and dexterity.
 - ❖ Time saved that is commonly lost in changing tasks.
 - ❖ The creation of labor-saving inventions and machinery.

The Industrial Revolution's Influence On Management Practices

- Industrial revolution
 - Machine power began to substitute for human power
 - ❖ Lead to mass production of economical goods
 - Improved and less costly transportation systems became available
 - ❖ Created larger markets for goods.
 - Larger organizations developed to serve larger markets
 - ❖ Created the need for formalized management practices.

Classical Contributions

- Classical approach

- The term used to describe the hypotheses of the scientific management theorists and the general administrative theorists.

- ❖ Scientific management theorists

- Fredrick W. Taylor, Frank and Lillian Gilbreth, and Henry Gantt

- ❖ General administrative theorists

- Henri Fayol and Max Weber

Scientific Management

- Frederick W. Taylor

- The Principles of Scientific Management (1911)

- ❖ Advocated the use of the scientific method to define the “one best way” for a job to be done

- Believed that increased efficiency could be achieved by selecting the right people for the job and training them to do it precisely in the one best way.

- To motivate workers, he favored incentive wage plans.

- Separated managerial work from operative work.

Taylor's Four Principles of Management

- Develop a science for each element of an individual's work, which replaces the old rule-of-thumb method.
- Scientifically select and then train, teach, and develop the worker. (Previously, workers chose their own work and trained themselves as best they could.)
- Heartily cooperate with the workers so as to ensure that all work is done in accordance with the principles of the science that has been developed.
- Divide work and responsibility almost equally between management and workers. Management takes over all work for which it is better fitted than the workers. (Previously, almost all the work and the greater part of the responsibility were thrown upon the workers).

Scientific Management Contributors

- Frank and Lillian Gilbreth
 - Bricklaying efficiency improvements
 - Time and motion studies (therbligs)
- Henry Gantt
 - Incentive compensation systems
 - Gantt chart for scheduling work operations

Administrative Management

- General administrative theorists
 - Writers who developed general theories of what managers do and what constitutes good management practice
 - Henri Fayol (France)
 - ❖ *Fourteen Principles of Management*: Fundamental or universal principles of management practice
 - Max Weber (Germany)
 - ❖ Bureaucracy: Ideal type of organization characterized by division of labor, a clearly defined hierarchy, detailed rules and regulations, and impersonal relationships

Fayol's Fourteen Principles of Management

- **Division of work**
- **Authority**
- **Discipline**
- **Unity of command**
- **Unity of direction**
- **Subordination of the individual**
- **Remuneration**
- **Centralization**
- **Scalar chain**
- **Order**
- **Equity**
- **Stability of tenure of personnel**
- **Initiative**
- **Esprit de corps**

Weber's Ideal Bureaucracy

- Division of Labor
- Authority Hierarchy
- Formal Selection
- Formal Rules and Regulations
- Impersonality
- Career Orientation

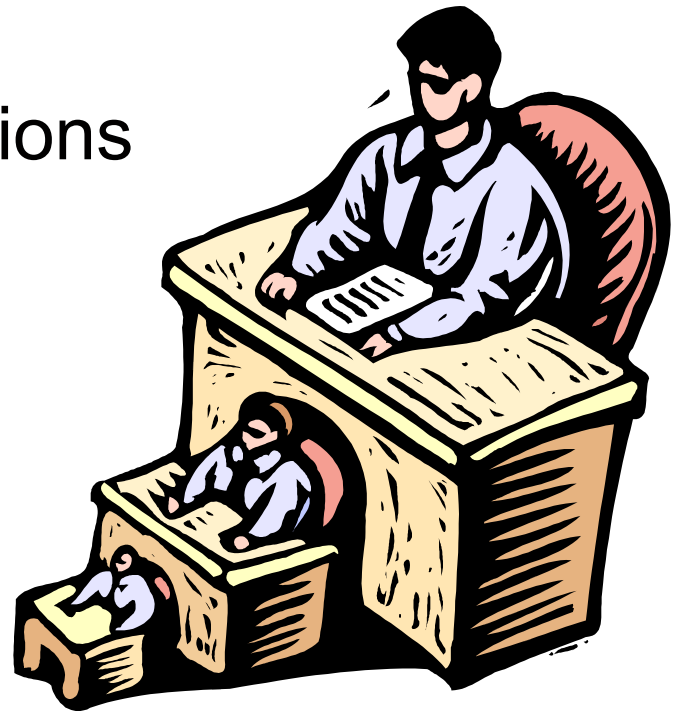


EXHIBIT HM-3

Human Resources Approach

- Robert Owen
 - Claimed that a concern for employees was profitable for management and would relieve human misery.
- Hugo Munsterberg
 - Created the field of industrial psychology—the scientific study of individuals at work to maximize their productivity and adjustment.

Human Resources Approach

- Mary Parker Follett
 - Recognized that organizations could be viewed from the perspective of individual and group behavior.
- Chester Barnard
 - Saw organizations as social systems that require human cooperation.
 - Expressed his views in his book *The Functions of the Executive* (1938).

Hawthorne Studies

- A series of studies done during the 1920s and 1930s that provided new insights into group norms and behaviors
 - Hawthorne effect
 - ❖ Social norms or standards of the group are the key determinants of individual work behavior.
- Changed the prevalent view of the time that people were no different than machines.

Human Relations Movement

- Based on a belief in the importance of employee satisfaction—a satisfied worker was believed to be a productive worker.
- Advocates were concerned with making management practices more humane.
 - Dale Carnegie
 - Abraham Maslow
 - Douglas McGregor

The Quantitative Approach

- Operations research (management science)
 - Evolved out of the development of mathematical and statistical solutions to military problems during World War II.
 - Involves the use of statistics, optimization models, information models, and computer simulations to improve management decision making for planning and control.

Social Events That Shaped Management Approaches

- Classical approach
 - Desire for increased efficiency of labor intensive operations
- Human resources approach
 - The backlash to the overly mechanistic view of employees held by the classicists.
 - The Great Depression.
- The quantitative approaches
 - World War II

The Process Approach

- Management theory jungle (Harold Koontz)
 - The diversity of approaches to the study of management—functions, quantitative emphasis, human relations approaches—each offer something to management theory, but many are only managerial tools.
- Planning, leading, and controlling activities are circular and continuous functions of management.

The Systems Approach

- Defines a system as a set of interrelated and interdependent parts arranged in a manner that produces a unified whole
 - **Closed system** : a system that is not influenced by and does not interact with its environment
 - **Open system**: a system that dynamically interacts with its environment
 - **Stakeholders**: any group that is affected by organizational decisions and policies

The Organization and its Environment



EXHIBIT HM-4

The Contingency Approach

- The situational approach to management that replaces more simplistic systems and integrates much of management theory
- Four popular contingency variables
 - Organization size
 - Routineness of task technology
 - Environmental uncertainty
 - Individual differences