Chapter 1 focused on the skills required to be a successful manager. This chapter focuses on the process of management, which is critical to organizational success, rather than on the managers themselves. We present a brief overview of basic functions of management and explore several alternative theories of management. You will note as you review the theories how they have changed over time. Most organizations today apply a practical combination of lessons from the past in the form of best practices to ensure continuous improvement. In the chapter opening interview, Thomas Suggs provides insight into how he manages his company for continuous improvement and the emphasis he places on the vitally important element of employee engagement.

Functions of Management

The functional approach to management was developed in the early 1900s by Henri Fayol, an engineer and manager of a French mining company.[1] You will learn more about his work in the "Historical Management Theories" section of the chapter. Fayol's basic functions are still relevant today, but current literature describes them using slightly different terminology and condenses his five functions into four categories: planning, organizing, leading, and controlling.

The functional view of management has been popular for nearly a century because it divides the management process into distinct activities and duties that can be taught and learned. **Management functions** are general administrative duties that need to be carried out in virtually all productive organizations.

management functions
general administrative duties that need to be carried out in virtually all productive organizations

Planning

Planning is the process of determining the mission and goals of an organization and specifying what it will take to achieve those goals. Chapter 6 discusses in depth the processes of planning and achieving results. Note the weight Thomas Suggs gives to planning and establishing the organization's vision, values, mission, and goals.

planning
determining the mission and goals of an organization and specifying what it will take to achieve those goals

Organizing

Organizing is the process of creating the structure of an organization. An organization chart is typically used to depict the structure. An **organization chart** is a diagram of an organization's official positions and formal lines of authority. Organization charts are common in both profit and nonprofit organizations.

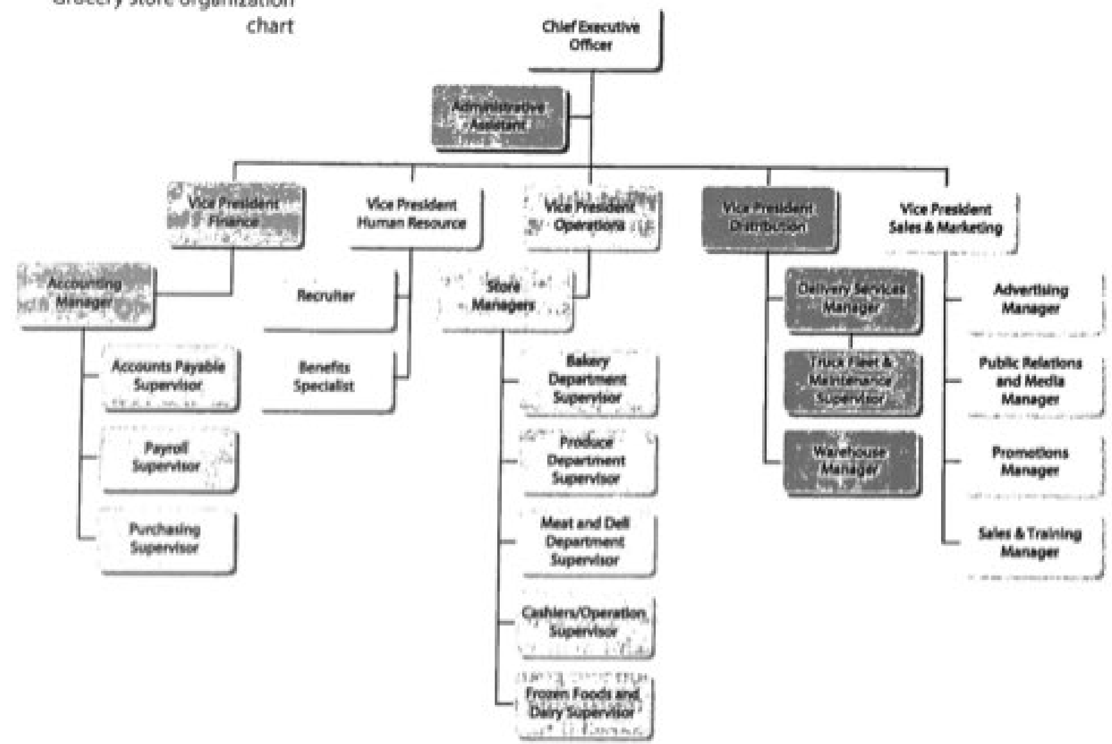
Every organization has two dimensions, one representing vertical hierarchy and one representing horizontal specialization. **Vertical hierarchy** establishes the chain of command, or who reports to whom.

organizing
creating the structure of an organization

organization chart
a diagram of an organization's official positions and formal lines of authority

vertical hierarchy
chain of command

FIGURE 2.1
Grocery store organization chart



Horizontal specialization shows the various divisions of labor across an organization. The organization chart in Figure 2.1 provides a typical visual tool to describe hierarchy and specialization. The chart lets everyone in the company know who reports to whom and who does what, both of which represent important information for managers and their employees.

What about small organizations lacking multiple levels of hierarchy and lots of specialized jobs? Entrepreneurs and small businesses make up a significant portion of our economy. Just like large *Fortune* 500 corporations, **entrepreneurial ventures** need to establish a formal organizational structure for long-term success. In addition, someone in the company needs to accept the supervisory role. Typically, the business owner assumes these responsibilities.

horizontal specialization
the various divisions of labor across an organization

entrepreneurial ventures
a new or emerging start-up business

What may be different with a new venture is fewer resources and greater personal responsibility. For example, when Doris Christopher started The Pampered Chef in the basement of her home in the Chicago suburb of

River Forest, she had to do it all. Twenty-five years later, The Pampered Chef had 1,000 employees and 70,000 independent "Kitchen Consultants" to accomplish the same tasks—but on a much larger scale in a much more complex organization.[2]

During the start-up phase, companies often rely on the founders to handle multiple roles. In small companies, communication is typically more frequent and informal because there are fewer people to reach and feedback is often immediate. In addition, smaller organizations can usually adapt and change more quickly because decisions can be made on the spot rather than requiring committee or board approval. Therefore, smaller organizations are often more flexible than larger organizations.

Many large companies strive to benefit from the economies of scale that come with their size, while maintaining the small company style and corporate culture, which is typically more creative and nimble.

They Said It Best

In my one-woman show, I did everything from answering the phone to emptying wastepaper baskets.

—Doris Christopher describing the early days of The Pampered Chef

Source: Doris Christopher, The Pampered Chef

Leading

leading
inspiring and motivating others to achieve organizational goals

Leading is inspiring and motivating employees to achieve organizational goals. Successful managers employ a wide range of leadership skills in taking the vision and goals established by executives and higher-level management and translating them into reality. Chapter 3 briefly outlines the leadership responsibilities of managers, and Chapter 4 introduces leadership theories, models, and styles.

Leading can occur in a variety of settings, at any level of the organization, and with a variety of leadership styles. The photo on the left is typical of a large sales meeting with an animated approach to motivating a sales team. On the right, an informal team meeting is common in all types of organizations.

Controlling

Controlling is ensuring that performance meets the goals of the organization. It involves setting standards to achieve goals, monitoring performance by comparing it against the standards, detecting any deviations, and making changes to correct for them. In *Effective Management*, Chuck Williams provides the following example:

> Needing to cut costs (the standard) to restore profitability (the goal), major airlines began paying Pratt and Whitney to power-wash the grime from inside their jet engines two to three times a year at a cost of $3,000 per wash. Why? Cleaner engines consume less fuel and can go 18 months longer without having to be rebuilt for regular maintenance—at a high cost.[3]

Knowledge to ACTION

1. Assume you are taking over a family-owned business with 20 employees and no formal organizational structure. Would it be important to develop a formal structure? Why or why not?

2. Would it also be important to develop an organization chart and provide copies to all employees? Why or why not?

Historical Management Theories

controlling
ensuring that performance meets the goals of the organization

scientific management
an approach to management that emphasizes scientifically determined jobs and management practices as the way to improve efficiency and labor productivity

The discussions of key management theories in this section and the next are an overview to acquaint you with the science on which management is based. Both historical (sometimes called classical) and contemporary theories are included because many of the historical theories served as stepping-stones for the development of contemporary theories.

The historical theories were developed during the 19th and early 20th centuries. They go by a variety of names and generally are associated with specific individuals.

Scientific Management

Frederick Taylor is often referred to as the father of **scientific management.**[4] Taylor was a worker, supervisor, and ultimately chief engineer at a steel company. His focus was on improving the productivity of factory workers by simplifying jobs and optimizing the way tasks were performed.[5] Taylor proposed four principles of scientific management:

1. Conduct a scientific study of workers' tasks, and replace old rule-of-thumb methods with improved ones.
2. Scientifically select, train, and develop each employee rather than leaving workers to teach themselves.
3. Cooperate with employees to ensure they do their work according to the scientifically developed principles.
4. Divide work nearly equally between managers and workers, with managers doing the planning and workers the execution.[6]

Because Taylor's principles were intended for industrial and factory settings, some question their usefulness in today's service-dominated economy. But his emphasis on systematic procedures and efficiency is as relevant as ever.

Industrial engineers Frank and Lillian Gilbreth were part of the scientific management movement. Working as consultants, they focused on **motion studies** designed to simplify work, improve productivity, and reduce the level of effort required to perform a job safely. Frank Gilbreth's early experiences as an apprentice bricklayer provide a good example of motion study. After carefully observing his fellow workers on the job, Gilbreth designed a stand for bricks so workers wouldn't have to bend down to pick up each one. Another idea was to have lower-paid workers arrange the bricks with the best-looking side up so the higher-paid bricklayers wouldn't have to spend time turning each brick over to find that side. Taken together, Gilbreth's improvements increased productivity from 120 to 350 bricks per hour and from 1,000 to 2,700 bricks per day.[7]

Bureaucratic Management

German sociologist Max Weber developed many of the main concepts of bureaucratic management. He regarded with dismay the unproductive favoritism and hiring of unqualified family members he observed in pre-World War I Germany. Weber envisaged a system focused on hierarchical lines of a chain of command and control. As he conceived of it, **bureaucracy** is the exercise of organizational control on the basis of knowledge, expertise, or experience.[8]

From Weber's perspective, bureaucratic management ensured that the organizational structure established a hierarchy in which employees had the proper skills and training to perform the job effectively and moved up in the organization based on their knowledge, experience, and performance. Thus, bureaucratic management theory differs from scientific management theory, which focuses on determining the most efficient way to do work.

Curiously, Weber's term *bureaucracy* has come full circle and is now an unflattering label for inefficiency, waste, and red tape in large businesses and

motion studies
the process of breaking each task or job into separate motions and then eliminating those that are unnecessary or repetitive

bureaucracy
the exercise of control on the basis of knowledge, expertise, or experience

Feedback

- As each chapter was written, it went to instructors for review and suggestions for improvement.

Output

- The authors and consulting editor finalized the chapters and, along with the developmental editor, checked accuracy of page proofs.
- The product was printed.

For the book to be successful, the system and all its subparts had to work together and meet the budget, deadlines, and quality control standards.

Situational or Contingency Theories

Situational or contingency theories are generally applied to leadership styles. Therefore, they will be briefly highlighted in this chapter and discussed in more detail in Chapter 4, "Leadership Essentials." Situational or contingency theories hold that, to be effective, leaders must use different leadership styles as situations change.

Situational leadership is the concept that successful leadership occurs when the leader's style matches the situation. Ken Blanchard and Paul Hersey developed one widely known model of situational leadership.

Fred Fiedler's contingency theory is similar to Blanchard and Hersey's situational leadership theory. However, Fiedler asserts that a leader's performance depends, or is *contingent* on, the likelihood that he or she can successfully do the job and the person's basic motivation. Fiedler thinks leaders must be matched with situations that fit their personalities.

A third situational leadership theory is the path-goal theory. This theory suggests leaders can improve employee satisfaction and performance by clarifying how workers can achieve organizational goals, clearing the path to the goals (removing obstacles, for example), and adding more and different kinds of rewards to motivate workers to attain the goals. This theory assumes leaders can change and adapt their leadership styles.[11]

situational leadership
the concept that successful leadership occurs when the leader's style matches the situation

Knowledge to **ACTION**

1. Are all of Fayol's 14 principles of management still valid in the current work environment? If not, which ones are not valid and why?

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2. Would applying Fayol's principles in a small entrepreneurial organization be different from applying them in a large, well-established company? Explain.

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