

# Management Concepts and Terms

## The Nature of Management

**Management:** Consists of a set of activities designed to achieve an organization's objectives by using its resources effectively and efficiently in an often-changing environment. Resources are used to accomplish the manager's goals.

**Managers:** Make decisions about how to use the organization's resources, are concerned with planning, organizing, leading, and controlling the organization's activities so as to attain its objectives.

**Organizations:** Collectives of individuals who work together to achieve goals or objectives that are important to them. For example, the New York Yankees organization tries to win baseball games in the sports entertainment business.

**Upper (or Top Level) Managers:** Spend most of their time planning and leading because they make decisions about the organization's overall performance and direction. Therefore, they are usually involved in the development of goals and strategies to achieve those goals. Conceptual and interpersonal skills are especially important. Chief executive officer (CEO), chief financial officer (CFO), chair, president, and executive vice president are common titles at this level.

**Middle Managers:** Those who receive broad statements of strategy and policy from upper level managers and develop specific objectives and plans. They spend a large portion of their time planning and organizing activities. Conceptual and technical skills underlie these activities. Examples of middle manager titles include product manager, department head, plant manager, and quality-control manager.

**Lower level managers (or first-line supervisors):** Those concerned with the direct production of items or delivery of service. These actions require leading and controlling. Lower level managers train and monitor the performance of their subordinates. They need technical skills to complete these tasks. Common titles are line manager, office manager, sales manager, loan officer, and store manager.

## The Impact of Management

**Management Dimensions:** Leadership, Decision Making, Implementation of Work Tasks.

## The Functions of Management

**Four Functions of Management:** Management activities can be classified into four major functions.

**Planning:** Involves determining what the organization will seek to accomplish and deciding how to reach those goals. The objective of planning is to choose the manner in which resources will be used.

**Organizing:** Refers to the activities involved in designing jobs for employees, grouping these jobs together into departments, and developing working relationships among organizational units/departments and employees to carry out the plans.

**Leading:** Refers to influencing others' activities to achieve goals.

**Controlling:** Refers to those activities that an organization undertakes to ensure its actions achieve its objectives.

## Management Roles

**Mintzberg's 10 Management Roles:** Figurehead, Liaison, Leadership, Monitor, Disseminator, Spokesperson, Entrepreneur, Disturbance Handler, Resource Allocator, Negotiator.

**Interpersonal Roles:** Refer to activities that involve interacting with others who may be external or internal to the organization. These roles allow a manager to gather information for decisions that must be made (e.g., Figurehead, Liaison, Leadership roles).

**Informational Roles:** Activities that Mintzberg regarded as being focused on collecting and transmitting information. Feature activities—including reporting; preparing data analyses; holding briefings; communicating via mail, e-mail, and phone; and monitoring websites—that collect, process, and disseminate information pertinent to the company and to the decisions a manager makes (e.g., Monitor, Disseminator, Spokesperson)

**Decisional Roles:** Activities that deal primarily with the allocation of resources in order to reach organizational objectives (e.g., Entrepreneur, Disturbance Handler, Resource Allocator, Negotiator)

**Figurehead:** Example Activity - Presiding over an awards banquet

**Liaison:** Example Activity - Coordinating with outside organizations; facilitating efforts regarding internal departments.

**Leadership:** Example Activity - Coordinating the efforts of all departments to achieve company strategies.

**Monitor:** Example Activity- Interacting with government regulatory agencies.

**Disseminator:** Example Activity- Conducting meetings with subordinates to pass along policy changes.

**Spokesperson:** Example Activity- Meeting with consumer groups to discuss product safety.

**Entrepreneur:** Example Activity- Developing new products; creating new divisions within the company.

**Disturbance Handler:** Example Activity- Deciding which unit moves into new facilities; dealing with work stoppage or other internal problems; handling outside complaints.

**Resource Allocator:** Example Activity- Deciding who receives new computer equipment.

**Negotiator:** Example Activity- Settling union grievances; bargaining for employment contracts.

## Management Skills

**Interpersonal Skills:** Communication, listening, conflict resolution, and leading are necessary for working well with others.

**Technical skills:** The knowledge and ability needed to accomplish the work group's specialized activities.

**Conceptual Skills:** the intellectual abilities to process information and make accurate decisions about the work group and tasks that are essential to gathering information and making and implementing decisions.

**Job Knowledge:** Knowing the facts about equipment, materials, and the work process, as well as the relationships among all parts of the work organization. Example: Knowing about a certain job task that is changing and explaining the change to subordinates.

**Oral Communication:** Verbally presenting information to others in such a manner that the information means the same to everyone. Example: Communicating work objectives to all members of a team.

**Persuasiveness:** Influencing others who have different viewpoints to reach agreement on an acceptable plan of action. Example: A committee leader who discusses solutions with the committee and comes up with a shared group vision before making major decisions for the group.

**Problem Analysis:** Determining why a situation does not conform to standards and deciding what to do about it. Example: Determining why a group of products has failed final inspection and making a plan to address the issues.

**Cooperativeness:** Working well with others. Example: Facilitating the interactions of strategic planning committee members.

**Tolerating Stress:** Continuing work performance in adverse or hostile circumstances. Example: Managing multiple projects coming to completion at approximately the same time.

**Negotiation:** Arriving at mutually acceptable joint decisions. Example: Agreeing with a supplier as to a mutually acceptable price for raw materials.

**Assertiveness:** Clearly and consistently expressing a point of view on a topic being discussed. Example: Conducting a performance review with a subordinate who has a deficiency in work activities

**Initiative:** Determining what work activities must be pursued and starting them. Example: Determining what must be done to successfully operate new production equipment.

## History of Management Thought

**Protestant Ethic:** A work ethic that held that instead of merely waiting on earth for release into the next world, people should pursue an occupation and engage in high levels of worldly activity so they could fulfill their calling. Society interpreted this as a mandate for people to work hard, use their wealth wisely, and live self-denying lives.

**Capitalism:** The economic principles of 1) The natural laws of supply and demand and free competition within the marketplace will efficiently regulate the flow of resources within a society 2) All individuals should have the right to accumulate wealth. 3) All individuals should have the right to privately own property. 4) Division of labor would lead to great gains in productivity.

**Division of Labor:** Also called specialization, involves breaking an overall job or the manufacture of a product into component parts and assigning specific tasks to individual workers.

**Management Theory:** A framework that explains a process or a set of processes in which a company's activities can be improved or enhanced.

**Classical Approach:** The approach to management that stresses the manager's role in a formal hierarchy of authority and focuses on the task, machines, and systems needed to accomplish the job efficiently.

**Scientific Management:** A classical approach that focuses on improving operational efficiencies through the systematic and scientific study of work methods, tools, and performance standards.

**Soldiering:** The systematic slowdown in work by laborers with the deliberate purpose of keeping their employers ignorant of how fast the work can be done.

**Management Science:** The study and use of mathematical models and statistical methods to make managerial decision making more effective.

**Administrative Management:** Emphasizes the universality of management as a function that can be applied to all organizations—large, small, for-profit, not-for-profit, political, religious, or any other.

**Division of Work:** Dividing the work among employees decreases the number of things employees must consider and produces better work.

**Authority and Responsibility:** Managers must have the ability to assign work if they are to take responsibility for achieving work tasks.

**Discipline:** There must be a respect for agreements between the organization and its employees. This means that agreements should be clear and fair, and disobedience should be penalized.

**Unity of Command:** An employee should receive orders from only one superior.

**Unity of Direction:** Tasks that have the same purpose should have only one person in charge with one plan.

**Remuneration of Personnel:** Pay should be fair and meet employee needs. Employees should be rewarded for good performance.

**Centralization:** The degree of centralization of an organization will vary depending on each individual case, but the amount of centralization should optimize the talents of its employees.

**Scalar Chain:** Communication should flow from top to bottom, except in cases where quick decisions are needed.

**Order:** Each employee should be placed in the position that he or she best fits.

**Equity:** Employees should be treated with justice and kindness.

**Stability of Tenure of Personnel:** Employees must be provided with enough time to learn their jobs well.

**Initiative:** Managers should encourage all employees to take initiative in decision making and the development of plans. This will empower employees and lead to a more productive organization.

**Esprit de Corps:** Managers should create unity and teamwork among employees. Some ways of doing this are by encouraging oral communication and discouraging jealousy among employees.

**Bureaucracy:** A managerial approach based on rational authority that organizes work by office or position, rather than by person.

**Behavioral Approach:** A view of management that emphasizes understanding the importance of human behavior, needs, and attitudes within formal organizations.

**Hawthorne Studies:** Provided the catalyst for the human relations movement within management theory and practice. That human relations and the social needs of workers are crucial aspects of business management.

**Maslow's Hierarchy of Needs:** A needs-based theory of human motivation.

**Theory X:** Begins with the assumption that people are naturally lazy, must be threatened and forced to work, have little ambition or initiative, and do not use work to try to fulfill any need higher than security. These assumptions represent traditional management views of direction and control.

**Theory Y:** Managers assumption that people naturally want to work, are capable of self-control, seek responsibility, are creative, and try to fulfill higher order needs at work. This represents a new view of integrating human and organizational needs and goals.

**Myers-Briggs Type Indicator (MBTI):** A model that groups individuals according to extroversion versus introversion, sensing versus intuition, thinking versus feeling, and judging versus perception.

**Systems Approach:** Views organizations and the environments in which they operate as sets of interrelated parts to be managed as a whole in order to achieve a common goal

**Entropy:** The tendency of systems to deteriorate or break down overtime.

**Synergy:** The ability of the whole system to equal more than the sum of its parts.

**Acceptance Theory of Authority:** States that in formal organizations, authority flows up, because the decision as to whether an order, or communication, has authority lies with the person who receives it.

**Contingency Approach:** Management theory that emphasizes identifying the key variables in each management situation, understanding the relationships among these variables, and recognizing the complex system of cause and effect that exists in each and every managerial situation.

**Knowledge Worker:** The movement of modern management away from physical capital (for example, machines and steel mills) to so-called human capital (for example, workers with portable knowledge-creating products such as computer programs and other knowledge-based products).

**Learning Organizations:** The concept that modern organizations must be in a state of constant learning that involves continuous improvement and adaptation.

## **The Nature of the Environment**

**Environment:** Refers to all factors that affect an organization's operation.

**External Environment:** Refers to all the factors outside the organization that may affect a manager's actions.

**Internal Environment:** Includes all groups that make up the organization, such as the owners, managers, employees, and board of directors. These groups directly affect the actions a manager may take.

**Environmental Turbulence:** Refers to the amount of change and complexity in the environment of an industry.

**Complexity:** In an industry environment, the greater the numbers of elements and their interdependencies, as well as the relatedness and concentration of the elements, (i.e. homogeneity/heterogeneity).

**Predictability:** The lack of, or uncertainty, or unfamiliarity is dimensions that relate to the extension of cause-and-effect.

## Stakeholder View of the Environment

**Stakeholder:** A person or a group that can affect, or is affected by, an organization's goals or its means to achieve those goals.

**Primary Stakeholders:** Those who have a formal and/or contractual relationship with the firm, such as customers, suppliers, employees, regulators, investors, and communities.

**Secondary Stakeholders:** Groups that have a less formal connection to the organization, including environmentalists, special interest groups, and the media.

## The Global Business Environment

**Sociocultural Environment:** A set of beliefs, customs, practices and behaviors that exists within a population.

**Hofstede's Cultural Dimensions Theory:** A framework for cross-cultural communication. It portrays the impact of the culture ingrained in society on the values of the members of that society. This framework only describes a central tendency in society.

**Individualism/Collectivism:** Relates to whether an employee tends to approach a situation more as an individual or as a team member.

**Power Distance:** Refers to how much perceived power there is between managers and subordinates.

**Masculinity/Femininity:** Involves the emotional characteristics valued within a culture.

**Uncertainty Avoidance:** Refers to how those in a given culture handle ambiguity.

**Long-term Orientation:** Focused on the future. The willingness to delay short-term material or social success or even short-term emotional gratification in order to prepare for the future.

**Indulgence:** The degree to which a society allows relatively free gratification of natural human desires related to enjoying life and having fun. In contrast, restraint societies may be viewed as having a cultural belief that gratification should be curbed and regulated by strict norms.

**Import Tariff:** A tax levied by a nation on goods bought outside its borders and imported into the country.

**Protective Tariffs:** Allows more expensive domestic goods to compete with foreign ones.

**Exchange Controls:** Restrictions on the amount of a particular currency that may be bought or sold.

**Quota:** The maximum number of units of a particular product that maybe imported into a country.

**Embargo:** When the government suspends the trade of a particular product or trade with a particular country.

**Dumping:** When a country or business sells products at less than what it costs to produce them.

**Gross Domestic Product:** The market value of a nation's total output of goods and services for a given period.

**Exchange Rates:** The ratio at which one nation's currency can be exchanged for another nation's currency or for gold.

**World Trade Organization:** Global association of member countries that promotes free trade.

**World Bank:** Formally known as the International Bank for Reconstruction and Development, was established and supported by the industrialized nations in 1946 to loan money to underdeveloped and developing countries.

**International Monetary Fund:** Its mission is to oversee the international monetary system and help ensure stable currencies and exchange rates.

**Organization for Economic Co-Operation and Development:** An international economic organization comprising 30 countries that accept the basic principles of free-market economy and representative democracy.

## Decision-Making Models

**Classical Model:** A prescriptive approach that outlines the manner in which managers should make decisions. Is based on economic assumptions and the idea that managers are logical, rational individuals who make decisions that are in the organization's best interests.

**Administrative Model:** Based on research and findings which recognized that people do not always make decisions with logic and rationality.

**Political Model:** Based on the idea that certain individuals or groups will be able to influence others to achieve their goals.

## Four General Decision-Making Styles

**Direct Style of Decision Making:** Managers who base decisions on facts and focus on results. They work better in structured environments with well-known rules and procedures.

**Analytical Style of Decision Making:** Managers who tolerate a greater degree of ambiguity and enjoy tackling new challenges. They prefer to use logic and problem solving to make decisions.

**Conceptual Style of Decision Making:** Managers who are skilled at developing new solutions and rely on intuition. Inventors and entrepreneurs have often been placed in this category because of their willingness to take risks.

**Behavioral Style of Decision Making:** Managers who focus more on the individual. They tend to be supportive of and empathetic to their followers, believing that satisfied employees generate satisfied customers. They are more likely to encourage employees to participate in decision making and listen to employee input. In particular, they are effective communicators and want to help employees progress in their careers.

## Factors that Affect Decision-Making

**Intuition:** Immediately comprehending that something is the case, seemingly without the use of any reasoning process or conscious analysis.

**Framing:** A factor that affects decision making and contributes to many decision failures. Generally speaking, framing involves the tendency to view positively presented information favorably and negatively presented information unfavorably. It refers to how information is phrased, presented, or labeled.

**Escalation of Commitment:** The tendency to stick with a failing course of action

**Confidence:** Means that a person has faith that his or her decisions are reliable and good.

**Risk Propensity:** Refers to a person's willingness to take risks when making decisions.

## The Nature of Groups and Teams

**Groups:** Traditionally defined as two or more individuals who communicate with one another, share a collective identity, and have a common goal. Can be any size, so long as its members engage in some form of communication, state that they are a group, and pursue a common objective, whether it be weakly or strongly held.

**Teams:** A small number of people with complementary skills who are committed to a common purpose, set of performance goals, and approach for which they hold themselves mutually accountable.

**Formal Groups:** Groups that are created by the organization and have formal structures.

**Informal Groups:** Arise naturally from social interactions and relationships, and they tend to be loosely organized.

**Functional Groups:** Sometimes called command groups, perform specific organizational activities and have members from several vertical levels of the hierarchy.

**Cross-Functional Groups:** Cut across the firm's hierarchy and are composed of people from different functional areas and possibly even different management levels.

**Task Force:** A temporary set of employees responsible for bringing about a particular change.

**Committee:** A permanent formal group that performs some specific task in a collaborative manner.

**Project Teams:** Similar to task forces, but they are usually responsible for running their operations and have complete control over a specific project. Often include cross-functional members.

**R&D Teams:** Conduct basic and applied research. Basic research is conducted to discover new technologies or build on established knowledge of existing technologies. Applied research takes known technologies and applies them to real-world problems or situations.

**Quality Assurance Teams:** Generally smaller sets of employees formed to recommend changes that will improve the quality of the organization's products.

**Self-Directed Work Teams:** A set of employees who are responsible for a process or segment of a job that delivers a good or service to a customer

**Virtual Team:** Consists of people from different locations who communicate on projects through technology such as e-mail, videoconferencing, fax, and other forms of digital communication.

## **Interpersonal Relations: Soft Skills, Hard Value**

**Interpersonal Skills:** A complex skill set that encompasses knowledge, skills, abilities and behaviors that enhance the quality of our interpersonal interactions.

**Social Skills:** The ability to effectively read, comprehend, and manage social interactions.

**Social Sensitivity:** The ability to perceive emotional and behavioral cues from ourselves and others; this represents our awareness of what is going on during a social interaction.

**Social Insight:** The ability to meaningfully connect emotional and behavioral cues within a given context and to understand why we or others feel and behave in a particular way.

**Communicative Competence:** The ability to accurately understand and interpret verbal and nonverbal messages from others and strategically control the messages we send in return.

**Emotional Intelligence:** Our ability to identify and express emotions, understand emotions and their underlying causes, integrate emotions to facilitate thought, and regulate positive and negative emotions in ourselves and others.

**Impression Management:** The process by which we attempt to influence others' perception of and reaction to our image.

**Mindfulness:** The ability to monitor others and ourselves during interactions in order to inform ongoing and future exchanges.

**Cognitive Flexibility:** Our ability to shift perspective, supplement and revise existing mental models, consider conflicting information and evidence, and create new mental models when existing ones are no longer effective.

**Intercultural Flexibility:** Our awareness and understanding of cultural differences and our ability to perceive and relate to how people from other cultures will interpret an interaction, communication, situation, or event.

**Verbal Expression:** Involves communicative competency in both writing or speaking.

**Nonverbal Expression:** Involves communicative competency in both reading and nonverbal signals and cues.

**Persuasion:** Involves consciously manipulating interactions to encourage others to adopt specific attitudes, behaviors, viewpoints, or courses of action.

**Cooperation:** Involves working together and/or in support of one another to achieve a mutually beneficial outcome.

**Coordination:** Involves managing task interdependencies within the performance process flow. Essential processes include mapping tasks and activities to support specific and measurable goals; handling resource allocation, task and activity assignment, sequencing, and synchronization; and integrating member contributions and effort.

**Conflict Resolution:** Involves reconciling people, ideas, and viewpoints; discussing and achieving closure on negative reactions and behaviors; negotiating a mutually acceptable outcome; and restoring positive relations between participants.

**Coaching:** Involves analyzing the performance of a team and each of its members, offering insight into problem areas, and providing encouragement and making suggestions for improvement at both the individual and team level.

**Mentors:** Developing a long-term personal relationship with individual team members whom they feel can benefit from their knowledge and experience.

**Feedback:** Represents any form of communication that offers individuals information about themselves, their attitudes, their behavior, their performance, and/or the effect they have on others.