A One-Minute Guide to Success in This Class

Got one minute to read this section? It could mean the difference between getting an A instead of a B. Or a B instead of a C.

Four Rules for Success

There are four rules that will help you be successful in this (or any other) course.

LIST HEAD FOUR RULES FOR SUCCESS

- Rule 1: Attend every class. No cutting allowed.
- Rule 2: Don’t postpone studying, then cram the night before a test.
- Rule 3: Read or review lectures and readings more than once.
- Rule 4: Learn how to use this book.

How to Use This Book Most Effectively

When reading this book, follow the steps below:

- Get an overview of the chapter by reading over the first page, which contains the section headings and Major Questions.
- Read “Forecast: What’s Ahead in This Chapter.”
- Look at the Major Question at the beginning of each section before you read it.

If you follow these steps consistently, you’ll probably absorb the material well enough that you won’t have to cram before an exam; you’ll need only to lightly review it before the test.

Read the “The Big Picture,” which summarizes the section.
Read the section itself (which is usually only 2–6 pages), trying silently to answer the Major Question. This is important!
After reading all sections, use the Key Terms and Summary at the end of the chapter to see how well you understand the major concepts. Reread any material you’re unsure about.

Got one minute to read this section? It could mean the difference between getting an A instead of a B. Or a B instead of a C.
The Exceptional Manager
What You Do, How You Do It

Major Questions You Should Be Able to Answer

1.1 Management: What It Is, What Its Benefits Are
Major Question: What are the rewards of being an exceptional manager—of being a star in my workplace?

1.2 Six Challenges to Being a Star Manager
Major Question: Challenges can make one feel alive. What are six challenges I could look forward to as a manager?

1.3 What Managers Do: The Four Principal Functions
Major Question: What would I actually do—that is, what would be my four principal functions—as a manager?

1.4 Pyramid Power: Levels & Areas of Management
Major Question: What are the levels and areas of management I need to know to move up, down, and sideways?

1.5 Roles Managers Must Play Successfully
Major Question: To be an exceptional manager, what roles must I play successfully?

1.6 The Entrepreneurial Spirit
Major Question: Do I have what it takes to be an entrepreneur?

1.7 The Skills Star Managers Need
Major Question: To be a terrific manager, what skills should I cultivate?
How to Become a Star in the Workplace

It is our desire to make this book as practical as possible for you. One place we do this is in the Manager's Toolbox, like this one, which appears at the beginning of every chapter and which offers practical advice appropriate to the subject matter you are about to explore.

The purpose of this book is to help you become a successful, competent manager—indeed, a star manager—an exceptional manager, as this chapter’s title has it, whose performance is far superior to that of other managers. People who are stars at their jobs “are made, not born,” says Robert E. Kelley. “They have a fundamentally different conception of what work is.” Here are the nine “star strategies” Kelley has identified, which average performers can adopt to become star performers—to become exceptional managers:

• **Initiative**: Initiative, says Kelley, is doing something outside your regular job that makes a difference to the company’s core mission—doing something beyond your job description that helps other people. Initiative means you need to see the activity through to the end and you may need to take some risks.

• **Networking**: Exceptional performers use networking to multiply their productivity, to do their current job better. “Average performers wait until they need some information, then cold-call someone to get it,” Kelley says. “Stars know that you can’t get work done today without a knowledge network and that you’ve got to put it in place beforehand.”

• **Self-management**: Exceptional managers know how to get ahead of the game instead of waiting for the game to come to them. They look at the big picture and think about managing their whole life at work. They understand who they are and how they work best.

• **Perspective**: Average performers tend to see things just from their own points of view, says Kelley. Exceptional performers try to think how things look through the eyes of their boss, co-workers, clients, and competitors.

That depth of perspective can lead to better solutions.

• **Followership**: Stars know not only how to stand out but also how to help out—to be a follower as well as a leader. The idea is that if you help others, they will later look out for you.

• **Leadership**: Exceptional performers lead by understanding other people’s interests and by using persuasion to bring out the best in people. People want leaders who are knowledgeable, who bring energy to a project and create energy in other people.

• **Teamwork**: Stars join only workplace teams in which they think they will make a difference, and they become very good participants. They “make sure, once the team is put together, that it actually gets the job done,” says Kelley.

• **Organizational savvy**: Average performers think of office politics as being dirty. Stars avoid getting needlessly involved in office melodramas, but they learn how to manage these interests to achieve their work goals. They learn not that one perspective is right but that there are different perspectives.

• **Show and tell**: In both formal and informal meetings, exceptional performers learn how to craft their messages and to time them so that people pay attention. To excel at “show and tell,” they learn to match the language of people they speak, and then deliver the message in a way that works for them.

The good news is that these nine strategies can be learned. Just as you develop skills in a sport, you identify the areas in which you need to improve and then practice every day.

**For Discussion** Which two of these qualities do you think you need to work on most to develop into an exceptional performer?

---

### Manager's Toolbox

**forecast**

**What’s Ahead in This Chapter**

We describe the rewards, benefits, and privileges managers might expect. We also describe the six challenges to managers in today’s world. You’ll be introduced to the four principal functions of management—planning, organizing, leading, and controlling—and levels and areas of management. Then we consider the contributions of entrepreneurship. Finally, we describe the three types of roles and three skills required of a manager.
What are the rewards of being an exceptional manager—of being a star in my workplace?

THE BIG PICTURE

Management is defined as the pursuit of organizational goals efficiently and effectively. Organizations, or people who work together to achieve a specific purpose, value managers because of the multiplier effect: Good managers have an influence on the organization far beyond the results that can be achieved by one person acting alone. Managers are well paid, with the CEOs and presidents of even small and midsize businesses earning good salaries and many benefits.

Judy McGrath, from a blue-collar Irish neighborhood in Scranton, Pennsylvania, was 26 when she arrived in New York in 1978 with an English degree. After a period of writing articles for women’s magazines, she was hired to create promotional materials for MTV. Today at age 54 she is chairwoman and chief executive officer (CEO) of MTV Networks, which was launched in 1981 as a music video channel but now comprises TV channels, Web sites, and wireless services reaching 514 million households in 162 countries. What brought about her rise to the top of this $7 billion company?

One quality she brought to her job is a strong sense of community. If she has been “smart or lucky at one thing,” she says, “it has been [picking] good people.” Another quality is perseverance. “It’s a really undervalued asset,” she points out, “but if you really want something, you’ve got to hang in there.” A third quality: encouraging an anything-is-possible spirit by creating an atmosphere in which people feel safe and are not afraid to fail. “Falling flat is a great motivator,” she says. “So is accident.”

In an era of broadband, iPods, and an “Always On” online generation, MTV faces a slew of threats. The company will now have to deliver services across new broadband channels, over cell phones, and via video games. Two important rules in the McGrath playbook, therefore, are “Make change part of your DNA” and “Companies don’t innovate, people do.”

Being prepared for surprises and change is important to any manager’s survival, and continuing change—in the world and in the workplace—is a major theme of this book.

The Art of Management Defined

Is being an exceptional manager—a star manager—a gift, like a musician having perfect pitch? Not exactly. But in good part it may be an art. Fortunately, it is one that is teachable.

Management, said one pioneer of management ideas, is “the art of getting things done through people.”

Getting things done. Through people. Thus, managers are task oriented, achievement oriented, and people oriented. And they operate within an organization—a group of people who work together to achieve some specific purpose.

More formally, management is defined as (1) the pursuit of organizational goals efficiently and effectively by (2) integrating the work of people through (3) planning, organizing, leading, and controlling the organization’s resources.
Note the words *efficiently* and *effectively*, which basically mean “doing things right.”

- **Efficiency—the means.** Efficiency is the means of attaining the organization’s goals. To be **efficient** means to use resources—people, money, raw materials, and the like—wisely and cost-effectively.

- **Effectiveness—the ends.** Effectiveness is the organization’s ends, the goals. To be **effective** means to achieve results, to make the right decisions and to successfully carry them out so that they achieve the organization’s goals.

Good managers are concerned with trying to achieve both qualities. Often, however, organizations will erroneously strive for efficiency without being effective.

---

**Example**

**Efficiency versus Effectiveness: Won’t Someone Answer the Phone—Please?**

We’re all now accustomed to having our calls to companies answered not by people but by a recorded “telephone menu” of options. Certainly this arrangement is **efficient** for the companies, since they no longer need as many telephone receptionists. But it’s not **effective** if it leaves us, the customers, fuming and not inclined to continue doing business.

The cost for self-service via an automated phone system averages $1.85, whereas the cost of using a live customer-service representative is $4.50, according to the Gartner Group. Nevertheless, automated technologies often don’t allow completion of transactions, because of customer confusion and technological glitches, so this leads to “ping-ponging”—customers calling back trying to find a live representative.

Thus, Scott Broetzmann, president of CustomerCare Measurement Consulting, a firm that does surveys on customer service, says that 90% of consumers say they want nothing to do with an automated telephone system. “They just don’t like it,” he says. The most telling finding is that 50% of those surveyed had become so aggravated that they were willing to pay an additional charge for customer service that avoids going through an automated phone system.

Richard Shapiro, head of a firm that evaluates the experiences of customers calling in to toll-free call centers, says that companies “create more value through a dialogue with a live agent. A call is an opportunity to build a relationship, to encourage a customer to stay with the brand. There can be a real return on this investment.” Recognizing this, Netflix, the DVD-by-mail rental company, recently added 24/7 live operators to deal with customers’ problems.

**Your Call**

Paul English, chief technology officer for a travel search engine business, was so fed up with automated voice services and other awful customer service that he started Get Human to “change the face of customer service.” The Web site, [www.gethuman.com](http://www.gethuman.com), publishes the unpublicized codes for reaching a company’s human operators, a list of the best and worst companies, and cut-through-automation tips. What recent unpleasant customer experience would you want to post on this Web site?

---

**Why Organizations Value Managers: The Multiplier Effect**

Some great achievements of history, such as scientific discoveries or works of art, were accomplished by individuals working quietly by themselves. But so much more has been achieved by people who were able to leverage their talents and abilities by being managers. For instance, of the top 10 great architectural wonders of the world named...
by the American Institute of Architects, none was built by just one person. All were triumphs of management, although some reflected the vision of an individual. (The wonders are the Great Wall of China, the Great Pyramid, Machu Picchu, the Acropolis, the Coliseum, the Taj Mahal, the Eiffel Tower, the Brooklyn Bridge, the Empire State Building, and Frank Lloyd Wright's Falling Water house in Pennsylvania.)

Good managers create value. The reason is that in being a manager you have a multiplier effect: your influence on the organization is multiplied far beyond the results that can be achieved by just one person acting alone. Thus, while a solo operator such as a salesperson might accomplish many things and incidentally make a very good living, his or her boss could accomplish a great deal more—and could well earn two to seven times the income. And the manager will undoubtedly have a lot more influence.

Star managers are in high demand. “The scarcest, most valuable resource in business is no longer financial capital,” says a recent *Fortune* article. “It’s talent. If you doubt that, just watch how hard companies are battling for the best people. . . . Talent of every type is in short supply, but the greatest shortage of all is skilled, effective managers.

### Financial Rewards of Being a Star Manager

How well compensated are managers? According to the U.S. Bureau of Labor Statistics, the median weekly wage in 2007 for American workers of all sorts was $700, or $36,400 a year. Education pays: The average 2006 income for full-time workers with a bachelor’s degree was $43,143 and with a master’s degree was $52,390. (For high-school graduates, it was $26,505.)

The business press frequently reports on the astronomical earnings of top chief executive officers such as Lee R. Raymond, chairman and chief executive of the oil giant ExxonMobil, who was compensated more than $686 million from 1993 to 2005, which works out to $144,573 a day. However, this kind of compensation isn’t common. More usual is the take-home pay for the head of a small business: In 2007, the median salary for a small business chief executive was $233,500. (A small business was classified as a company with up to 500 full-time employees.) The national median salary for a CEO with 500 to 5,000 employees was $500,000, and $849,375 for those at companies with more than 5,000 employees.

Managers farther down in the organization usually don’t make this much, of course; nevertheless, they do fairly well compared to most workers. At the lower rungs, managers may make between $25,000 and $50,000 a year; in the middle levels, between $35,000 and $110,000.

There are also all kinds of fringe benefits and status rewards that go with being a manager, ranging from health insurance to stock options to large offices. And the higher you ascend in the management hierarchy, the more privileges may come your way: personal parking space, better furniture, lunch in the executive dining room, on up to—for those on the top rung of big companies—company car and driver, corporate jet, and even executive sabbaticals (months of paid time off to pursue alternative projects).

### What Are the Rewards of Studying & Practicing Management?

Are you studying management but have no plans to be a manager? Or are you trying to learn techniques and concepts that will help you be an exceptional management practitioner? Either way there are considerable rewards.

**The Rewards of Studying Management** Students sign up for the introductory management course for all kinds of reasons. Many, of course, are planning business careers, but others are taking it to fulfill a requirement or an elective or just to fill a hole in their course schedule. Some students are in technical fields,
such as accounting, finance, computer science, and engineering, and never expect to have to supervise other people.

Here are just a few of the payoffs of studying management as a discipline:

- **You will understand how to deal with organizations from the outside.** Since we all are in constant interaction with all kinds of organizations, it helps to understand how they work and how the people in them make decisions. Such knowledge may give you some defensive skills that you can use in dealing with organizations from the outside, as a customer or investor, for example.

- **You will understand how to relate to your supervisors.** Since most of us work in organizations and most of us have bosses, studying management will enable you to understand the pressures managers deal with and how they will best respond to you.

- **You will understand how to interact with co-workers.** The kinds of management policies in place can affect how your co-workers behave. Studying management can give you the understanding of teams and teamwork, cultural differences, conflict and stress, and negotiation and communication skills that will help you get along with fellow employees.

- **You will understand how to manage yourself in the workplace.** Management courses in general, and this book in particular, give you the opportunity to realize insights about yourself—your personality, emotions, values, perceptions, needs, and goals. We help you build your skills in areas such as self-management, listening, handling change, managing stress, avoiding groupthink, and coping with organizational politics.

### The Rewards of Practicing Management

It’s possible you are planning to be a manager. Or it’s possible you will start your career practicing a narrow specialty but find yourself tapped for some sort of supervisory or leadership position. However you become a management practitioner, there are many rewards—apart from those of money and status—to being a manager:

- **You and your employees can experience a sense of accomplishment.** Every successful goal accomplished provides you not only with personal satisfaction but also with the satisfaction of all those employees you directed who helped you accomplish it.

- **You can stretch your abilities and magnify your range.** Every promotion up the hierarchy of an organization stretches your abilities, challenges your talents and skills, and magnifies the range of your accomplishments.

- **You can build a catalog of successful products or services.** Every product or service you provide—the personal Eiffel Tower or Empire State Building you build, as it were—becomes a monument to your accomplishments. Indeed, studying management may well help you in running your own business.

Finally, points out Odette Pollar, who owns Time Management Systems, a productivity-improvement firm in Oakland, California, “Managers are able to view the business in a broader context, to plan and grow personally. Managers can play more of a leadership role than ever before. This is an opportunity to counsel, motivate, advise, guide, empower, and influence other people. These important skills can be used in business as well as in personal and volunteer activities. If you truly like people and enjoy mentoring and helping others to grow and thrive, management is a great job.”

---

Manager’s Hot Seat:
Office Romance:
Groping for Answers

Mentoring. Being a manager is an opportunity “to counsel, motivate, advise, guide, empower, and influence” other people. Does this sense of accomplishment appeal to you?
I.2 SIX CHALLENGES TO BEING A STAR MANAGER

The ideal state that many people seek is an emotional zone somewhere between boredom and anxiety, in the view of psychologist Mihaly Csikzentmihalyi. Boredom, he says, may arise because skills and challenges are mismatched: You are exercising your high level of skill in a job with a low level of challenge, such as licking envelopes. Anxiety arises when one has low levels of skill but a high level of challenge.

As a manager, could you achieve a balance between these two states? Certainly managers have enough challenges to keep their lives more than mildly interesting. Let’s see what they are.

Challenge #1: Managing for Competitive Advantage—Staying Ahead of Rivals

Competitive advantage is the ability of an organization to produce goods or services more effectively than competitors do, thereby outperforming them. This means an organization must stay ahead in four areas: (1) being responsive to customers, (2) innovation, (3) quality, and (4) efficiency.

1. Being Responsive to Customers The first law of business is: take care of the customer. Without customers—buyers, clients, consumers, shoppers, users, patrons, guests, investors, or whatever they’re called—sooner or later there will be no organization. Nonprofit organizations are well advised to be responsive to their “customers,” too, whether they’re called citizens, members, students, patients, voters, rate-payers, or whatever, since they are the justification for the organizations’ existence.

2. Innovation Finding ways to deliver new or better goods or services is called innovation. No organization, for-profit or nonprofit, can allow itself to become complacent—especially when rivals are coming up with creative ideas. “Innovate or die” is an important adage for any manager.

3. Quality If your organization is the only one of its kind, customers may put up with products or services that are less than stellar (as they have with some
airlines whose hub systems give them a near-monopoly on flights out of certain cities), but only because they have no choice. But if another organization comes along and offers a better-quality travel experience, TV program, cut of meat, computer software, or whatever, you may find your company falling behind. Making improvements in quality has become an important management idea in recent times, as we shall discuss.

Example

Losing Competitive Advantage: Network Television Battles “On-Demand” Technologies

The four major television networks—ABC, CBS, NBC, and Fox—have felt extreme pressure on revenues as the mass audience they used to take for granted has fragmented, causing the networks to lose their competitive advantage. During the past dozen years, their share of the viewing audience has fallen from 72% to about 41%; indeed, it lost an entire 5% just between 2006 and 2007. This has been caused by three developments, says television critic David Friend.

First has been the rise of cable television, supported by its two revenue streams, advertisers and subscribers, and its offerings, which, says Friend, “made even the best network shows look strangely antique.” Examples have been the HBO hits “The Sopranos” and “Deadwood,” Comedy Central’s “South Park,” and FX’s “The Shield.” The major networks responded by premiering shows not just in the fall but throughout the year, by putting on serial dramas and reality shows, and by running shows in short series of only 10 or 12 episodes. However, these tactics adversely affected the ability of the networks to sell hit shows into syndication (reruns), causing them to lose further revenues.

Second has been further audience fragmentation occasioned by the change from a “linear” viewing model to an “on-demand” model. In the linear model, according to Friend, people watch a show at the time the network airs it, such as “Desperate Housewives” at 9 P.M. on ABC. In the on-demand model, viewers tune in whenever they want to, using ad-skipping digital video-recorders (TiVo systems), iPods, personal computers, and cell phones. This has two results: on-demand viewers frequently become distracted by other offerings (including “grassroots” content, such as skateboard wipeouts created by sk8hed), and they frequently skip or delete commercials. As many as 20–40% of viewers may now be in a position to zap ads. This phenomenon has forced the networks to resort to more “product (or brand) integration,” in which products are placed in scenes visible to viewers and advertisers are given roles in plots of shows, such as “a desperate housewife showing off a Buick at a shopping mall,” in one description.

Third has been the networks’ obsession with beating other hit shows, moving successful shows around to different time slots in order to try to outdraw rivals. “By obsessing about whether ‘Chicago Hope’ will beat ‘ER,’” says Friend, “the execs are making a classic Time vs. Newsweek . . . mistake: grappling with their longitudinal rival, oblivious of their surroundings, they all fall over the cliff together.”

Your Call

As the networks go, will cable follow? What do you think the effect will be of iPods, DVRs, HDTV, video-on-demand, and the like on the cable industry?
4. Efficiency  Whereas a generation ago organizations rewarded employees for their length of service, today the emphasis is on efficiency: Companies strive to produce goods or services as quickly as possible using as few employees (and raw materials) as possible. While a strategy that downgrades the value of employees will probably backfire—resulting in the loss of essential experience and skills and even customers—an organization that is overstaffed may not be able to compete with leaner, meaner rivals. This is the reason why, for instance, today many managers—aided by their desktop computers—do much of their own correspondence and filing. Secretarial staffs have been reduced, but of course the secretarial work remains.

Challenge #2: Managing for Diversity—The Future Won’t Resemble the Past

During the next half-century, the mix of American racial or ethnic groups will change considerably, with the United States becoming half minority. Nonhispanic whites are projected to decrease from 69% of the population at the turn of the 21st century to 50% in 2050. African Americans will increase from 13% to 15%, Asians and Pacific Islanders from 4% to 8%, and Hispanics (who may be of any race) from 13% to 24%. In addition, in the coming years there will be a different mix of women, immigrants, and older people in the general population, as well as in the workforce. For instance, in 2006, Hispanics accounted for nearly one-quarter of all U.S. births. Some scholars think that diversity and variety in staffing produce organizational strength, as we consider elsewhere. Clearly, however, the challenge to the manager of the near future is to maximize the contributions of employees diverse in gender, age, race, and ethnicity. We discuss this matter in more detail in Chapter 3.

Challenge #3: Managing for Globalization—The Expanding Management Universe

“In Japan it is considered rude to look directly in the eye for more than a few seconds,” says a report about teaching Americans how to behave abroad, “and in Greece the hand-waving gesture commonly used in America for goodbye is considered an insult.”

The point: Gestures and symbols don’t have the same meaning to everyone throughout the world. Not understanding such differences can affect how well organizations manage globally.

American firms have been going out into the world in a major way, even as the world has been coming to us—leading to what New York Times columnist Thomas Friedman has called, in his 2005 book The World Is Flat, a phenomenon in which globalization has leveled (made “flat”) the competitive playing fields between industrial and emerging-market countries. Indeed, despite political outcries about white-collar jobs disappearing overseas to places such as India, foreigners actually send far more office work to the United States than American companies send abroad. Managing for globalization will be a complex, ongoing challenge, as we discuss at length in Chapter 4.

Challenge #4: Managing for Information Technology

The challenge of managing for information technology, not to mention other technologies affecting your business, will require your unflagging attention. Perhaps
most important is the Internet, the global network of independently operating but interconnected computers, linking hundreds of thousands of smaller networks around the world.

By 2010, according to International Data Corp., Internet trade between businesses will surpass $10 trillion worldwide.27 This kind of e-commerce, or electronic commerce—the buying and selling of goods or services over computer networks—is reshaping entire industries and revamping the very notion of what a company is. More important than e-commerce, the information technology has facilitated e-business, using the Internet to facilitate every aspect of running a business. As one article puts it, “at bottom, the Internet is a tool that dramatically lowers the cost of communication. That means it can radically alter any industry or activity that depends heavily on the flow of information.”28

Some of the implications of e-business that we will discuss throughout the book are as follows:

• Far-ranging e-management and e-communication. Using wired and wireless telephones, fax machines, electronic mail, or e-mail—text messages and documents transmitted over a computer network—as well as project management software—programs for planning and scheduling the people, costs, and resources to complete a project on time—21st-century managers will find themselves responsible for creating, motivating, and leading teams of specialists all over the world. This will require them to be masters of organizational communication, able to create concise, powerful e-mail and voice-mail messages.

• Accelerated decision making, conflict, and stress. The Internet not only speeds everything up, it also, with its huge, interconnected databases—computerized collections of interrelated files—can overwhelm us with information, much of it useful, much of it not. For example, recent studies show that employees lose valuable time and productivity when dealing with excessive and unimportant e-mail volume and increasing amounts of cell phone spam.29 Among the unavoidable by-products are increased conflict and stress, although, as we will show, these can be managed.

• Changes in organizational structure, jobs, goal setting, and knowledge management. With computers and telecommunications technology, organizations and teams become “virtual”; they are no longer as bound by time zones and locations. Employees, for instance, may telecommute, or work from home or remote locations using a variety of information technologies. Meetings may be conducted via videoconferencing, using video and audio links along with computers to let people in different locations see, hear, and talk with one another. In addition, collaborative computing, using state-of-the-art computer software and hardware, will help people work better together. Goal setting and feedback will be conducted via Web-based software programs such as eWorkbench, which enables managers to create and track employee goals. All such forms of interaction will require managers and employees to be more flexible, and there will be an increased emphasis on knowledge management—the implementing of systems and practices to increase the sharing of knowledge and information throughout an organization.

Challenge #5: Managing for Ethical Standards

With the pressure to meet sales, production, and other targets, managers can find themselves confronting ethical dilemmas. What do you do when you learn
an employee dropped a gyroscope but put it in the helicopter anyway in order to hold the product’s delivery date? How much should you allow your sales reps to knock the competition? How much leeway do you have in giving gifts to prospective clients in a foreign country to try to land a contract? In an era of global warming and rising sea levels, what is your responsibility to “act green”—avoid company policies that are damaging to the environment?

Ethical behavior is not just a nicety, it is a very important part of doing business. This was made clear during the period 2003–2004 as executives from Enron, Tyco, WorldCom, Adelphia, and other companies were paraded in handcuffs before television cameras. Not since sociologist Edwin Sutherland invented the term “white-collar crime” in the 1930s were so many top-level executives being hauled into court. We consider ethics in Chapter 3 and elsewhere in the book.

Challenge #6: Managing for Your Own Happiness & Life Goals

Ann Garcia had the view that good managers push decision making down, spread the compliments, and take the blame, but after being given a team to manage at her technology company, she gave it up. “I’m just not a big enough person all the time to want to do that,” she said. “Many of us realize that we don’t want the career path that corporate America has to offer.”

Regardless of how well paid you are, you have to consider whether in meeting the organization’s challenges you are also meeting the challenge of realizing your own happiness. Many people simply don’t find being a manager fulfilling. They may complain that they have to go to too many meetings, that they can’t do enough for their employees, that they are caught in the middle between bosses and subordinates. They may feel, at a time when Dilbert cartoons have created such an unflattering portrayal of managers, that they lack respect. They may decide that, despite the greater income, money cannot buy happiness, as the adage goes.

In the end, however, recall what Odette Pollar said: “If you truly like people and enjoy mentoring and helping others to grow and thrive, management is a great job.” And it helps to know, as she points out, that “one’s experience in management is greatly affected by the company’s culture.” Culture, or style, is indeed an important matter, because it affects your happiness within an organization, and we discuss it in detail in Chapter 8.
1.3 WHAT MANAGERS DO: THE FOUR PRINCIPAL FUNCTIONS

What would I actually do—that is, what would be my four principal functions—as a manager?

THE BIG PICTURE
Management has four functions: planning, organizing, leading, and controlling.

What do you as a manager do to “get things done”—that is, achieve the stated goals of the organization you work for? You perform what is known as the management process, also called the four management functions: planning, organizing, leading, and controlling. (The abbreviation “POLC” may help you to remember them.)

As the diagram below illustrates, all these functions affect one another, are ongoing, and are performed simultaneously. (See Figure 1.1.)

Although the process of management can be quite complex, these four functions represent its essential principles. Indeed, as a glance at our text’s table of contents shows, they form four of the part divisions of the book. Let’s consider what the four functions are, using the management (or “administration,” as it is called in nonprofit organizations) of your college to illustrate them.

Planning: Discussed in Part 3 of This Book

Planning is defined as setting goals and deciding how to achieve them. Your college was established for the purpose of educating students, and its present managers, or administrators, now must decide the best way to accomplish this. Which of several possible degree programs should be offered? Should the college be a residential or a
commuter campus? What sort of students should be recruited and admitted? What kind of faculty should be hired? What kind of buildings and equipment are needed?

Organizing: Discussed in Part 4 of This Book

*Organizing* is defined as arranging tasks, people and other resources to accomplish the work. College administrators must determine the tasks to be done, by whom, and what the reporting hierarchy is to be. Should the institution be organized into schools with departments, with department chairpersons reporting to deans who in return report to vice presidents? Should the college hire more full-time instructors than part-time instructors? Should English professors teach just English literature or also composition, developmental English, and “first-year experience” courses?

Leading: Discussed in Part 5 of This Book

*Leading* is defined as motivating, directing, and otherwise influencing people to work hard to achieve the organization’s goals. At your college, leadership begins, of course, with the president (who would be the chief executive officer, or CEO, in a for-profit organization). He or she is the one who must inspire faculty, staff, students, alumni, wealthy donors, and residents of the surrounding community to help realize the college’s goals. As you might imagine, these groups often have different needs and wants, so an essential part of leadership is resolving conflicts.

Controlling: Discussed in Part 6 of This Book

*Controlling* is defined as monitoring performance, comparing it with goals, and taking corrective action as needed. Is the college discovering that fewer students are majoring in nursing than they did 5 years previously? Is the fault with a change in the job market? with the quality of instruction? with the kinds of courses offered? Are the Nursing Department’s student recruitment efforts not going well? Should the department’s budget be reduced? Under the management function of controlling, college administrators must deal with these kinds of matters.
1.4 PYRAMID POWER: LEVELS & AREAS OF MANAGEMENT

What are the levels and areas of management I need to know to move up, down, and sideways?

THE BIG PICTURE

Within an organization, there are managers at three levels: top, middle, and first-line. Managers may also be general managers, or they may be functional managers, responsible for just one organizational activity, such as Research & Development, Marketing, Finance, Production, or Human Resources. Managers may work for for-profit, non-profit, or mutual-benefit organizations.

The workplace of the future may resemble a symphony orchestra, famed management theorist Peter Drucker said. Employees, especially so-called knowledge workers—those who have a great deal of technical skills—can be compared to concert musicians. Their managers can be seen as conductors.

In Drucker’s analogy, musicians are used for some pieces of music—that is, work projects—and not others, and they are divided into different sections (teams) based on their instruments. The conductor’s role is not to play each instrument better than the musicians but to lead them all through the most effective performance of a particular work.

This model is in sharp contrast to the traditional pyramid-like organizational model, where one leader sits at the top, with layers of managers beneath. We therefore need to take a look at the traditional arrangement first.

The Traditional Management Pyramid: Levels & Areas

A new Silicon Valley technology startup company staffed by young people in sandals and shorts may be so small and so loosely organized that only one or two members may be said to be a manager. General Motors or the U.S. Army, in contrast, has thousands of managers doing thousands of different things. Is there a picture we can draw that applies to all the different kinds of organizations that describes them in ways that make sense? Yes: by levels and by areas, as the pyramid on the next page shows. (See Figure 1.2.)

Three Levels of Management

Not everyone who works in an organization is a manager, of course, but those who are may be classified into three levels—top, middle, and first-line.

**Top Managers**  Their offices may be equipped with expensive leather chairs and have lofty views. Or, as with one Internet service provider (ISP), they may have plastic lawn chairs in the CEO’s office and beat-up furniture in the lobby. Whatever their decor, an organization’s top managers tend to have titles such as “chief executive officer (CEO),” “chief operating officer (COO),” “president,” and “senior vice president.”

Some may be the stars in their fields, the men and women whose pictures appear on the covers of business magazines, people such as MySpace co-founders Tom Anderson and Chris DeWolfe or PepsiCo CEO Indra Nooyi, who appeared on the front of *Fortune* in 2006, or former eBay CEO Meg Whitman or AT&T CEO Ed Whitacre, who were on the cover of *Forbes* in 2007. The salaries and
Top managers make long-term decisions, middle managers implement those decisions, and first-line managers make short-term decisions.

Bonuses can average $290,000 a year for CEOs and presidents of small and mid-size companies to far over $1 million for top executives in large companies.

**Top managers** make long-term decisions about the overall direction of the organization and establish the objectives, policies, and strategies for it. They need to pay a lot of attention to the environment outside the organization, being alert for long-run opportunities and problems and devising strategies for dealing with them. Thus, executives at this level must be future oriented, dealing with uncertain, highly competitive conditions.

These people stand at the summit of the management pyramid. But the nature of a pyramid is that the farther you climb, the less space remains at the top. Thus, most pyramid climbers never get to the apex. However, that doesn’t mean that you shouldn’t try. Indeed, you might end up atop a much smaller pyramid of some other organization than the one you started out in—and happier with the result.

**Middle Managers** implement the policies and plans of the top managers above them and supervise and coordinate the activities of the first-line managers below them. In the nonprofit world, middle managers may have titles such as “clinic director,” “dean of student services,” and the like. In the for-profit world, the titles may be “division head,” “plant manager,” and “branch sales manager.” Their salaries may range from under $50,000 up to $110,000 a year.

Sometimes the titles have become more creative, in accordance with the changing face of management. For instance, now there are titles such as chief security officer, chief sales officer, chief revenue officer, and chief investment officer. A company may also have a
“chief learning officer” in charge of training, a “chief green (or sustainability) officer” in charge of environmental concerns, and even a “chief beer officer,” a position created by the Sheraton Hotels Four Points chain for a person who selects beers for hotel menus and leads brewery tours.

**First-Line Managers** The job titles at the bottom of the managerial pyramid tend to be on the order of “department head,” “foreman” or “forewoman,” “team leader,” or “supervisor”—clerical supervisor, production supervisor, research supervisor, and so on. Indeed, *supervisor* is the name often given to first-line managers as a whole. Their salaries may run from $25,000 to $50,000 a year.

Following the plans of middle and top managers, *first-line managers* make **short-term operating decisions**, directing the daily tasks of nonmanagerial personnel, who are, of course, all those people who work directly at their jobs but don’t oversee the work of others.

No doubt the job of first-line manager will be the place where you would start your managerial career. This can be a valuable experience because it will be the training and testing ground for your management ideas.

**Areas of Management: Functional Managers versus General Managers**

We can represent the levels of management by slicing the organizational pyramid horizontally. We can also slice the pyramid vertically to represent the organization’s departments or functional areas, as we did in Figure 1.2.

In a for-profit technology company, these might be *Research & Development, Marketing, Finance, Production, and Human Resources*. In a nonprofit college, these might be *Faculty, Student Support Staff, Finance, Maintenance, and Administration*. Whatever the names of the departments, the organization is run by two types of managers—functional and general. (These are line managers, with authority to direct employees. Staff managers mainly assist line managers, as we discuss later.)

**Functional Managers** If your title is Vice President of Production, Director of Finance, or Administrator for Human Resources, you are a functional manager. A *functional manager* is responsible for just one organizational activity. Danamichele Brennan, now chief technology officer for McGettigan Partners, was previously with Rosenbluth Travel, where her title—indicative of the trend in some companies toward use of more flexible job titles—was Chief Travel Scientist. Her job was heading a research team that developed services to turn reservation agents into travel consultants. The goal: not just cheaper travel but better travel. Leading this specialized sort of research-and-development activity makes her a functional manager.

**General Managers** If you are working in a small organization of, say, 100 people and your title is Executive Vice President, you are probably a general manager over several departments, such as Production and Finance and Human Resources. A *general manager* is responsible for several organizational activities. At the top of the pyramid, general managers are those who seem to be the subject of news stories in magazines such as *BusinessWeek, Fortune, Forbes, Inc.*, and *Fast Company*. Examples are big-company CEOs Jeffrey R. Immelt of General Electric and Anne Mulcahy of Xerox Corp. It also includes small-company CEOs such as Gayle...
Martz, who heads Sherpa’s Pet Trading Co., a $4 million New York company with 10 employees that sells travel carriers for dogs and cats. But not all general managers are in for-profit organizations.

Dr. Rick Aubrey is president of Rubicon Programs, a San Francisco–area nonprofit formed after California state psychiatric hospitals were closed in 1973. The organization funds training, housing, and employment programs that have helped thousands of former patients and disabled, impoverished, and homeless people reenter society. Rubicon funds 59% of its $13.9 million annual budget from its rental properties, enterprises, and services, such as the Rubicon Bakery and Rubicon Landscape Services, which also provide job training. Aubrey makes a point of running Rubicon like a business, reflecting the strategic vision of a top-level general manager. Rubicon was a recipient of Fast Company magazine’s 2008 Social Capitalist awards.

Managers for Three Types of Organizations: For-Profit, Nonprofit, Mutual-Benefit

There are three types of organizations classified according to the three purposes for which they are formed—for-profit, nonprofit, and mutual-benefit.

1. For-Profit Organizations: For Making Money

For-profit, or business, organizations are formed to make money, or profits, by offering products or services. When most people think of “management,” they think of business organizations, ranging from Allstate to Zenith, from Amway to Zagat.

2. Nonprofit Organizations: For Offering Services

Managers in nonprofit organizations are often known as “administrators.” Nonprofit organizations may be either in the public sector, such as the University of California, or in the private sector, such as Stanford University. Either way, their purpose is to offer services to some clients, not to make a profit. Examples of such organizations are hospitals, colleges, and social-welfare agencies (the Salvation Army, the Red Cross).

One particular type of nonprofit organization is called the commonweal organization. Unlike nonprofit service organizations, which offer services to some clients, commonweal organizations offer services to all clients within their jurisdictions. Examples are the military services, the U.S. Postal Service, and your local fire and police departments.

3. Mutual-Benefit Organizations: For Aiding Members

Mutual-benefit organizations are voluntary collections of members—political parties, farm cooperatives, labor unions, trade associations, and clubs—whose purpose is to advance members’ interests.

Do Managers Manage Differently for Different Types of Organizations?

If you become a manager, would you be doing the same types of things regardless of the type of organization? Generally you would be; that is, you would be performing the four management functions—planning, organizing, leading, and controlling—that we described in Section 1.3.

The single biggest difference, however, is that in a for-profit organization, the measure of its success is how much profit (or loss) it generates. In the other two types of organization, although income and expenditures are very important concerns, the measure of success is usually the effectiveness of the services delivered—how many students were graduated, if you’re a college administrator, or how many crimes were prevented or solved, if you’re a police chief.
Clearly, as MTV Networks CEO Judy McGrath’s experience suggests, being a successful manager requires playing several different roles and exercising several different skills. What are they?

**The Manager’s Roles: Mintzberg’s Useful Findings**

Maybe, you think, it might be interesting to shadow some managers to see what it is, in fact, they actually do. That’s exactly what management scholar Henry Mintzberg did when, in the late 1960s, he followed five chief executives around for a week and recorded their working lives. And what he found is valuable to know, since it applies not only to top managers but also to managers on all levels.

Consider this portrait of a manager’s workweek: “There was no break in the pace of activity during office hours,” reported Mintzberg about his subjects. “The mail (average of 36 pieces per day), telephone calls (average of five per day), and meetings (average of eight) accounted for almost every minute from the moment these executives entered their offices in the morning until they departed in the evening.”

Only five phone calls per day? And, of course, this was back in an era before e-mail, which nowadays can shower some executives with 100, even 300, messages a day. Indeed, says Ed Reilly, who heads the America Management Association, all the e-mail, cell phone calls, text messaging, and so on can lead people to end up “concentrating on the urgent rather than the important.”

Obviously, the top manager’s life is extraordinarily busy. Here are three of Mintzberg’s findings, important for any prospective manager:

1. **A Manager Relies More on Verbal Than on Written Communication**  Writing letters, memos, and reports takes time. Most managers in Mintzberg’s research tended to get and transmit information through telephone conversations and meetings. No doubt this is still true, although the technology of e-mail now makes it possible to communicate almost as rapidly in writing as with the spoken word.

2. **A Manager Works Long Hours at an Intense Pace**  “A true break seldom occurred,” wrote Mintzberg about his subjects.
Coffee was taken during meetings, and lunchtime was almost always devoted to formal or informal meetings."

Long hours at work are standard, he found, with 50 hours being typical and up to 90 hours not unheard of. A 1999 survey by John P. Kotter of the Harvard Business School found that the general managers he studied worked just under 60 hours per week. Are such hours really necessary? Three decades following the Mintzberg research, Linda Stroh, Director of Workplace Studies at Loyola University Chicago, did a study that found that people who work more also earn more. "Those managers who worked 61 hours or more per week had earned, on average, about two promotions over the past five years," she reported.

However, researchers at Purdue and McGill universities have found that more companies are allowing managers to reduce their working hours and spend more time with their families yet still advance their high-powered careers.

3. A Manager’s Work Is Characterized by Fragmentation, Brevity, & Variety

Only about a tenth of the managerial activities observed by Mintzberg took more than an hour; about half were completed in under 9 minutes. Phone calls averaged 6 minutes, informal meetings 10 minutes, and desk-work sessions 15 minutes. "When free time appeared," wrote Mintzberg, "ever-present subordinates quickly usurped it."

No wonder the executive’s work time has been characterized as “the interrupt-driven day” and that many managers—such as the late Mary Kay Ash, head of the Mary Kay Cosmetics company—get up as early as 5 A.M. so that they will have a quiet period in which to work undisturbed. No wonder that finding balance between work and family lives is an ongoing concern and that many managers—such as Dawn Lepore, executive V.P. of discount broker Charles Schwab & Co.—have become "much less tolerant of activities that aren’t a good use of my time” and so have become better delegators.

It is clear from Mintzberg’s work that time and task management are major challenges for every manager. The Practical Action box on the next page, “Getting Your Work Done,” offers some suggestions along this line, as does the box at the end of this chapter (page 28), “Getting Control of Your Time: Dealing with the Information Deluge in College & in Your Career.”

Three Types of Managerial Roles

Three Types of Managerial Roles: Interpersonal, Informational, & Decisional

From his observations and other research, Mintzberg concluded that managers play three broad types of roles or “organized sets of behavior”: interpersonal, informational, and decisional.

1. Interpersonal Roles—Figurehead, Leader, and Liaison

In their interpersonal roles, managers interact with people inside and outside their work units. The three interpersonal roles include figurehead, leader, and liaison activities.
2. Informational Roles—Monitor, Disseminator, and Spokesperson  The most important part of a manager’s job, Mintzberg believed, is information handling, because accurate information is vital for making intelligent decisions. In their three informational roles—as monitor, disseminator, and spokesperson—managers receive and communicate information with other people inside and outside the organization.

3. Decisional Roles—Entrepreneur, Disturbance Handler, Resource Allocator, and Negotiator  In their decisional roles, managers use information to make decisions to solve problems or take advantage of opportunities. The four decision-making roles are entrepreneur, disturbance handler, resource allocator, and negotiator.

These roles are summarized on the next page. (See Table 1.1.)

Did anyone say a manager’s job is easy? Certainly it’s not for people who want to sit on the sidelines of life. Above all else, managers are doers.
**Table 1.1**

**THREE TYPES OF MANAGERIAL ROLES: INTERPERSONAL, INFORMATIONAL, AND DECISIONAL**

<table>
<thead>
<tr>
<th>Broad Managerial Roles</th>
<th>Types of Roles</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interpersonal</td>
<td>Figurehead role</td>
<td>In your <em>figurehead</em> role, you show visitors around your company, attend employee birthday parties, and present ethical guidelines to your subordinates. In other words, you perform symbolic tasks that represent your organization.</td>
</tr>
<tr>
<td></td>
<td>Leadership role</td>
<td>In your role of <em>leader</em>, you are responsible for the actions of your subordinates, since their successes and failures reflect on you. Your leadership is expressed in your decisions about training, motivating, and disciplining people.</td>
</tr>
<tr>
<td></td>
<td>Liaison role</td>
<td>In your <em>liaison</em> role, you must act like a politician, working with other people outside your work unit and organization to develop alliances that will help you achieve your organization’s goals.</td>
</tr>
<tr>
<td>Informational</td>
<td>Monitor role</td>
<td>As a <em>monitor</em>, you should be constantly alert for useful information, whether gathered from newspaper stories about the competition or gathered from snippets of conversation with subordinates you meet in the hallway.</td>
</tr>
<tr>
<td></td>
<td>Disseminator role</td>
<td>Workers complain they never know what’s going on? That probably means their supervisor failed in the role of <em>disseminator</em>. Managers need to constantly disseminate important information to employees, as via e-mail and meetings.</td>
</tr>
<tr>
<td></td>
<td>Spokesperson role</td>
<td>You are expected, of course, to be a diplomat, to put the best face on the activities of your work unit or organization to people outside it. This is the informational role of <em>spokesperson</em>.</td>
</tr>
<tr>
<td>Decisional</td>
<td>Entrepreneur role</td>
<td>A good manager is expected to be an <em>entrepreneur</em>, to initiate and encourage change and innovation.</td>
</tr>
<tr>
<td></td>
<td>Disturbance handler role</td>
<td>Unforeseen problems—from product defects to international currency crises—require you be a <em>disturbance handler</em>, fixing problems.</td>
</tr>
<tr>
<td></td>
<td>Resource allocator role</td>
<td>Because you’ll never have enough time, money, and so on, you’ll need to be a resource <em>allocator</em>, setting priorities about use of resources.</td>
</tr>
<tr>
<td></td>
<td>Negotiator role</td>
<td>To be a manager is to be a continual <em>negotiator</em>, working with others inside and outside the organization to accomplish your goals.</td>
</tr>
</tbody>
</table>
Like many colleges, Harvard offers every freshman a copy of the class directory, known as the “facebook,” that shows photographs of all members of the class along with their names, birth dates, hometowns, and high schools. Harvard administrators had planned to put the facebook online, but in early 2004 a psychology student and programming hobbyist named Mark Zuckerberg beat them to it.

Zuckerberg had already tried some other projects, including Coursematch, which allowed Harvard students to find out who was enrolled in a particular class, and Facemash, which enabled students to rate student pictures for attractiveness. A version of the latter site was online a bare 4 hours when Zuckerberg’s Internet access was revoked by administration officials and he was charged with breaching security—an offense for which he escaped with a warning. Later, at the invitation of some fellow students, he was invited to help write the code for a “social networking” site, modeled after Friendster and Tribe.net, to be called Harvard Connection. Meanwhile he continued to work on his own projects.
During a weeklong semester break, Zuckerberg stayed in his dorm room creating a Web site, and on February 4, 2004, Thefacebook.com went up. Within 24 hours it had between 1,200 and 1,500 registrants. Facebook allowed anyone with a Harvard e-mail address to join and to create a profile, consisting of a photograph and personal information. A search box helped users call up other profiles. Unlike Friendster and MySpace, social sites that are open to anyone, Facebook’s members had a physical location, professors, and classes in common. That is, the site was not so much an online community as a directory that reinforces a physical community.

“By luck or design,” says one account, “Zuckerberg had tapped into a powerful yearning: the desire of hundreds of ambitious and impressionable young people to establish themselves and make friends in an unfamiliar environment. . . . The site quickly became a platform for self-promotion, a place to boast and preen and vie for others’ attention as much as for their companionship.” By the end of June 2004, the site had expanded to 40 schools and had 150,000 registered users. Zuckerberg and two friends who had pioneered Facebook then moved to Palo Alto, California, where later they began to meet with venture capitalists to expand the site. Today Facebook has about 40 million members and is growing at the rate of 3%–4% compounded weekly.55

Entrepreneurship Defined: Taking Risks in Pursuit of Opportunity

Facebook is one of the many small outfits in the United States that is one of the primary drivers of the nation’s economy. Indeed, according to the Small Business Administration, small outfits create some 75% of all new jobs, represent 99.7% of all employers, and employ 50% of the private workforce.56 Most small businesses originate with people like Zuckerberg. He and his partners are the entrepreneurs, the people with the idea, the risk takers.

So is Chip Conley, who has achieved success in the offbeat but expanding business of “boutique” hotels, each of which, unlike Hiltons and Hyatts, has its own one-of-a-kind charm. Conley likes magazines because they provide inspired themes for the hotels he buys and renovates. For instance, he says the Nob Hill Lambourne in San Francisco, which is oriented toward health-conscious travelers, resembles the magazine Men’s Health: the hotel offers algae shakes, vitamins instead of chocolates on the pillows, and an on-call psychologist. The Hotel Rex, modeled on The New Yorker, features a book-lined cocktail lounge, old leather furniture, and poetry readings.57

The most successful entrepreneurs become wealthy and make the covers of business magazines: Fred Smith of Federal Express, Debbie Fields of Mrs. Fields’ Cookies, Anita Roddick of The Body Shop, Michael Dell of Dell Computers. Failed entrepreneurs may benefit from the experience to live to fight another day—as did Henry Ford, twice bankrupt before achieving success with Ford Motor Co.

What Entrepreneurship Is Entrepreneurship is the process of taking risks to try to create a new enterprise. There are two types of entrepreneurship:

- The entrepreneur. An entrepreneur is someone who sees a new opportunity for a product or service and launches a business to try to realize it. Most entrepreneurs run small businesses with fewer than 100 employees.
- The intrapreneur. An intrapreneur is someone who works inside an existing organization who sees an opportunity for a product or service and mobilizes the organization’s resources to try to realize it. This person might be a researcher or a scientist but could also be a manager who sees an opportunity to create a new venture that could be profitable.
CHAPTER 1

How Do Entrepreneurs & Managers Differ?

While the entrepreneur is not necessarily an inventor, he or she “always searches for change, responds to it, and exploits it as an opportunity,” Peter Drucker pointed out. How does this differ from being a manager?

Being an entrepreneur is what it takes to start a business; being a manager is what it takes to grow or maintain a business. As an entrepreneur/intrapreneur, you initiate new goods or services; as a manager you coordinate the resources to produce the goods or services.

The examples of success we mentioned above—Chip Conley, Fred Smith, Debbie Fields, Anita Roddick, Michael Dell—are actually both entrepreneurs and effective managers. Some people, however, find they like the start-up part but hate the management part. For example, Stephen Wozniak, entrepreneurial co-founder with Steve Jobs of Apple Computer, abandoned the computer industry completely and went back to college. Jobs, by contrast, went on to launch another business, Pixar, which among other things became the animation factory that made the movies Toy Story and Finding Nemo.

Entrepreneurial companies have been called “gazelles” for the two attributes that make them successful: speed and agility. “Gazelles have mastered the art of the quick,” says Alan Webber, founding editor of Fast Company magazine. “They have internal approaches and fast decision-making approaches that let them move with maximum agility in a fast-changing business environment.”

Is this the kind of smart, innovative world you’d like to be a part of? Most people prefer the security of a job and a paycheck. Indeed, even young people—those ages 25–34—who might be expected to be attracted to the entrepreneurial life are about 40% less likely to be self-employed than their parents, according to the Bureau of Labor Statistics.
Entrepreneurs do seem to have psychological characteristics that are different from managers, as follows.\textsuperscript{62}

- **Characteristic of both—high need for achievement.** Both entrepreneurs and managers have a high need for achievement. However, entrepreneurs certainly seem to be motivated to pursue moderately difficult goals through their own efforts in order to realize their ideas and, they hope, financial rewards. Managers, by contrast, are more motivated by promotions and organizational rewards of power and perks.

- **Also characteristic of both—belief in personal control of destiny.** If you believe “I am the captain of my fate, the master of my soul,” you have what is known as *internal locus of control*, the belief that you control your own destiny, that external forces will have little influence. (External locus of control means the reverse—you believe you don’t control your destiny, that external forces do.) Both entrepreneurs and managers like to think they have personal control over their lives.

- **Characteristic of both, but especially of entrepreneurs—high energy level and action orientation.** Rising to the top in an organization probably requires that a manager put in long hours. For entrepreneurs, however, creating a new enterprise may require an extraordinary investment of time and energy. In addition, while some managers may feel a sense of urgency, entrepreneurs are especially apt to be impatient and to want to get things done as quickly as possible, making them particularly action oriented.

- **Characteristic of both, but especially of entrepreneurs—high tolerance for ambiguity.** Every manager needs to be able to make decisions based on ambiguous—that is, unclear or incomplete—information. However, entrepreneurs must have more tolerance for ambiguity because they are trying to do things they haven’t done before.

- **More characteristic of entrepreneurs than managers—self-confidence and tolerance for risk.** Managers must believe in themselves and be willing to make decisions; however, this statement applies even more to entrepreneurs. Precisely because they are willing to take risks in the pursuit of new opportunities—indeed, even risk personal financial failure—entrepreneurs need the confidence to act decisively.

Of course, not all entrepreneurs have this kind of faith in themselves. So-called *necessity* entrepreneurs are people such as laid-off corporate workers, discharged military people, immigrants, and divorced homemakers who suddenly must earn a living and are simply trying to replace lost income and are hoping a job comes along. These make up about 11\% of entrepreneurs. However, so-called *opportunity* entrepreneurs—the other 89\%—are those who start their own business out of a burning desire rather than because they lost a job. Unlike necessity types, they tend to be more ambitious and to start firms that can lead to high-growth businesses.\textsuperscript{63}

Which do you think you would be happier doing—being an entrepreneur or being a manager?
CEO Judy McGrath once broke her wrist during a food fight at an MTV staff party. Is this the kind of beyond-the-call-of-duty activity that’s required to have the right management stuff? Let’s see what the “right stuff” might be.

In the mid-1970s, researcher Robert Katz found that through education and experience managers acquire three principal skills—technical, conceptual, and human.

1. Technical Skills—The Ability to Perform a Specific Job

McGrath clearly has acquired the job-specific knowledge needed to function in the world of television and digital entertainment (as opposed to another industry—say, tax law, engineering, or restaurant work). Indeed, she has a college degree in English literature from Cedar Crest College and previously worked as a copy chief at Glamour magazine and as a senior writer at Mademoiselle.

**Technical skills** consist of the job-specific knowledge needed to perform well in a specialized field. Having the requisite technical skills seems to be most important at the lower levels of management—that is, among first-line managers.

2. Conceptual Skills—The Ability to Think Analytically

McGrath also has the “big picture” knowledge to keep up with her job. Although she tries to get home every night at a sane hour to see her 13-year-old daughter and stay-at-home husband, she lugs a bagful of scripts and tapes and exchanges Blackberry messages with executives well past midnight. She networks constantly with film, TV, and music industry executives and stars but also reads widely, everything from US Weekly to novels such as Samuel Beckett’s Malone Dies. “Judy was the only person I ever worked with who knew as much about great literature as what was going on between East Coast and West Coast rappers,” says a former MTV executive. “I always thought her intuitive appreciation of storytelling and characters was an enormous secret weapon.”

**Conceptual skills** consist of the ability to think analytically, to visualize an organization as a whole and understand how the parts work together. Conceptual skills are particularly important for top managers, who must deal with problems that are ambiguous but that could have far-reaching consequences.

3. Human Skills—The Ability to Interact Well with People

This may well be the most difficult set of skills to master. **Human skills** consist of the ability to work well in cooperation with other people to get things done. Often these are thought of as “soft skills.” These skills—the ability to motivate, to inspire trust, to communicate with others—are necessary for managers of all levels. But because
of the range of people, tasks, and problems in an organization, developing your human-interacting skills may turn out to be an ongoing, lifelong effort.

McGrath “is known for her skillful management of talent and the chaos that comes with a creative enterprise,” reports a Business Week article. “Judy’s ability to concentrate on people” is intense, says an MTV executive. She tries to listen to everyone, from interns to senior vice-presidents, and then offer advice. As a result, she gets a lot of credit for fostering a company culture of inclusiveness, making it a better place for creativity and risk taking. “There is less testosterone,” says her former boss. “It’s not the system of the old Hollywood moguls where they are throwing chairs at each other. It’s about listening and accepting ideas wherever and whoever they come from.”

The Most Valued Traits in Managers

McGrath embodies the qualities sought in star managers, especially top managers. “The style for running a company is different from what it used to be,” says a top executive recruiter of CEOs. “Companies don’t want dictators, kings, or emperors.” Instead of someone who gives orders, they want executives who ask probing questions and force the people beneath them to think and find the right answers.

Among the chief skills companies seek in top managers are the following:

- The ability to motivate and engage others.
- The ability to communicate.
- Work experience outside the United States.
- High energy levels to meet the demands of global travel and a 24/7 world.

Let’s see how you can begin to acquire these and other qualities for success.

Taking Something Practical Away from this Chapter

Getting Control of Your Time: Dealing with the Information Deluge in College & in Your Career

One great problem most college students face—and that all managers face—is how to manage their time. This first box describes skills that will benefit you in college and later in your career.

“I’ve managed to ratchet my schedule down so I can have an outside life,” says Doug Shoemaker, a San Francisco architect who tries to be home by 6:00 every night. “I’m a highly organized guy, I really focus on tasks, and I get them done.”

Professionals and managers all have to deal with this central problem: how not to surrender their lives to their jobs. The place to start, however, is in college.

If you can learn to manage time while you’re still a student, you’ll find it will pay off not only in higher grades and more free time but also in more efficient information-handling skills that will serve you well as a manager later on.

Developing Study Habits: Finding Your “Prime Study Time”

Each of us has a different energy cycle. The trick is to use it effectively. That way your hours of best performance will coincide with your heaviest academic demands. For example, if your energy level is high during the evenings, you should plan to do your studying then.
CHAPTER 1

Jingles and rhymes are devices that help you remember. You can use them to remember how to establish associations between items you want to remember. The exhibit opposite shows some memorizing tricks. Use Memorizing Tricks

To succeed in life afterward, you must study with the notion that, after you finish, you will move on to something else. It helps to make the image humorous, action-filled, sexual, bizarre, or outrageous in order to establish a personal connection. Example: To remember the name of the 21st president of the United States, Chester Arthur, you might visualize an author writing the number “21” on a wooden chest. This mental image helps you associate chest (Chester), author (Arthur), and 21 (21st president).

Mental and physical imagery: Use your visual and other senses to construct a personal image of what you want to remember. Indeed, it helps to make the image humorous, action-filled, sexual, bizarre, or outrageous in order to establish a personal connection. Example: To remember the name of the 21st president of the United States, Chester Arthur, you might visualize an author writing the number “21” on a wooden chest. This mental image helps you associate chest (Chester), author (Arthur), and 21 (21st president).

Location: Location memory occurs when you associate a concept with a place or imaginary place. For example, you could learn the parts of a computer system by imagining a walk across campus. Each building you pass could be associated with a part of the computer system.

Word games: Jingles and rhymes are devices frequently used by advertisers to get people to remember their products. You may recall the spelling rule “I before E except after C or when sounded like A as in neighbor or weigh.” You can also use narrative methods, such as making up a story.

Exhibit I.1 Some Memorizing Tricks

Make a Study Schedule
First make a master schedule that shows all your regular obligations—especially classes and work—for the entire school term. Then insert the times during which you plan to study. Next write in major academic events, such as term paper due dates and when exams will take place. At the beginning of every week, schedule your study sessions. Write in the specific tasks you plan to accomplish during each session.

Find Some Good Places to Study
Studying means first of all avoiding distractions. Avoid studying in places that are associated with other activities, particularly comfortable ones, such as lying in bed or sitting at a kitchen table.

Avoid Time Wasters, but Reward Your Studying
While clearly you need to learn to avoid distractions so that you can study, you must also give yourself frequent rewards so that you will indeed be motivated to study. You should study with the notion that, after you finish, you will give yourself a reward. The reward need not be elaborate. It could be a walk, a snack, or some similar treat.

Improving Your Memory Ability
Memorizing is, of course, one of the principal requirements of staying in college. And it’s a great help for success in life afterward. Beyond getting rid of distractions, there are certain techniques you can adopt to enhance your memory.

Space Your Studying, Rather Than Cramming
Cramming—making a frantic, last-minute attempt to memorize massive amounts of material—is probably the least effective means of absorbing information. Indeed, it may actually tire you out and make you even more anxious before the test. Research shows that it is best to space out your studying of a subject on successive days. This is preferable to trying to do it all during the same number of hours on I day. It is repetition that helps move information into your long-term memory bank. Review Information Repeatedly—Even “Overlearn” It
By repeatedly reviewing information—“rehearsing”—you can improve both your retention and your understanding of it. Overlearning can improve your recall substantially. Overlearning is continuing to repeatedly review material even after you appear to have absorbed it.

Use Memorizing Tricks
There are several ways to organize information so that you can retain it better. The exhibit opposite shows how to establish associations between items you want to remember. (See Exhibit I.I.)

How to Improve Your Reading Ability: The SQ3R Method

SQ3R Stands for Survey, Question, Read, Recite, and Review
The strategy here is to break a reading assignment into small segments and master each before moving on. The five steps of the SQ3R method are as follows:

Survey the Chapter before You Read It
Get an overview of the chapter or other reading assignment before you begin reading it. If you have a sense what the material is about before you begin reading it, you can predict where it is going. Many textbooks offer some “preview”-type material—a list of

Exhibit 1.1 Some Memorizing Tricks
objectives or an outline of topic headings at the beginning of the chapter. Other books offer a summary at the end of the chapter. This book offers “The Big Picture” at the beginning of each section. It also offers a Summary at the end of each chapter. The strategy for reading this book is presented on page 1.

**Question the Segment in the Chapter before You Read It**

This step is easy to do, and the point, again, is to get involved in the material. After surveying the entire chapter, go to the first segment—section, subsection, or even paragraph, depending on the level of difficulty and density of information. Look at the topic heading of that segment. In your mind, restate the heading as a question.

After you have formulated the question, go to steps 3 and 4 (read and recite). Then proceed to the next segment and restate the heading here as a question. For instance, consider the section heading in this chapter that reads “What Managers Do: The Four Principal Functions.” You could ask yourself, What are the four functions of a manager? For the heading in Chapter 2 “Two Overarching Perspectives about Management & Four Practical Reasons for Studying Them,” ask What are the types of management perspectives, and what are reasons for studying them?

**Read the Segment about Which You Asked the Question**

Now read the segment you asked the question about. Read with purpose, to answer the question you formulated. Underline or color-mark sentences you think are important, if they help you answer the question. Read this portion of the text more than once, if necessary, until you can answer the question. In addition, determine whether the segment covers any other significant questions, and formulate answers to these, too. After you have read the segment, proceed to step 4. (Perhaps you can see where this is all leading. If you read in terms of questions and answers, you will be better prepared when you see exam questions about the material later.)

**Recite the Main Points of the Segment**

Recite means “say aloud.” Thus, you should speak out loud (or softly) the answer to the principal question about the segment and any other main points. Make notes on the principal ideas, so you can look them over later. Now that you have actively studied the first segment, move on to the second segment and do steps 2–4 for it. Continue doing this through the rest of the segments until you have finished the chapter.

**Review the Entire Chapter by Repeating Questions**

After you have read the chapter, go back through it and review the main points. Then, without looking at the book, test your memory by repeating the questions.

Clearly the SQ3R method takes longer than simply reading with a rapidly moving color marker or underlining pencil. However, the technique is far more effective because it requires your involvement and understanding. This is the key to all effective learning.

**Learning from Lectures**

Does attending lectures really make a difference? Research shows that students with grades of B or above were more apt to have better class attendance than students with grades of C—or below.73

Regardless of the strengths of the lecturer, here are some tips for getting more out of lectures.

**Take Effective Notes by Listening Actively**

Research shows that good test performance is related to good note taking.74 And good note taking requires that you listen actively—that is, participate in the lecture process. Here are some ways to take good lecture notes:

- **Read ahead and anticipate the lecturer:** Try to anticipate what the instructor is going to say, based on your previous reading. Having background knowledge makes learning more efficient.
- **Listen for signal words:** Instructors use key phrases such as “The most important point is . . . ,” “There are four reasons for . . . ,” “The chief reason . . . ,” “Of special importance . . . ,” “Consequently . . . .” When you hear such signal phrases, mark your notes with an asterisk (*), or write Imp (for “Important”).
- **Take notes in your own words:** Instead of just being a stenographer, try to restate the lecturer’s thoughts in your own words. This makes you pay attention to the lecture and organize it in a way that is meaningful to you. In addition, don’t try to write everything down. Just get the key points.
- **Ask questions:** By asking questions during the lecture, you participate in it and increase your understanding. Although many students are shy about asking questions, most professors welcome them.

**Becoming an Effective Test Taker**

Besides having knowledge of the subject matter, you can acquire certain skills that will help during the test-taking process. Some suggestions:75

**Review Your Notes Regularly**

Most students, according to one study, do take good notes, but they don’t use them effectively. That is, they wait to review their notes until just before final exams,
when the notes have lost much of their meaning. Make it a point to review your notes regularly, such as the afternoon after the lecture or once or twice a week. We cannot emphasize enough how important this kind of reviewing is.

**Reviewing: Study Information That Is Emphasized & Enumerated**

Because you won’t always know whether an exam will be an objective test or an essay test, you need to prepare for both. Here are some general tips:

- **Review material that is emphasized:** In the lectures, this consists of any topics your instructor pointed out as being significant or important. It also includes anything he or she spent a good deal of time discussing or specifically advised you to study. In the textbook, pay attention to key terms (often emphasized in italic or boldface type), their definitions, and their examples. In addition, of course, material that has a good many pages given over to it should be considered important.

- **Review material that is enumerated:** Pay attention to any numbered lists, both in your lectures and in your notes. Enumerations often provide the basis for essay and multiple-choice questions.

- **Review other tests:** Look over past quizzes, as well as the discussion questions or review questions provided at the end of chapters in many textbooks.

**Prepare by Doing Final Reviews & Budgeting Your Test Time**

Learn how to make your energy and time work for you. Whether you have studied methodically or must cram for an exam, here are some tips:

- **Review your notes:** Spend the night before the test reviewing your notes. Then go to bed without interfering with the material you have absorbed (as by watching television). Get up early the next morning, and review your notes again.

- **Find a good test-taking spot:** Make sure you arrive at the exam with any pencils or other materials you need. Get to the classroom early, or at least on time, and find a quiet spot. If you don’t have a watch, sit where you can see a clock. Again review your notes. Avoid talking with others, so as not to interfere with the information you have learned or to increase your anxiety.

- **Read the test directions:** Many students don’t do this and end up losing points because they didn’t understand precisely what was required of them. Also, listen to any verbal directions or hints your instructor gives you before the test.

- **Budget your time:** Here is an important test strategy: Before you start, read through the entire test and figure out how much time you can spend on each section. There is a reason for budgeting your time: you would hate to find you have only a few minutes left and a long essay still to be written. Write the number of minutes allowed for each section on the test booklet or scratch sheet and stick to the schedule. The way you budget your time should correspond to how confident you feel about answering the questions.

**Objective Tests: Answer Easy Questions & Eliminate Options**

Some suggestions for taking objective tests, such as multiple-choice, true/false, or fill-in, are as follows:

- **Answer the easy questions first:** Don’t waste time stewing over difficult questions. Do the easy ones first, and come back to the hard ones later. (Put a check mark opposite those you’re not sure about.) Your unconscious mind may have solved them in the meantime, or later items may provide you with the extra information you need.

- **Answer all questions:** Unless the instructor says you will be penalized for wrong answers, try to answer all questions. If you have time, review all the questions and make sure you have written the responses correctly.

- **Eliminate the options:** Cross out answers you know are incorrect. Be sure to read all the possible answers, especially when the first answer is correct. (After all, other answers could also be correct, so that “All of the above” may be the right choice.) Be alert that subsequent questions may provide information pertinent to earlier questions. Pay attention to options that are long and detailed, since answers that are more detailed and specific are likely to be correct. If two answers have the opposite meaning, one of the two is probably correct.

**Essay Tests: First Anticipate Answers & Prepare an Outline**

Because time is limited, your instructor is likely to ask only a few essay questions during the exam. The key
to success is to try to anticipate beforehand what the questions might be and memorize an outline for an answer. Here are the specific suggestions:

- **Anticipate 10 probable essay questions:** Use the principles we discussed above of reviewing lecture and textbook material that is emphasized and enumerated. You will then be in a position to identify 10 essay questions your instructor may ask. Write out these questions.

- **Prepare and memorize informal essay answers:** For each question, list the main points that need to be discussed. Put supporting information in parentheses. Circle the key words in each main point and below the question put the first letter of the key word. Make up catch phrases, using acronyms, acrostics, or word games, so that you can memorize these key words. Test yourself until you can recall the key words the letters stand for and the main points the key words represent.

### Key Terms Used in This Chapter

- collaborative computing II
- competitive advantage 8
- conceptual skills 27
- controlling 14
- databases II
- decisional roles 21
- e-business II
- e-commerce II
- e-mail II
- effective 5
- efficient 5
- entrepreneur 25
- entrepreneurship 25
- first-line managers 17
- four management functions 13
- functional manager 17
- general manager 17
- human skills 27
- informational roles 21
- innovation 8
- internal locus of control 26
- Internet II
- interpersonal roles 20
- intrapreneur 25
- knowledge management II
- leading 14
- management 4
- management process 13
- middle managers 16
- organization 4
- organizing 14
- planning 13
- project management software II
- technical skills 27
- telecommute II
- top managers 16
- videoconferencing II

### Summary

#### 1.1 Management: What It Is, What Its Benefits Are
Management is defined as the pursuit of organizational goals efficiently, meaning to use resources wisely and cost-effectively, and effectively, meaning to achieve results, to make the right decisions, and to successfully carry them out to achieve the organization's goals.

#### 1.2 Six Challenges to Being a Star Manager
The six challenges are (1) managing for competitive advantage, which means an organization must stay ahead in four areas—being responsive to customers, innovating new products or services offering better quality, being more efficient; (2) managing for diversity among different genders, ages, races, and ethnicities; (3) managing for globalization, the expanding universe; (4) managing for computers and telecommunications—information technology; (5) managing for right and wrong, or ethical standards; and (6) managing for your own happiness and life goals.

#### 1.3 What Managers Do: The Four Principal Functions
The four management functions are represented by the abbreviation POLC: (1) planning—setting goals and deciding how to achieve them; (2) organizing—arranging tasks, people, and other
resources to accomplish the work; (3) leading—motivating, directing, and otherwise influencing people to work hard to achieve the organization's goals; and (4) controlling—monitoring performance, comparing it with goals, and taking corrective action as needed.

1.4 Pyramid Power: Levels & Areas of Management
Within an organization, there are managers at three levels: (1) top managers make long-term decisions about the overall direction of the organization and establish the objectives, policies, and strategies for it; (2) middle managers implement the policies and plans of their superiors and supervise and coordinate the activities of the managers below them; and (3) first-line managers make short-term operating decisions, directing the daily tasks of nonmanagement personnel. There are three types of organizations: (1) for-profit—formed to make money by offering products or services; (2) nonprofit—to offer services to some, but not to make a profit; and (3) mutual-benefit—voluntary collections of members created to advance members' interests.

1.5 Roles Managers Must Play Successfully
The Mintzberg study shows that, first, a manager relies more on verbal than on written communication; second, managers work long hours at an intense pace; and, third, a manager's work is characterized by fragmentation, brevity, and variety. Mintzberg concluded that managers play three broad roles: (1) interpersonal—figurehead, leader, and liaison; (2) informational—monitor, disseminator, and spokesperson; and (3) decisional—entrepreneur, disturbance handler, resource allocator, and negotiator.

1.6 The Entrepreneurial Spirit
Entrepreneurship, a necessary attribute of business, is the process of taking risks to create a new enterprise. Two types are (1) the entrepreneur, who sees a new opportunity for a product or service and launches a business to realize it; and (2) the intrapreneur, working inside an existing organization, who sees an opportunity for a product or service and mobilizes the organization's resources to realize it. Entrepreneurs start businesses, managers grow or maintain them. Both (but especially entrepreneurs) have a high need for achievement, high energy level and action orientation, and tolerance for ambiguity. Entrepreneurs are more self-confident and have higher tolerance for risk.

1.7 The Skills Star Managers Need
The three skills that star managers cultivate are (1) technical, consisting of job-specific knowledge needed to perform well in a specialized field; (2) conceptual, consisting of the ability to think analytically, to visualize an organization as a whole, and to understand how the parts work together; and (3) human, consisting of the ability to work well in cooperation with other people in order to get things done.

Management in Action

General Motors CEO Rick Wagoner Faces an Overwhelming Managerial Challenge
From his office on the 39th floor of General Motors' headquarters complex, chairman and CEO Rick Wagoner has a killer view. He can see for miles, across the Detroit River to Canada and south to the Ohio coastline of Lake Erie. This time of year, the sky is gray, the river is icing up, and the plainspoken Wagoner, 54, is giving an economic forecast that's as chilly as the heartland below. He expects yet another tough year in 2008 for the beleaguered automaker. "We have some fairly severe headwinds: the weaker economy, high commodity and steel prices, and energy prices," he told Fortune in a rare interview. "Frankly, more headwinds, especially from the first two, than I would have hoped. We're going to be in soupy water for a while."
The season always seems to be winter for GM. Yet for the first time in years, signs of warming are emerging. Wagoner is feeling good about the automaker’s progress, especially in the troubled heart of its business: making and selling cars in North America. GM’s latest new-car launches—Buick Enclave, Cadillac CTS, Chevrolet Malibu—are getting enthusiastic reviews and generating strong sales.

The new products are giving GM a much-needed image boost in the marketplace, while Wagoner has been making huge cuts in costs on the factory floor. By slashing both the hourly and salaried workforces, boosting productivity, and reducing health-care costs, he has cut $9 billion (or 22%) out of GM’s fixed operating costs. And following years of patient negotiation, he reached a historic agreement with the United Auto Workers to push responsibility for retiree health care off GM’s books, a burden that has been adding about $1,400 to the cost of every car and truck GM builds in North America. Once the health-care trust, called a voluntary employees’ beneficiary association, or VEBA, is fully funded (GM’s contribution: $29.5 billion), the company will have no more responsibility for it. Analysts expect the new union contract to produce as much as $4 billion in annual savings beginning in 2010.

Does all this add up to a long-overdue turnaround in GM’s financial health? Well, just as GM started getting its house in order, the ground underneath it began to shake. Analysts expect that a slowing economy will reduce sales of cars and light trucks in the United States, which gives GM very little room to improve revenues in the short term. At the same time, the home-mortgage crisis has battered what had been one of GM’s most moneymaking assets, the 49% stake it owns in General Motors Acceptance Corp. (GMAC), which issues home loans in its Residential Capital unit (ResCap). And GM’s realization that it would be unable to make use of $38.3 billion in deferred-tax assets it carried on its books caused the company in November to charge off the entire amount in a single stroke. There was no cash involved, but it sent investors a signal that GM would not be producing significant profits in the next couple of years. The stock got hammered.

The bureaucrat-in-chief, who has been CEO since 2000, hasn’t been afraid to change the status quo. “A lot of success in this business,” says Wagoner, “is having a big plan and implementing it better than the next guy.” Three years ago Wagoner put his big plan into operation when he personally took charge of product development, manufacturing, and marketing and sales for North America. His decision to put his reputation—and perhaps his tenure as CEO—on the line finally put some steel behind GM’s repeated promises to become more competitive. By setting a few clear and easily understood performance targets, Wagoner has led GM to within a neck of catching up in labor productivity and cost with its No. 1 competitor, Toyota. . . .

Wagoner’s biggest piece of unfinished business is to restart the growth of revenues from selling cars and trucks in the United States. GM’s market share in North America fell from 28.4% in 2000 to 23.7% in 2007, leaving in its wake bloated inventories, revenue-depleting rebates, and other sales incentives to move the stalled merchandise off the lots. But a host of indicators suggest that improvement, while slow, is underway. . . .

In Wagoner’s fifth year as CEO, he could see that GM was heading for a cliff. Looking at the results of a dismal first quarter 2005, in which North American operations piled up $1.3 billion in losses, Wagoner decided, as he put it, “to hop in there myself.” Though he had more than enough to do as chairman and CEO, Wagoner saw a crucial moment to make major changes in the company’s most entrenched, tradition-bound operations—those in the United States. “As gas prices rocketed up, it was pretty clear we were going to be selling into a different world, and that was a world where profitability was going to be harder to come by,” he said. “The other thing was, we had had a view for some time that we would be able to outrun the health-care cost. But between the pressures on the margins due to the mix shift [to smaller vehicles], and the unrelenting pressure in the annual inflation of health-care costs, it became clear we had to do something more fundamental.”

In June 2005, Wagoner laid out his agenda for North America at GM’s annual meeting. His four goals were so simple and direct—build great cars and trucks, revitalize sales and marketing, cut costs, and fix health care—that they made one wonder what GM had been doing for the preceding 97 years. His move practically escaped notice amid all the focus on GM’s credit ratings (downgraded to junk). Wagoner was perceived as another unimaginative, risk-averse GM executive unwilling to rock the boat. Yet the onetime Duke basketball player (a hot new Corvette model was code-named Blue Devil in his honor) has a history of quietly exceeding expectations. While he may not be as inspirational as Lee Iacocca or Carlos Ghosn, he’s methodical and stubborn, thinks strategically, and inspires loyalty among his subordinates. “Rick is a driver,” says one of them. “He doesn’t let up. He’s not confrontational, but he keeps it all going.” . . .
“With Rick’s announcement, the focus became very crisp, the goals became very sharp, and the emphasis on execution became a necessity,” says Troy Clarke, the engineer who succeeded Wagoner as head of North America in 2006. “If I ask anybody in the company, ‘What are you doing with the turnaround strategy?’ they feed it back to me—snap—just like that. There are four things we’re working on. If you are not working on one of the four, you really need to go to your boss and get some help.”

If Wagoner has learned anything, it’s to be bold and then be patient. “The moral to the story is that there’s very little that you can’t accomplish, but a lot of these things take time. Which isn’t an excuse but is a statement that you’d better get on the path, because these things don’t turn on a dime.” If GM can just stay on the path through the next patch of bad weather, we may finally be able to tell the comeback story the world’s been waiting for.

For Discussion

1. Which of the six managerial challenges discussed in this chapter did Rick Wagoner face upon becoming CEO of General Motors? Discuss.
2. Using Figure 1.1 as a guide, describe which functions of management were displayed by Wagoner.
3. Which of the three types of managerial roles did Wagoner display?
4. To what extent did Wagoner display an entrepreneurial orientation while trying to turn around GM? Explain.
5. How would you evaluate Wagoner’s technical, conceptual, and human skills? Discuss your rationale.


Can You Pass the CEO Test?

Objectives

1. To assess whether or not you have “it” at this time to be a CEO.
2. To assess whether or not you want to be a CEO.
3. To see what seems to be expected of a CEO.

Introduction

The Chief Executive Officer of a company is the person in charge, the top star. This person has tremendous power and, consequently, experiences incredible pressures. Not everyone is cut out to be a CEO or aspires to be one. Many people would not want the stress and expectations for greatness that come with the job.

Instructions

Take the following quiz at www.mbjungle.com/monthlysurvey/ceotest.cfm to “test” whether you have “it.” Leading a successful company requires a combination of talents and skills that few people seem to have—some people have it, some don’t. Here’s your chance to find out where you stand.

Accompanying the quiz is an article by John Scanzieri for the MBA Jungle Online magazine. Read it; then take the test and see if you are a potential rising star. Once you have completed the test and have submitted your responses, ask yourself the following questions and be prepared to discuss them.

Questions for Discussion

1. Do you want to be a CEO? Explain.
2. Do you want to climb the corporate ladder to become a star?
3. At what level in the organization do you think you would be comfortable?
4. What are the ethics behind #7, #8, #11, #15, and #16?
5. How would you describe what it takes to be a CEO?
To Delay or Not to Delay?

You have been hired by a vice president of a national company to create an employee attitude survey, to administer it to all employees, and to interpret the results. You have known this vice president for over 10 years and have worked for her on several occasions. She trusts and likes you, and you trust and like her. You have completed your work and now are ready to present the findings and your interpretations to the vice president’s management team. The vice president has told you that she wants your honest interpretation of the results, because she is planning to make changes based on the results. Based on this discussion, your report clearly identifies several strengths and weaknesses that need to be addressed. For example, employees feel that they are working too hard and that management does not care about providing good customer service. At the meeting you will be presenting the results and your interpretations to a group of 15 managers. You also have known most of these managers for at least 5 years.

You show up for the presentation armed with slides, handouts, and specific recommendations. Your slides are loaded on the computer, and most of the participants have arrived. They are drinking coffee and telling you how excited they are about hearing your presentation. You also are excited to share your insights. Ten minutes before the presentation is set to begin, the vice president takes you out of the meeting room and says she wants to talk with you about your presentation. The two of you go to another office, and she closes the door. She then tells you that her boss’s boss decided to come to the presentation unannounced. She feels that he is coming to the presentation solely looking for negative information in your report. He does not like the vice president and wants to replace her with one of his friends. If you present your results as planned, it will provide this individual with the information he needs to create serious problems for the vice president. Knowing this, the vice president asks you to find some way to postpone your presentation. You have 10 minutes to decide what to do.

Solving the Dilemma

What would you do?

1. Deliver the presentation as planned.
2. Give the presentation but skip over the negative results.
3. Go back to the meeting room and announce that your spouse has had an accident at home and you must leave immediately. You tell the group that you just received this message and that you will contact the vice president to schedule a new meeting.
4. Invent other options. Discuss.