

# Chapter 1

## Managers and Entrepreneurs

# Chapter Objectives

- Define the term *management* and explain the managerial significance of the terms *effectiveness* and *efficiency*.
- Identify and summarize five major sources of change for today's managers.
- Distinguish between management functions and skills, and identify the eight basic managerial functions.

# Chapter Objectives (cont' d)

- Demonstrate your knowledge of Wilson's three managerial skill categories and explain the significance of his research findings.
- Explain how managers learn to manage.
- Challenge two myths about small business and describe entrepreneurs.

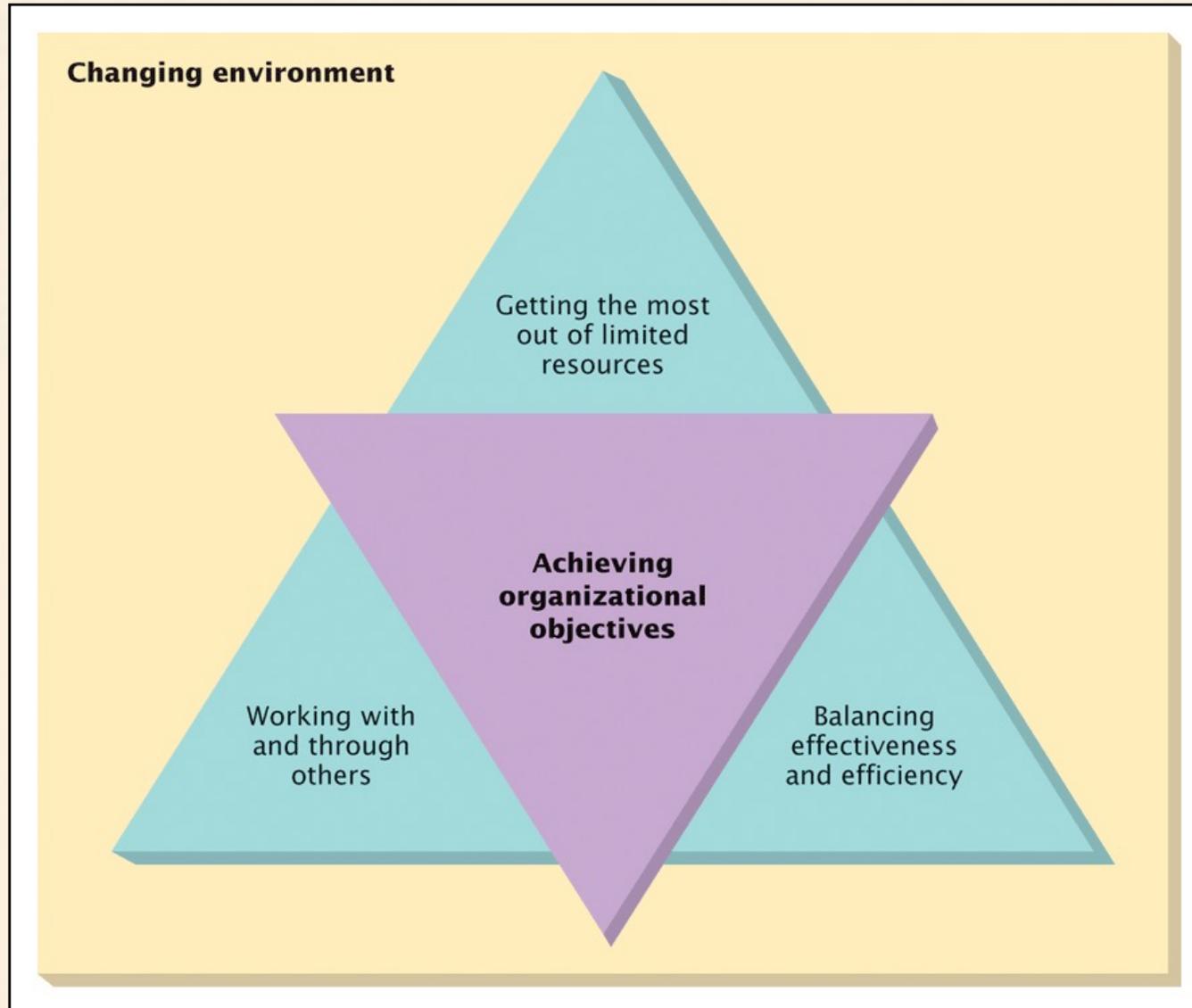
# Four Realities of Managing Today

- The only certainty today is change.
- Speed, teamwork, and flexibility are the orders of the day.
- Managers at all levels need to stay close to the customer.
- Without continuous improvement and lifelong learning, there can be no true economic progress for individuals and organizations alike.

# Management Defined

- Management
  - Management is the process of working with and through others to achieve organizational objectives in a changing environment.
  - Management entails the effective and efficient use of limited resources.

# Figure 1.1: Key Aspects of the Management Process



# Working with and Through Others

- Management is a social process in which managers get things done by working with and through others.
- Shortcomings of “derailed” managers
  - Problems with interpersonal relationships
  - Failure to meet business objectives
  - Failure to build and lead a team
  - Inability to change and adapt during a transition

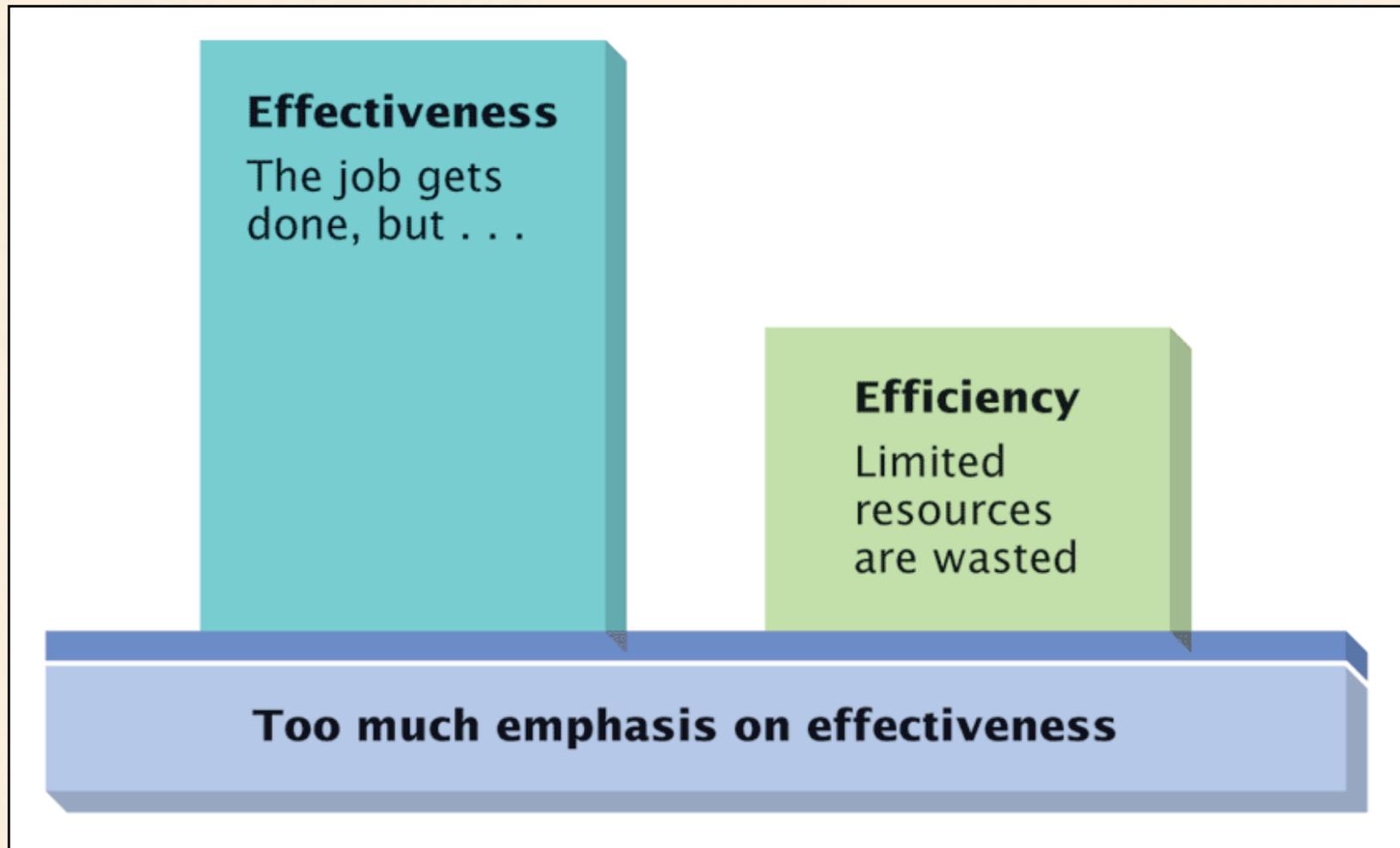
# Achieving Organizational Objectives

- An objective is a target to be strived for and attained.
  - Challenging yet achievable objectives provide guidance for effective and efficient actions by individuals and organizations.
  - *Productivity improvement* (a favorable ratio between inputs and output) is the constant struggle to balance effectiveness and efficiency.

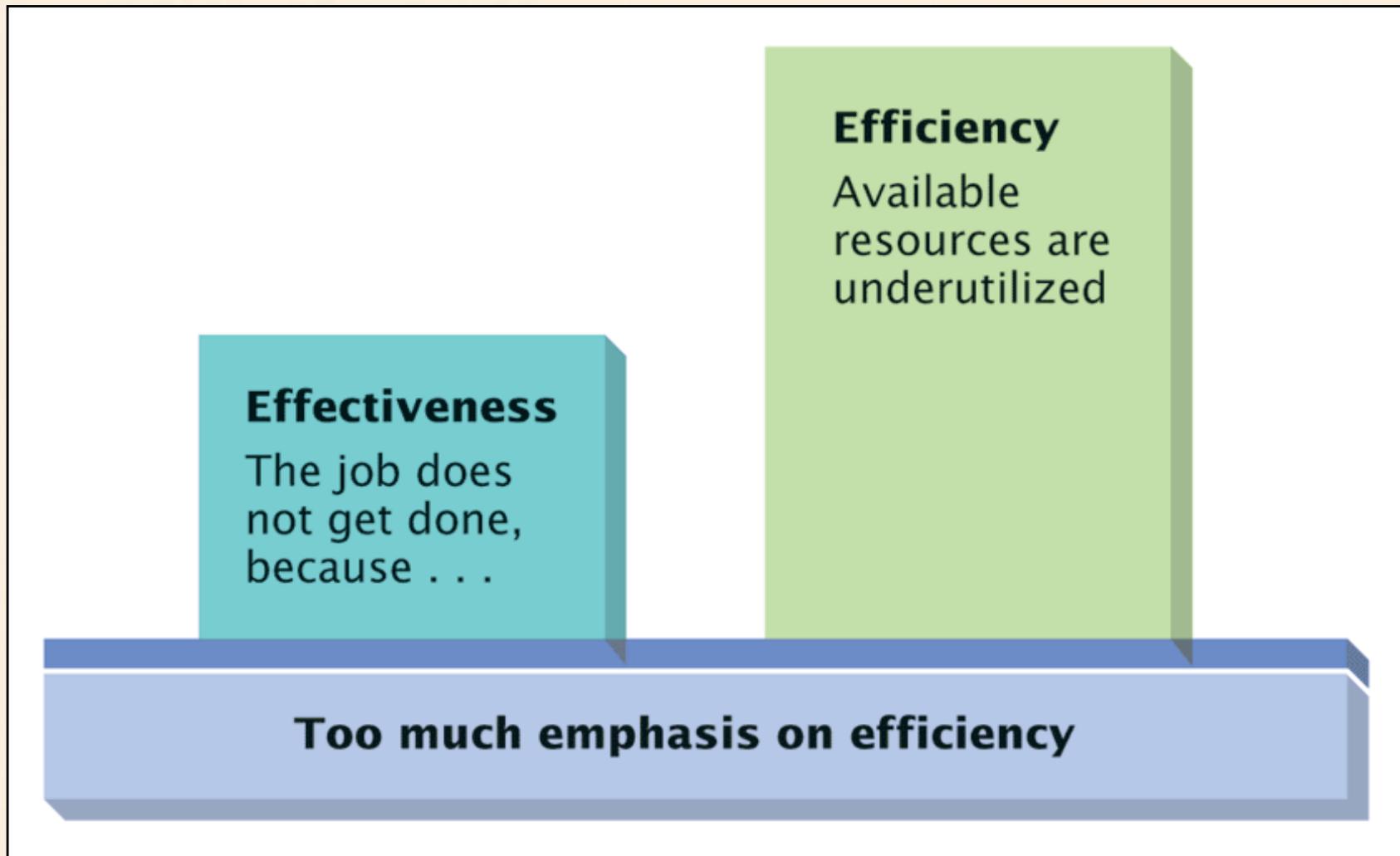
# Balancing Effectiveness and Efficiency

- Effectiveness
  - Entails promptly achieving a stated organizational objective
  - Managers are held responsible for attaining objectives.
- Efficiency
  - Entails balancing the amount of resources used to achieve an objective against what was actually accomplished
  - Managers must not waste scarce and costly resources.

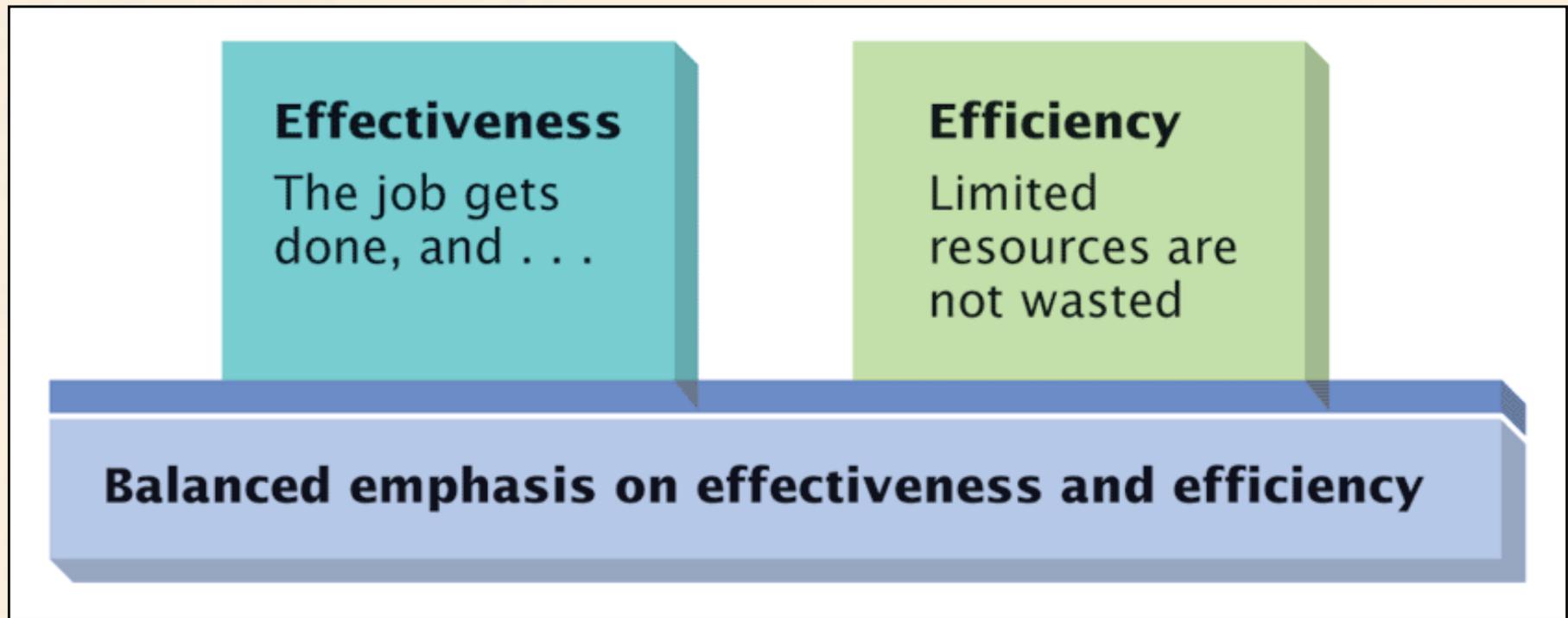
# Figure 1.2: Balancing Effectiveness and Efficiency



# Figure 1.2: Balancing Effectiveness and Efficiency (cont' d)



# Figure 1.2: Balancing Effectiveness and Efficiency (cont' d)



# Making the Most of Limited Resources

- We live in a world of scarcity.
- There is a lopsided use of resources.
- Our planet is becoming increasingly crowded.
- Approximately 80% of the world's population lives in poor and less-developed countries.
- Managers are responsible for the efficient and effective use of the basic factors of production—land, labor, and capital.

# Coping with a Changing Environment

- Five Major Sources of Change for Today's Managers
  - Globalization
  - The evolution of product quality
  - Environmentalism
  - An ethical reawakening
  - The Internet and the e-business revolution

**Table 1.1** The Twenty-First-Century Manager:  
Ten Major Changes

	<b>Moving away from</b>	<b>Moving toward</b>
<b>Administrative role</b>	Boss/superior/leader	Team member/facilitator/ teacher/sponsor/advocate/ coach
<b>Cultural orientation</b>	Monocultural/monolingual	Multicultural/multilingual
<b>Quality/ethics/ environmental impacts</b>	Afterthought (or no thought)	Forethought (unifying themes)
<b>Power bases</b>	Formal authority; rewards and punishments	Knowledge; relationships; rewards
<b>Primary organizational unit</b>	Individual	Team
<b>Interpersonal dealings</b>	Competition; win-lose	Cooperation; win-win
<b>Learning</b>	Periodic (preparatory; curriculum-driven)	Continuous (lifelong; learner-driven)
<b>Problems</b>	Threats to be avoided	Opportunities for learning and continuous improvement
<b>Change and conflict</b>	Resist/react/avoid	Anticipate/seek/channel
<b>Information</b>	Restrict access/hoard	Increase access/share

# The Evolution of Product Quality

- The fix-it-in approach
- The inspect-it-in approach
- The build-it-in approach
- The design-it-in approach

# Ethical Problems in the Workplace

- Lying to supervisors
- Lying on reports or falsifying records
- Stealing and theft
- Sexual harassment
- Abusing drugs or alcohol
- Conflict of interest

# What Do Managers Do?

- **Managerial Functions**
  - General administrative duties that need to be carried out in virtually all productive organizations to achieve desired outcomes
- **Managerial Skills**
  - Specific observable behaviors that effective managers exhibit
- **Managerial Facts of Life**

# Figure 1.3: Identifiable Functions in the Management Process



# Managerial Functions

- **Planning**
  - Formulating plans and setting objectives to provide direction for future courses of action by the organization
- **Decision Making**
  - Choosing among the alternative courses of action
- **Organizing**
  - Deciding on the human resources structure of the organization
- **Staffing**
  - Recruiting, training, and developing people who can contribute to the organization

# Managerial Functions (cont' d)

- Communicating
  - Providing information, direction, and feedback
- Motivating
  - Providing meaningful work and valued rewards to individuals pursuing collective objectives
- Leading
  - Serving as role models and adapting management styles as the situation demands
- Controlling
  - Comparing desired results with actual results and taking corrective action as needed

# Figure 1.4: Wilson's Managerial Skills

SKILL CATEGORY	SKILLS	DESCRIPTION
<b>TECHNICAL</b> Applying your education, training, and experience to effectively organize a task, job, or project	<b>1. Technical expertise</b>	Skills you have acquired by education and experience; to understand and communicate key technical details
	<b>2. Clarification of goals and objectives</b>	Your ability to organize and schedule the work of your unit so it is achieved when expected, and meets established standards
	<b>3. Problem solving</b>	Your ability to resolve issues you confront in the day's work; to develop team collaboration in facing problems
	<b>4. Imagination and creativity</b>	You demonstrate an ability to originate ideas, to correct and develop ways to improve productivity

# Figure 1.4: Wilson's Managerial Skills (cont'd)

SKILL CATEGORY	SKILLS	DESCRIPTION
<b>TEAMBUILDING</b> Listening carefully and communicating clearly to develop and coordinate an effective group or team	<b>5. Listening for insights</b>	Keeping aware of activities of your team and units close to you; underpinning your ability to continue being a manager
	<b>6. Directing and coaching</b>	Meeting your goals and standards; keeping your team's skills up to target levels
	<b>7. Solving problems as teams</b>	An important role is helping your team contribute ideas to improve their performance
	<b>8. Coordinating and cooperating</b>	Demonstrating a willingness to work with others: your group, individuals, and units close to you

# Figure 1.4: Wilson's Managerial Skills (cont' d)

SKILL CATEGORY	SKILLS	DESCRIPTION
<b>DRIVE</b> Setting goals, maintaining standards, and evaluating performance to achieve effective outcomes involving costs, output, product quality, and customer service	<b>9. Standards of performance</b>	Your effort to keep your part of the organization moving, your willingness to be busy and keep aimed toward new accomplishments
	<b>10. Control of details</b>	Overseeing the performance of work at a close level, to meet performance goals and standards
	<b>11. Energy</b>	Demonstrating to your team and colleagues a readiness and willingness to work and that you expect their cooperation
	<b>12. Exerting pressure</b>	Urging others to perform, by shaping your activity to be perceived as teamwork, not domination

# Mintzberg on Managers

- Characteristics of Typical Managers
  - Overburdened with obligations
  - Cannot easily delegate tasks
  - Driven to overwork
  - Forced to do many tasks superficially
  - Work pace characterized by brief interactions, frequent interruptions, and a high reliance on verbal communication

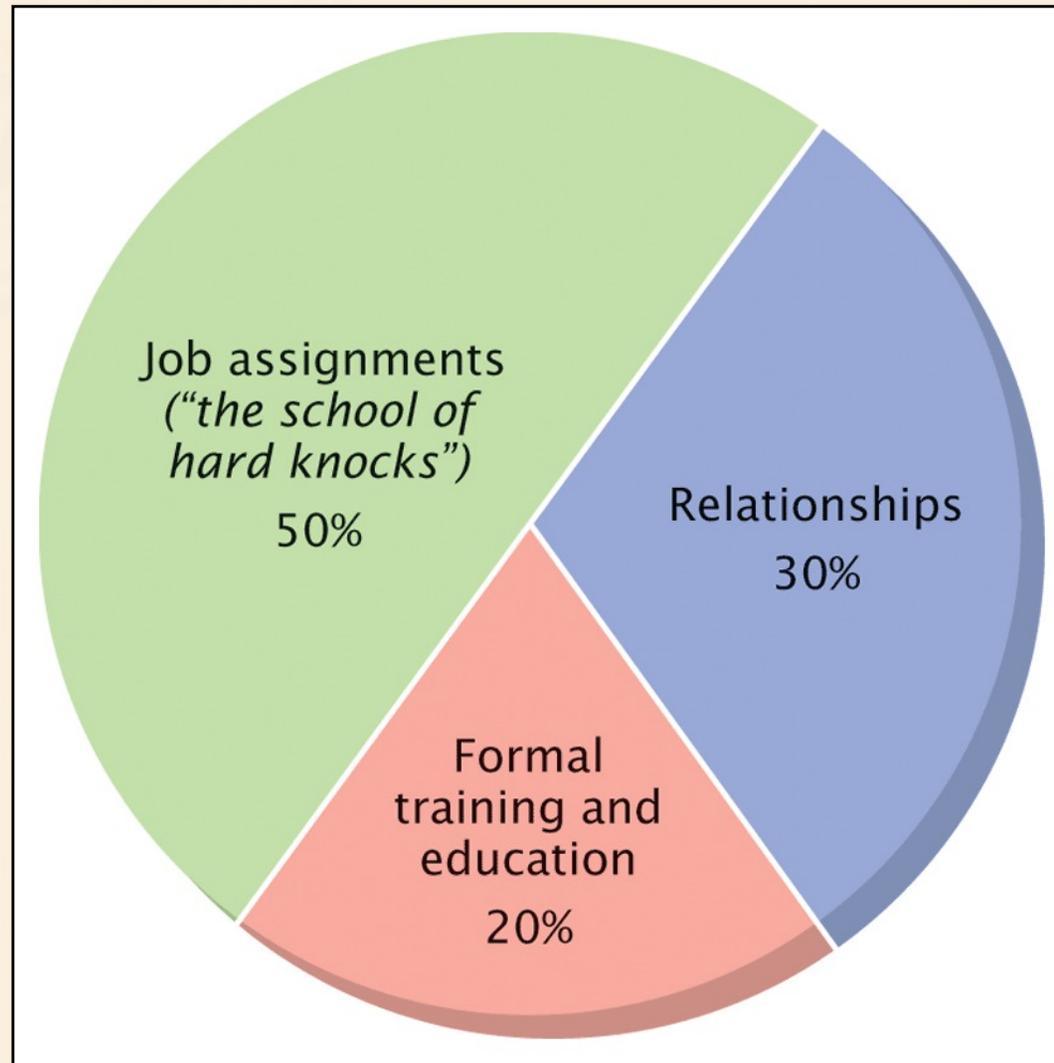
# Some Managerial Facts of Life (with No Sugar Coating)

- What Managers Lose the Right to Do
  - Lose their temper
  - Be one of the gang
  - Bring personal problems to work
  - Vent frustrations and express opinions at work
  - Resist change
  - Pass the buck on tough assignments
  - Get even with adversaries
  - Play favorites

# Some Managerial Facts of Life (with No Sugar Coating) (cont' d)

- What Managers Lose the Right to Do (cont' d)
  - Put self-interests first
  - Ask others to do what they wouldn't do
  - Expect to be immediately recognized and rewarded for doing a good job

# Figure 1.5: The Honeywell Study: How Managers Learn to Manage



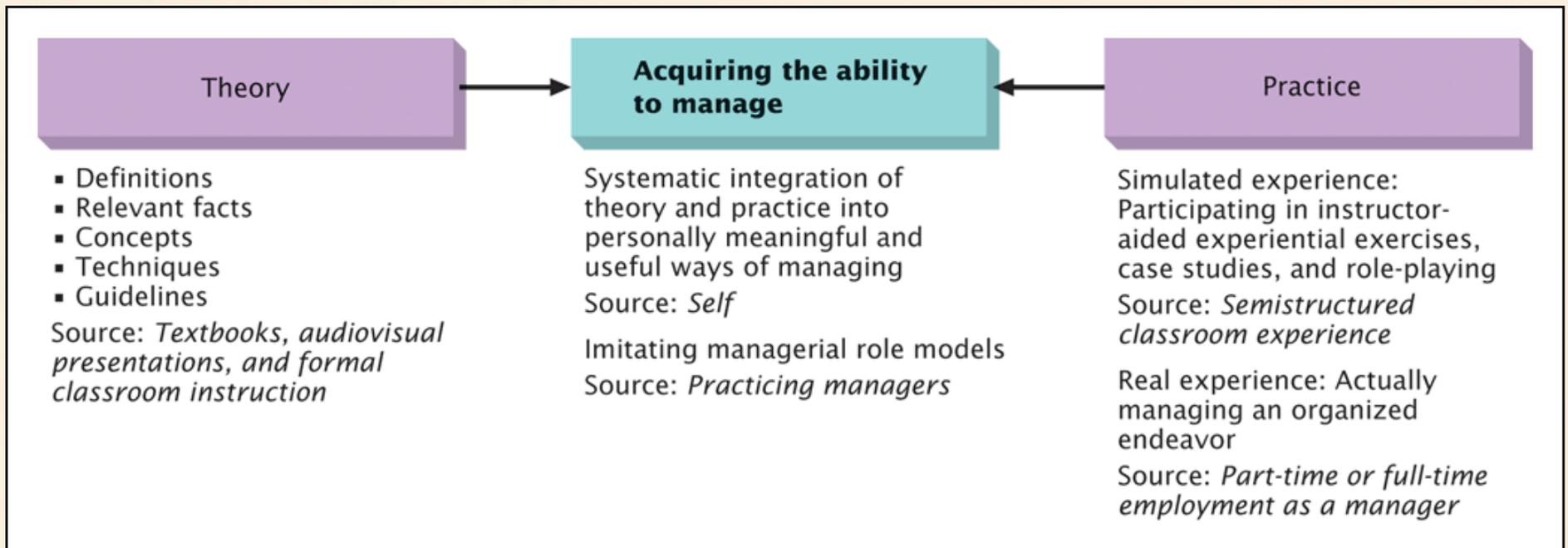
# Learning to Manage

- How Do Managers Learn to Manage?
  - By attending the school of “hard knocks”
    - Making a big mistake
    - Being overstretched by a difficult assignment
    - Feeling threatened
    - Being stuck in an impasse or dilemma
    - Suffering an injustice at work
    - Losing out to someone else
    - Being personally attacked

# How Can Future Managers Learn to Manage?

- Future managers can learn by
  - Integrating management theory (i.e., formal training and education) and managerial practice (e.g., work-study and internships)
  - Observing role models
  - Learning from experiences in the school of hard knocks

# Figure 1.6: Acquiring the Ability to Manage by Merging Theory & Practice



# Small-Business Management

- What Is a Small Business?
  - An independently owned and managed profit-seeking enterprise with fewer than 100 employees
- Exploding Myths about Small Businesses
  - The 80%-failure-rate myth
    - Research shows a failure rate of only 18% for small businesses over an 8-year period.
  - Low-wage-jobs myth
    - Although small businesses on average pay less than big companies do and are about half as likely to offer health insurance benefits, they are *not* low-wage havens.

**Table 1.2** Career Opportunities in Small Business

<b>Small-business career options</b>	<b>Capital requirements</b>	<b>Likelihood of steady paycheck</b>	<b>Degree of personal control</b>	<b>Ultimate financial return</b>
1. Become an independent contractor/consultant	Low to moderate	None to low	Very high	Negative to high
2. Take a job with a small business	None	Moderate to high	Low to moderate	Low to moderate
3. Join or buy a small business owned by your family	Low to high	Low to high	Low to high	Moderate to high
4. Purchase a franchise	Moderate to high	None to moderate	Moderate to high	Negative to high
5. Start your own small business	Moderate to high	None to moderate	High to very high	Negative to very high

# Entrepreneurship

- Entrepreneurship
  - The process by which individuals—either on their own or inside organizations—pursue opportunities without regard to the resources they currently control
- Limits: The Entrepreneur's Dilemma
  - Either grow with the company or have the courage to step aside and turn control over to professional managers with the requisite administrative skills

**Table 1.3** Contrasting Trait Profiles for Entrepreneurs and Administrators

**Entrepreneurs tend to**

Focus on envisioned futures  
Emphasize external/market dimensions  
Display a medium to high tolerance for ambiguity  
Exhibit moderate to high risk-taking behavior  
Obtain motivation from a need to achieve  
Possess technical knowledge and experience in the innovative area

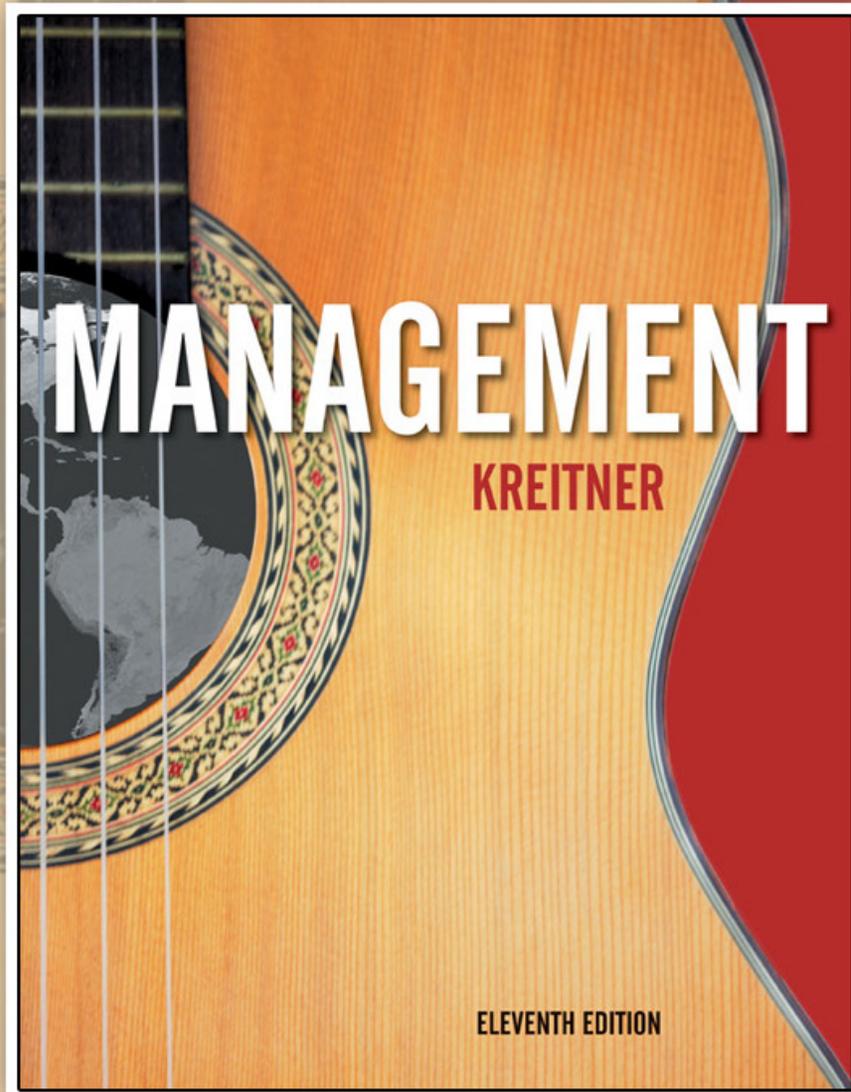
**Administrators tend to**

Focus on the established present  
Emphasize internal/cost dimensions  
Display a low to medium tolerance for ambiguity  
Exhibit low to moderate risk-taking behavior  
Obtain motivation from a need to lead others (i.e., social power)  
Possess managerial knowledge and experience

**Source:** Philip D. Olson, "Choices for Innovation-Minded Corporations," *The Journal of Business Strategy*, 11 (January–February 1990): Exhibit 1, p. 44. Reprinted from *Journal of Business Strategy* (New York: Warren, Gorham & Lamont). © 1990 Warren, Gorham & Lamont Inc. Used with permission.

# Terms to Understand

- Management
- Effectiveness
- Efficiency
- Internet
- e-Business
- Managerial functions
- Managerial skills
- Small business
- Entrepreneurship



## Chapter 2

### The Evolution of Management Thought