Chapter 7

Management, Leadership, and the Internal Organization
What is Management?

• “I want to be a manager.”
• Being a manager is beyond being the boss.
• Companies want managers who
  – understand technology,
  – can adapt quickly to change,
  – can skillfully motivate employees, and
  – Realize the importance of satisfying customers.
What is Management?

- **Management** is the process of achieving organizational objectives through people and other resources.
- The **manager**’s job is to combine human and technical resources in the best way possible to achieve the company’s goals.
- Management principles and concepts apply to not-for-profit organizations as well as profit-seeking firms (exp: a city mayor, a superintendent of a high-school).
- All perform the managerial functions.
- Management happens at many levels, from that of a family-owned restaurant manager to a national sales manager for a major manufacturer.
Your local supermarket works through a fairly simple organization that consists of a store manager, several assistant or department managers, and employees who may range from baggers to cashiers to stock clerks. However, if your supermarket is part of a regional or national chain, there will be corporate managers above the store manager.

The Stop & Shop Supermarket Company has more than 350 supermarkets located from New Hampshire to New Jersey, as well as headquarters located in Massachusetts. Within each store there are managers for everything from the meat department to human resources.
Management Hierarchy

At Stop & Shop headquarters, you’ll find top-level managers for such functions as finance, consumer affairs, real estate, information technology, sales and operations, and pharmacy among others.

All of these people are managers because they combine human and other resources to achieve company objectives. Their jobs differ, however, because they work at different levels of the organization.
Management Hierarchy

Top Management
- Chief Executive Officer,
- Chief Financial Officer,
- Governor, Mayor

Middle Management
- Regional Manager,
- Division Head,
- Director, Dean

Supervisory (First-Line) Management
- Supervisor,
- Department Chairperson,
- Program Manager
Top Management

- Develop long-range **strategic plans** for the organization (introduce new products, acquire other companies, enter new geographical regions).
- **Set a direction** for the organization and **Inspire** executives and employees to achieve their vision for the company’s future.
Top Management

The job isn’t easy. Many top managers must steer their firms through the storms of an economic downturn, a slump in sales, a quality crisis, and the like. Taleo’s chief executive, Michael Gregoire, is one such manager. Despite a recession and a major accounting review of the firm, Gregoire kept California-based Taleo—which makes software that tracks job applicant and employee data—afloat. While Gregoire dealt with financial, legal, and technological issues, he also found a way to keep his employees motivated and focused on their own jobs. “My job was to keep the company moving forward,” Gregoire notes. He recalls that every day he walked into the office and reassured his employees that doing their own jobs was the most important thing. “What we can do is take care of our customers,” he told his workers. “We can build great software. We can sell software.” Today, Taleo’s customers are happy with Taleo’s software products and the firm’s earnings are up significantly.³
Middle Management

- Positions such as general managers, plant managers, division managers, and branch managers
- Focus on **specific operations**, products, or customer groups within an organization.
- Responsible for developing **detailed plans and procedures** to implement the firm’s strategic plans.
Middle Management

- If top management decided to broaden the distribution of a product, a sales manager would be responsible for determining the number of sales personnel required.
- Middle managers are responsible for targeting the products and customers who are the source of the sales and profit growth expected by their CEOs.
- To achieve the goals, middle managers might identify new uses for existing products and improve the ways they train and motivate salespeople.
- Because they are more familiar with day-to-day operations than CEOs, middle managers often come up with new ways to increase sales or solve company problems.
Supervisory Management

- **Implement the plans** developed by middle managers.

- Responsible for non-manager employees.

- **Motivate workers** to accomplish daily, weekly, and monthly goals.
Skills Needed for Management Success

- **Technical skills**
  - Manager’s ability to understand and use the techniques, knowledge, and tools and equipment of a specific discipline or department.

- **Human skills**
  - Interpersonal skills that enable a manager to work effectively with and through people.

- **Conceptual skills**
  - Ability to see the organization as a unified whole and to understand how each part of the overall organization interacts with other parts.
Skills Needed for Management Success

TRAINING PROGRAM
Domino's provides a comprehensive training Program prior to operating your own store. This is an 8 week training process where you will receive both theoretical and practical hands on training. By the end of the 8 weeks you will have acquired skills and knowledge in all areas of the store operations. You will be guided to establish effective systems and procedures to ensure the smooth operation of your store. You will also be shown simple but highly effective business management principles such as establishing an effective marketing plan to ensure the success of your business. The goal of this franchise training program is to have you trained and set up in your own store within 9 weeks.
Managerial Functions

Planning
- Process of anticipating future events and conditions and determining courses of action for achieving organizational objectives.

Organizing
- Blending human and material resources through a formal structure of authority.

Directing
- Guiding and motivating employees to accomplish organizational objectives.

Controlling
- Evaluating an organization’s performance to determine whether it is accomplishing its objectives.
  1. Establish performance standards.
  3. Compare actual performance with established standards.
  4. Take corrective action if required.
Vision is the perception of marketplace needs and the methods an organization can use to satisfy them.

Must be focused yet adaptable to changes in the business environment.

Garmin was founded on the “principles of innovation, convenience, performance, value, and service”
Setting a Vision

A firm’s vision serves as the target for its actions, helping direct the company toward opportunities and differentiating it from its competitors. Troy Rhodes Jr. of MyBookBorrow.com states his vision is “to build an online empire.”
Vision Statement

To become an air carrier with;

- a continued growth trend over industry average
- zero major accidents/crashes
- most envied service levels worldwide
- unit costs equating with low cost carriers
- sales and distribution costs below industry averages
- a personnel constantly developing their qualifications with the awareness of the close relationship between the benefits for the company and the added value that they contribute
- an entrepreneurship that creates business opportunities for fellow members in the Star Alliance and takes advantage of the business potential provided by them
- a staff well adapted to modern governance principles by observing the best interests of not only shareholders but also stakeholders
Importance of Planning

- Turning a vision into reality takes planning.
- Organizations should have a comprehensive planning framework.
  - From mission statement to objectives and goals
  - Narrow functional plans
- Plans outline the steps the company will take to meet outlined goals and objectives.
Planning at Different Organizational Levels

• **Strategic planning** is the process of determining the primary objectives of an organization and then acting and allocating resources to achieve those objectives.

• **Tactical planning** involves implementing the activities specified by strategic plans.

• **Operational planning** creates the detailed standards that guide implementation of tactical plans.
Planning at Different Organizational Levels

- Planning cannot foresee every possibility. Major accidents, natural disasters, and rapid economic downturns can throw even the best-laid plans into chaos.
- To handle the possibility of business disruption from events of this nature, many firms use contingency planning.
- *Contingency planning* allows businesses to resume operations as quickly and as smoothly as possible after a crisis while openly communicating with the public about what happened.
# Planning at Different Organizational Levels

<table>
<thead>
<tr>
<th>PRIMARY TYPE OF PLANNING</th>
<th>MANAGERIAL LEVEL</th>
<th>EXAMPLES</th>
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<tbody>
<tr>
<td>Strategic</td>
<td>Top management</td>
<td>Organizational objectives, fundamental strategies, long-term plans</td>
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<tr>
<td>Tactical</td>
<td>Middle management</td>
<td>Quarterly and semiannual plans, departmental policies and procedures</td>
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<tr>
<td>Operational</td>
<td>Supervisory management</td>
<td>Daily and weekly plans, rules, and procedures for each department</td>
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<tr>
<td>Contingency</td>
<td>Primarily top management, but all levels contribute</td>
<td>Ongoing plans for actions and communications in an emergency</td>
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The Strategic Planning Process

1. Define the Organization’s Mission
2. Set Objectives for the Organization
3. Create Strategies for Competitive Differentiation
4. Evaluate Results and Refine the Plan

Feedback: Assess the Organization’s Competitive Position → Turn Strategy into Action
Mission

• A *mission* statement is a written explanation of an organization’s business intentions and aims.

• It is an enduring statement of a firm’s *purpose*, possibly highlighting the scope of operations, the market it seeks to serve, and the ways it will attempt to set itself apart from competitors.

• Starbucks: “To inspire and nurture the human spirit—one person, one cup and one neighborhood at a time.”

• Disney: “We create happiness by providing the finest in entertainment for people of all ages, everywhere.”

• Nike: “To bring inspiration and innovation to every athlete in the world.”

• Sony: “To experience the joy of advancing and applying technology for the benefit of the public.”
Mission Statement

To become the preferred leading European air carrier with a global network of coverage thanks to its strict compliance with flight safety, reliability, product line, service quality and competitiveness, whilst maintaining its identity as the flag carrier of the Republic of Turkey in the civil air transportation industry.
SWOT Analysis – Assessing The Competitive Position

**Strengths**
- State-of-the-Art Information Systems
- Economies of Scale
- Patent Protection
- Sales Team

**Opportunities**
- New Technologies
- Strategic Alliances with Vendors
- New Markets
- Extension of Existing Products

**Weaknesses**
- Lack of Managerial Depth
- Logistics Limitations
- Financing Constraints Because of Debt Load
- Dated Production Facilities

**Threats**
- Changing Buyer Tastes
- Enhanced Competition
- Sole Sourcing
- New Government Regulations

**Leverage**

**Vulnerability**

**Constraints**

**Problems**
SWOT Analysis – Assessing The Competitive Position

- **STRATEGIC ANALYSIS**
  - **INTERNAL**
    - **STRENGTHS**: build; enhance
    - **WEAKNESSES**: resolve; reduce
  - **EXTERNAL**
    - **OPPORTUNITIES**: exploit; expand
    - **THREATS**: avoid; thwart
For Starbucks, a key strength is consumers’ positive image of the company’s brand, which gets them to stand in line to pay premium prices for coffee. That positive image comes from Starbucks’s being one of the best 100 companies to work for in the United States, according to *Fortune*, and from its socially responsible corporate policies. The company’s strategic plans have included various ways to build on Starbucks’s strong brand loyalty by attaching it to new products and expanding into new markets. The expansion efforts have included creating a Music WiFi Community on its Web site; offering bottled Frappuccino drinks in grocery stores; and opening thousands of Starbucks outlets in Europe, Asia, and the Middle East. Weaknesses include saturating some markets with too many stores and not paying attention to store design. Starbucks eventually addressed these weaknesses by closing some stores and redesigning others.¹⁹
Managers as Decision Makers

Should I buy iPhone 6 Plus or 1992 Şahin?
Decision making is the process of recognizing a problem or opportunity, evaluating alternative solutions, selecting and implementing an alternative, and assessing the results.
Decision Types

- **Programmed decision** involves simple, common problems with predetermined solutions (e.g., reordering office supplies, renewing a lease)

- **Nonprogrammed decision** involves a complex, unique problem or opportunity with important consequences for the organization (e.g., entering a new market, deleting a product from the line, or developing a new product)
The release of the iPad was a nonprogrammed decision made by Apple involving a complex and unique opportunity with important consequences for the company.
Leadership is the ability to direct or inspire people to attain certain goals.

Involves the use of influence or power.
Leadership Styles

- **Autocratic Leadership**
  - Make decisions on own without consulting employees.

- **Democratic Leadership**
  - Involve employees in decisions, delegate assignments, and ask employees for suggestions.

- **Free-Rein Leadership**
  - Leave most decisions to employees.
When US Airways flight 1549 was forced to ditch into the Hudson River, the quick thinking and decision-making leadership style of Chesley Sullenberger saved the lives of everyone on that flight.
No single leadership style is best for every firm in every situation. Sometimes leadership styles require change in order for a company to grow, as has been the case for Google. In a crisis, an autocratic leadership style might save the company—and sometimes the lives of customers and employees. This was the case when US Airways flight 1549 was forced to ditch into the Hudson River after hitting a wayward flock of Canada geese. Quick, autocratic decisions made by pilot Chesley Sullenberger resulted in the survival of everyone on board the flight. But US Airways management on the ground activated a democratic style of leadership in which managers at many levels were empowered to take actions to help the passengers and their families. For example, one executive arrived on the scene with a bag of emergency cash for passengers and credit cards for employees so they could purchase medicines, food, or anything else they needed. A company that recognizes which leadership style works best for its employees, customers, and business conditions is most likely to choose the best leaders for its particular needs.
Organizational Structures

- Organization: structured grouping of people working together to achieve common goals.
- Three key elements:
  - Human interaction
  - Goal-directed activities
  - Structure
- The organizing process should result in an overall structure that permits interactions among individuals and departments needed to achieve company goals.
Organizational Structures

The steps involved in the organizing process

1. Determine Specific Work Activities Necessary to Implement Plans and Achieve Objectives
2. Group Work Activities into a Logical Pattern or Structure
3. Assign Activities to Specific Positions and People and Allocate Necessary Resources
4. Coordinate Activities of Different Groups and Individuals
5. Evaluate Results of the Organizing Process
Organizational Structures

• **Factors influencing the organizing process:**
  - a firm’s goals and competitive strategy,
  - the type of product it offers,
  - the way it uses technology to accomplish work, and
  - its size.
Organizational Structures

- **Small firms** typically create very simple structures.
- **Example:** The owner of a dry-cleaning business generally is the top manager, who hires several employees to process orders, clean the clothing, and make deliveries. The owner handles the functions of purchasing supplies such as detergents and hangers, hiring and training employees and coordinating their work, preparing advertisements for the local newspaper, and keeping accounting records.
Organizational Structures

- **Large firms** may employ many salespeople, along with a sales manager to direct and coordinate their work, or organize an accounting department.
- An effective structure is one that is clear and easy to understand: employees know what is expected of them and to whom they report.
- They also know how their jobs contribute to the company’s mission and overall strategic plan.
- An organization chart can help clarify the structure of a firm
Organizational Chart

What can be observed in organizational charts?

- How the tasks were grouped
- Who is responsible to whom
- Positions and titles
- The place of the personnel in the organization

What can not be observed in organizational charts?

- Job descriptions
- Management style of the organization
- The authorization of the personnel
- Actual communication level
Departmentalization

*Process of dividing work activities into units within the organization.*

- **Product departmentalization**: organized based on the goods and services a company offers.
- **Geographical departmentalization**: organized by geographical regions within a country or, for a multinational firm, by region throughout the world.
- **Customer departmentalization**: organized by the different types of customers the organization serves.
- **Functional departmentalization**: organized by business functions such as finance, marketing, human resources, and production.
- **Process departmentalization**: organized by work processes necessary to complete production of goods or services.
Different Forms of Departmentalization

- **Chief Executive Officer**
  - **Vice President Production**
  - **Vice President Marketing**
  - **Chief Financial Officer**

- **Functional Departmentalization**
  - **Domestic Sales Manager**
  - **International Sales Manager**

- **Geographical Departmentalization**
  - **Sales Manager for Business Markets**
  - **Sales Manager for Consumer Markets**

- **Customer Departmentalization**
Delegation is the act of assigning work activities to subordinates.

- Providing employees with the responsibility and the necessary authority for completing tasks.
- Employees have accountability, or responsibility for the results of the way they perform their assignments.

Span of management is the number of subordinates, or direct reports, a supervisor manages.

Centralization: decision making is retained at the top of the management hierarchy.

Decentralization: decision making is located at the lower levels. Many firms believe it enhances their flexibility and responsiveness to customer needs.
Types of Organizational Structures

Line Organizations
- Oldest and simplest form; direct flow of authority from CEO to subordinates.
- Chain of command indicates who directs which activities and who reports to whom.

Line-and-Staff Organizations
- Combines line departments and staff departments.
- Line departments participate directly in decisions that affect the core operations of the organization.
- Staff departments lend specialized technical support.
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Types of Organizational Structures

- A line manager forms part of the primary line of authority that flows throughout the organization.
- Line managers interact directly with the functions of production, financing, or marketing.
- A staff manager provides information, advice, or technical assistance to aid line managers.
- Staff managers do not have authority to give orders outside their own departments or to compel line managers to take action.
Line and Staff Organizations