CHAPTER I
Managing

Management means, in the last analysis, the substitution of thought for brawn and muscle, of knowledge for folklore and tradition, and of cooperation for force.
—Peter Drucker

CHAPTER OUTLINE
Managing in the New Competitive Landscape
The Internet
Globalization
Knowledge Management
Collaboration across “Boundaries”
Managing for Competitive Advantage
Innovation
Quality
Speed
Cost Competitiveness
Delivering All Four
The Functions of Management
Planning: Delivering Strategic Value
Organizing: Building a Dynamic Organization
Leading: Mobilizing People
Controlling: Learning and Changing
Performing All Four Management Functions
Management Levels and Skills
Top-Level Managers
Middle-Level Managers
Frontline Managers
Working Leaders with Broad Responsibilities
Management Skills
You and Your Career
Be Both a Specialist and a Generalist
Be Self-Reliant
Be Connected
Actively Manage Your Relationship with Your Organization
Survive and Thrive

LEARNING OBJECTIVES
After studying Chapter 1, you will know:
1. The major challenges of managing in the new competitive landscape.
2. The drivers of competitive advantage for your company.
3. The functions of management and how they are evolving in today’s business environment.
4. The nature of management at different organizational levels.
5. The skills you need to be an effective manager.
6. What to strive for as you manage your career.
SOMETIMES YOU GET IT, SOMETIMES YOU DON’T

Yahoo! was one of many incredible stock investments during a time when “they get it” was the ultimate compliment in the business world and “they don’t get it” was the ultimate insult. Getting it referred to navigating the “new economy” successfully—usually meaning the successful business use of the Internet. Not getting it meant either not trying to do business via the Net or doing it badly.

Yahoo! is an excellent Internet portal and a popular one. But customers don’t pay for services, don’t buy products from it, and ignore the banner ads that were to be an essential source of revenues. As revenues declined in 2001 and 2002, the stock price plummeted. The details vary, but many companies during this period mirrored this spectacular success and rapid fall.

At least Yahoo! is still alive, with hopes and plans. Other Internet portals, such as Excite, Lycos, Disney’s Go, and NBC’s Snap, have folded or faded. On the bright side, in the face of a very challenging business environment, Wal-Mart, PeopleSoft, GE, Citigroup, Southwest Airlines, Home Depot, and FedEx have gotten so many things right that they were among America’s 10 most admired companies for 2002.

It’s not just companies, but also people, who sometimes get it sadly wrong and sometimes get it wonderfully right. Those who usually get it right include Business Week’s “Managers of the Year” Meg Whitman of eBay, Carole Black of Lifetime Entertainment, Lou Gerstner of IBM, and Reuben Mark of Colgate-Palmolive. They received these honors by doing the kinds of things you will be learning about in this book. On the other hand, some high flyers recently have fallen. Jacques Nasser was removed from the helm of Ford Motor Company (reasons: financial losses, difficulties with e-commerce, morale problems, the Firestone/Explorer crisis, corporate politics). James E. Goodwin of United Airlines lost his job due to the loss of money, the failure of a takeover, no backup plan to deal with that failure, and huge, costly pay hikes for pilots. One of the most notorious is Enron’s Jeff Skilling, a mastermind of unethical financial maneuvering who (among other things) wiped out $60 billion in shareholder value.

Then there’s Josh Harris, the founder of the streaming media company Pseudo.com. During the height of the Internet gold rush, Harris brashly told 60 Minutes and CBS, “Our business is to take you out. I’m in a race to take CBS out of business... That’s why we’re going to make the big bucks.” CBS, of course, is still around, whereas Pseudo.com is not.

No manager is always right or always wrong, but some get it right more often than others. The examples in “Setting the Stage” suggest that companies, like individuals, succeed or fail for a variety of reasons. Some of these reasons are circumstantial. Others are personal and human and include the decisions managers make and the actions they take.

In business, there is no replacement for effective management. Companies may fly high for a while, but they cannot do well for very long without good management. It's the same for individuals: Business Week’s Managers of the Year succeed by focusing on fundamentals, knowing what’s important, and managing well. The aim of this book is to help you succeed in those pursuits.

When this decade began, the economy was soaring. A new business terminology was replacing the old, distinguishing the new Internet managers from the established crowd. Business models replaced strategy. The new buzz was about reach (customers), stickiness (repeat purchases), and competing in a space (market). It was as if everything had changed and the traditional essentials of business management were not important after all. Business seemed easy.

Turns out, it’s not easy. As the high-tech “new economy” heated up, more and more firms competed for the same unproven markets. Profits proved hard to come by, and many high-flying companies came crashing down. But there was some good news: The bad news made people face reality and forced them to focus on basic principles of profit and cost efficiency.

Why did so many companies fall so far, so fast? In little more than one year, the business world changed dramatically. The dot-com bubble burst, a recession came, September 11, 2001 brought terrorist attacks, and economic uncertainties snowballed. But changing circumstances were only part of the story. In addition, managers made a lot of bad decisions. They grew arrogant, mistreated customers, didn’t worry about costs, and gave away valuable services because profits didn’t seem to matter. They misapplied managerial principles, in part because they lacked managerial experience and expertise.

Times may change, but managerial practices will always separate effective from ineffective organizations. According to Business Week, “The Darwinian struggle of daily business will be won by the people—and the organizations—that adapt most successfully to the new world that is unfolding.” What defines this “new world,” and the competitive landscape of business? You will be reading about many relevant issues in the coming chapters, but we begin here by highlighting four key elements that make the current landscape different from the past: the Internet, globalization, the importance of knowledge and ideas, and collaboration across organizational “boundaries.”

The Internet
Communication technologies are driving massive change in the world of management. The Internet changes the way managers must think and act with regard to everything from devising strategies to leading and motivating employees. Management is still strategic, and still intensely interpersonal and human, but now it also must happen via the Web.

At the beginning of this decade, technology was dazzling people with returns that seemed limitless. E-business (business conducted electronically) was all the rage. But when the overheated market crashed, “profitable Internet company” became an oxymoron. The term e-business became discredited to the point where GM dropped it and started calling its e-business efforts “digitization.”

But by mid-2002, 25 percent of the publicly held Internet companies had become profitable. E-travel and e-finance (shining examples: Expedia, Priceline, and Schwab)
emerged as big winners. The health services company WebMD, once branded a loser, began making money. Even nonprofitable Net companies at least had potential as takeover targets for established companies, because they could provide the Internet services those companies needed.

Many Internet-only companies died, making it seem that mixing the Internet with physical stores was the only way to make money online. But as of 2002, most profitable Web companies were selling information-based products that don’t require shipping, and so they didn’t need physical stores’ (as the jargon has it, “bricks” to go with their “clicks”).

At the same time, old economy types, written off for dead during the heyday of the dot-com boom, have survived and are now using the Internet as a tool to solidify their future. Barnes & Noble sells successfully via the Net, not solely but as a complement to its real stores—people still like to browse the aisles, thumb through books, and have a cup of coffee.

The percentage of trade that takes place on the Net is small, but it is growing, as is the number of Internet users worldwide. Some observers compare e-commerce to the automobile industry in the era of the Model T; Ford’s original all-black model in the early 1900s. The debate about the future of e-business continues, but the industry may now be poised for a long, steady climb for decades to come. Much of the work now will focus on helping existing companies use the Internet to cut costs, serve customers better, and open new markets.

The Internet revolution is definitely here, and the real wealth creation is yet to come. The Net may not be a business unto itself, but it clearly is a powerful tool for improving business. It is difficult to predict how a particular company like Yahoo!, described in “Setting the Stage,” will be performing by the time you read this. It is clear, though, that its fate, like that of all companies, will derive from a combination of factors in the business environment and the decisions and actions of its managers.

**Globalization**

Far more than in the past, enterprises are global, with offices and production facilities in countries all over the world. Foreign companies by the hundreds are joining the New York Stock Exchange. Corporations such as Bertelsmann, Citicorp, ASEA Brown Boveri, and Nestle are “stateless”: They operate worldwide without reference to national borders.

For U.S. and non–U.S. managers alike, isolationism is a thing of the past. This must be so for organizations to survive worldwide competition in a global marketplace. U.S. companies are no longer the unrivaled stars of the business world.

For example, since 1993, the Big Three U.S. automakers have lost market share worth $35 billion to overseas competitors. Consumer Reports’ 2001 list of the best vehicles in 10 categories includes not a single U.S. car or truck. Currently, Toyota, Nissan, and Honda are building truck plants in Indiana, Mississippi, and Alabama and will possibly cut U.S. truck profits by more than half by 2004.

On the brighter side, MTV has been extremely successful expanding overseas. Eight of 10 MTV viewers live outside the United States; with its sister operations, VH1 and Nickelodeon, MTV reaches 1 billion people in 18 different languages in 164 countries. Similarly, most growth for Tricon (which owns KFC, Pizza Hut, and Taco Bell) is global. KFC has 5000 restaurants in the United States and over 6,000 overseas. In China, KFC has over 500 restaurants, and opens 10 new ones per month—even though a KFC value meal costs about six hours’ salary. Like other successful global companies, KFC customizes: it offers tempura crispy strips in Japan, and in Thailand it offers fresh rice with soy or sweet chili.
Competing globally is not easy. Companies often overestimate the attractiveness of foreign markets. Those markets look big and untapped, but the difficulties (costs and risks) also are big. Overseas sites need local marketing, and local management builds relationships and trust. EBay, Schwab, and Yahoo! established successful local sites country by country. Don’t forget, the product itself must be locally desirable, a problem that AOL struggled to overcome.

Even small firms that do not operate on a global scale must make important strategic decisions based on international considerations. Many small companies export their goods. Many domestic firms assemble their products in other countries. And companies are under pressure to improve their products in the face of intense competition from high-quality foreign producers. Firms today must ask themselves, “How can we be the best in the world?”

Knowledge Management

One of the most important forces for change in management is the growing need for good, new ideas. Because companies in advanced economies have become so efficient at producing physical goods, most workers have been freed up to provide services or “abstract goods” like software, entertainment, data, and advertising. Efficient factories with few workers produce the cereals and cell phones the market demands; meanwhile, more and more workers create software and invent new products and services. As top consultant Gary Hamel puts it, “We have moved from an economy of hands to an economy of heads.”

Chief knowledge officer will be an important job in coming years. Knowledge management is the set of practices aimed at discovering and harnessing an organization’s intellectual resources—fully utilizing the intellects of the organization’s people. Knowledge management is about finding, unlocking, sharing, and altogether capitalizing on the most precious resources of an organization: people’s expertise, skills, wisdom, and relationships. Knowledge managers find these human assets, help...
people collaborate and learn, help people generate new ideas, and harness those ideas into successful innovations.

Production of tangible goods remains an essential part of the economy and of effective management, but companies like GE, Dell, Toyota, and ABB owe their success in large part to intellectual capital. Whereas “capital” used to be a purely financial concept, it now has an additional meaning. Intellectual capital is the collective brainpower of the organization. Today, managers must create a work environment that attracts good people, makes them want to stay, and inspires creative ideas from everyone. The ultimate goal is to turn the brainpower of their people into profitable products.

Collaboration across “Boundaries”

One of the most important processes of knowledge management is to ensure that people in different parts of the organization collaborate effectively with one another. This requires productive communications among different departments, divisions, or other subunits of the organization. For example, British Petroleum tries to create “T-shaped” managers who break out of the traditional corporate hierarchy to share knowledge freely across the organization (the horizontal part of the T) while remaining fiercely committed to the bottom-line performance of their individual business units (the vertical part). This emphasis on dual responsibilities for performance and knowledge sharing occurs at GlaxoSmithKline (the pharmaceutical giant), Siemens (the large German industrial company), and Ispat International (a London-based steelmaker).

Collaboration across former “boundaries” occurs between as well as within organizations. Companies merge; competitors join forces to cooperate in pursuit of

And we can make it better than the existing world, not just in a narrowly economic sense but also in a broader human sense: for ourselves and for our children and for our children's children.

For instance, new information technologies and new ideas about management are bringing us to a place where we can consider radically new ways of organizing work. It may be possible to create companies that give employees a better sense of achievement, of camaraderie, or of autonomy than ever before.

That's tremendously exciting.

What worries me is the possibility that we'll create a world that is much more economically efficient—but that is much less satisfying to live in—than the one that we inhabit today . . .

I'm worried that we won't bring the personal side of the equation up to the level of the financial side.

I also worry about people who live and work in developing countries. It's clear that the economy is becoming more global. But the jury is still out on whether the developing world will be integrated into the developed world in a thoughtful and fair way, or in a way that exploits and oppresses people.

We have a historical opportunity—perhaps even a historical obligation—to make wise choices about how we move forward.

I just hope we don't blow it.

Thomas W. Malone (malone@mit.edu) is the Patrick J. McGovern Professor of Information Systems at the MIT Sloan School of Management. He is also the founder and director of the MIT Center for Coordination Science and was one of the two founding codirectors of the five-year MIT research initiative “Inventing the Organizations of the 21st Century.”

a common business interest; the Internet blurs the lines between companies as members work together to solve business problems.27

Companies today also must motivate and capitalize on the ideas of people outside the traditional company boundaries. How can a company best use the services of its consultants, ad agencies, and suppliers? What kinds of partnerships can it create with other companies in the same industry—even companies with which it competes? And how about customers? Companies today still need to focus on delivering a product and making the numbers, but above all they must realize that the need to serve the customer drives everything else.

Best serving the customer can start with involving the customer more in company decisions. For example, companies like P&G are getting customers to think creatively and talk with one another online to come up with new product and service ideas.28 Bank One Corp. invites customers to help improve its services. “Our customers have a great desire to improve the bank, and we act on their ideas,” says the president.29 This isn’t about the occasional comment from a customer; it’s about a strategic, systematic, active approach to achieve better customer service through managing customer relationships in such a way that customers contribute their best ideas.

The Internet, globalization, the monumental importance of new ideas, collaboration across disappearing boundaries . . . what are the repercussions of this tidal wave of new forces? The magazine *Fast Company* asked 17 business leaders to consider this question. The previous page shows a complete comment by an MIT business professor. Below, Table 1.1 offers some other comments.

**TABLE 1.1**

<table>
<thead>
<tr>
<th>Comments on Today’s Competitive Landscape</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tom Peters, author and consultant:</strong> “Somebody once asked me what I wanted my epitaph to say. I want it to say, ‘He was a player.’ It wouldn’t mean that I got rich . . . It would mean that I participated fully in these fascinating times . . . whatever this ‘new economy’ thing is, it is reinventing the world of commerce.”</td>
</tr>
<tr>
<td><strong>Jonathan Hoenig, founder of capitalist pig asset management:</strong> “The most valuable commodity isn’t soybeans but service . . . The human touch is what’s going to propel our ‘commodified’ business models into the next century and beyond. I feel terribly privileged to be alive at such an exciting time in history.”</td>
</tr>
<tr>
<td><strong>Patricia Seybold, author of customers.com:</strong> “A lot of people think the new economy is all about the Internet . . . it’s really about customers. Customers are transforming entire industries . . . the customer is at the core of the business.”</td>
</tr>
<tr>
<td><strong>Nathan Myhrvold, cofounder and copresident of Intellectual Ventures:</strong> “The new economy is about rethinking and reshaping what has already happened. It’s about producing fertile ground for radically new ideas. Workers with good ideas, or the ability to generate ideas, can write their own ticket.”</td>
</tr>
<tr>
<td><strong>Krishna Subramanian, chairwoman and CEO, Kovair Inc.:</strong> “Companies used to be structured around individual contribution. Now teamwork—presenting a seamless interface to the customer, across all points of contact and all business functions—is becoming more important . . . What do I worry about? Pace. Everything is so frenzied right now. I’m not sure that we stop—or even slow down—often enough to think about what we’re doing, to try to balance our work with our lives.”</td>
</tr>
<tr>
<td><strong>Pehong Chen, chairman, president and CEO, Broadvision Inc.:</strong> “That’s what is so awesome about the new economy. You have the ability to do something with your work and to know that you made a difference. You. Not your system. Not your company’s policies. You.”</td>
</tr>
<tr>
<td><strong>Thomas Stewart, Fortune magazine:</strong> “We stand at the beginning of a new century, in the middle of a technological revolution, and at the end of a great stock market bubble—virgin territory, construction sites, and ruins, all at once. Let’s go.”</td>
</tr>
</tbody>
</table>

What is your reaction to these comments? Many of these issues are discussed in later chapters.

The rise of the Internet turned lives upside down. People dropped out of school to join Internet start-ups or start their own. Managers in big corporations quit their jobs to do the same. Investors salivated, and invested heavily. The risks were often ignored, or downplayed, sometimes tragically.

Consider two earlier industries of similar transforming power: automobiles and aviation. There have been at least 2,000 car makers, but now there are only three car companies left in the United States—and even they have not been great investments. Similarly, hundreds of aircraft manufacturers have gone bankrupt, some very recently. And the net amount of money made by all U.S. airline companies is zero. That's right: All those companies in total have made no money whatsoever.

What is the lesson to be learned from all the failures in these important transformational industries? A key to understanding the success of a company—whether traditional, Internet-based, or a combination of both—is not how much the industry in which it operates will affect society or how much it will grow. The key is the competitive advantage held by a particular company and how sustainable or renewable that advantage is. Good managers know that they are in a competitive struggle to survive and win.

To survive and win, you have to gain advantage over your competitors and earn a profit. You gain competitive advantage by being better than your competitors at doing valuable things for your customers. But what does this mean, specifically? To be profitable, what must managers deliver? The fundamental success drivers are innovation, quality, speed, and cost competitiveness.

**Innovation**

Two Stanford business professors completed a study of 18 great companies. Impressed with all the companies, the authors still were able to choose one above them all that they believed would be the most successful over time. That company was 3M, and the reason is its extraordinary ability to innovate.

Innovation is the introduction of new goods and services. Your firm must adapt to changes in consumer demands and to new competitors. When the Net allowed merchants to bypass traditional distribution channels and reach buyers directly, traditional marketers had to learn how to innovate to remain competitive. Plus, products don’t sell forever; in fact, they don’t sell for nearly as long as they used to, because so many competitors are introducing so many new products all the time. Your firm must innovate, or it will die.

A top consultant, Gary Hamel, notes that the real competitive battle was never between the heralded new Internet economy and an old economy. Instead, the competition has always been between newcomers and the old guard. The perpetual battle is between unconventional thinking and unthinking ritual. In recent years, newcomers battered incumbents with unconventional new approaches to business. Only the incumbents that keep innovating, like Wal-Mart and IBM, have continued to increase their share of wealth.

Companies that once were revolutionaries—Apple, Compaq, 3Com, Adobe—are now struggling to stay relevant. The balance of power, Hamel says, has shifted decisively in favor of the unorthodox. Not mincing words while speaking directly to successful executives, Hamel warns, “Odds are, over the next few years newcomers are going to capture most of the new wealth in your industry. Odds are, your company is going to get its ass kicked by a bunch of irreverent, tradition-defying rebels.”

Innovation is today’s holy grail. It is the most potent means of creating new wealth. Like the other sources of competitive advantage, innovation comes from people; it must be a strategic goal; and it must be managed properly. You will learn how great companies innovate in later chapters.
Quality

Quality is the excellence of your product, including its attractiveness, lack of defects, reliability, and long-term dependability. The importance of quality and standards for acceptable quality have increased dramatically in recent years. Customers now demand high quality and value, and will accept nothing less.

Historically, quality pertained primarily to the physical goods that customers bought. Today, service quality is vital as well. For example, making things easy for customers is an important dimension of quality; FedEx, Alamo, and Dell make it easy for customers to use their services. Catering to customers’ other needs creates more perceived quality. Wine.com provides online access to wine information, plus the expertise of a sommelier. To provide better service, one of Lufthansa’s competitive goals is “superior knowledge of customers.” The airline tracks customer tastes closely, offers home pages in several dozen languages, delivers individual email, and provides account access, hotel links, travel guides, online booking for 700 airlines, and baggage tracing.38

Quality is further provided when companies customize goods and services to the wishes of the individual customer. Lands’ End allows customers to create a “personal model” for testing the fit and look of swimwear; Chipshot.com allows golfers to configure clubs to their preferred specifications.39 VooDoo of Sunnyvale, California, and Cannondale of Bethel, Connecticut, use websites to allow customers to create personalized, customized bicycles.40 They link each customer to a local dealer to place the final order and receive the product.

Trying to gain both cost and quality advantages over its rivals, GM is experimenting with a factory near Lansing, Michigan.41 The factory would assemble cars Lego-style, using large modules of parts shipped by suppliers directly to the assembly line. The goal is to sharply reduce labor costs while dramatically improving quality. The approach could enable a build-to-order system that gives customers the precise combination of options they want.
Providing world-class quality requires a thorough understanding of what quality really is. Quality can be measured in terms of performance, various service dimensions, reliability (failure or breakdowns), conformance to standards, durability, and aesthetics. Only by moving beyond broad, generic concepts like “quality,” to identifying the more specific elements of quality, can you identify problems, target needs, set performance standards more precisely, and deliver world-class value.

Speed

Speed often separates the winners from the losers in the world of competition. How fast can you develop and get a new product to market? How quickly can you respond to customer requests? You are far better off if you are faster than the competition—and if you can respond quickly to your competitors’ actions.

Speed isn’t everything—reliability, dependability, quality, costs, and so forth, separate winners from losers. But those things being equal, faster companies are more likely to be the winners, slow ones the losers. Even pre-Internet, speed had become a vital requirement in the 1990s. Companies were getting products to market, and in the hands of customers, faster than ever. Now, the speed requirement has increased exponentially. Andy Grove, chairman of Intel Corporation, says the Internet is a tool, and the biggest impact of that tool is speed. Everything, it seems, is on fast-forward.

For executives at established companies who left their world and joined the “great migration” to risky Internet start-ups, one of the biggest shocks was the sheer speed of Internet life. L. Gregory Ballard of MyFamily.com said that in established companies, you should not make any major decisions in your first three months on the job, while you learn the business. But “Internet time doesn’t give you three months. It gives you three days” (p. 5).

You read earlier about GM and the other U.S. automakers struggling against overseas competition. One option that could help them compete is to stop performing low-margin operations like stamping and welding and concentrate on value-added processes like design and marketing. This would greatly speed innovation and the time to get new products into the market.

Cost Competitiveness

Cost competitiveness means that your costs are kept low enough so that you can realize profits and price your products (goods or services) at levels that are attractive to consumers. Ebay set the standard for profitable Internet companies by having so few fixed costs—no inventory, sales force, or warehouses. Marriott, hit hard by the drop in tourism and travel, is cutting costs every way it can and offering much lower room rates. Needless to say, if you can offer a desirable product at a low price, it is more likely to sell.

Managing your costs and keeping them down requires being efficient: accomplishing your goals by using your resources wisely and minimizing waste. Little things can save big money, but cost cuts involve trade-offs. Lucent cut the number of lightbulbs per cubic from four to one. The BBC could save $400,000 per year by banning free biscuits from internal meetings. The Swedish navy, dealing with budget cuts, dropped round-the-clock operations in favor of Monday through Friday, 9 to 5. Martha Stewart, rather than throwing a big holiday party at Martha Stewart Living OmniMedia, asked her managers to host staff parties at their homes—perhaps not a popular cost-cutting step.

Raw materials, equipment, capital, manufacturing, marketing, delivery, and labor are just some of the costs that need to be managed carefully. One reason so many dot-coms failed was that their huge, up-front advertising costs usually didn’t translate into big sales; their customer acquisition costs were as much as four times higher than those of offline competitors. Because the cost of customer acquisition is so high, the Net is a great way to communicate with customers but a terrible way to get new customers.

Consumers can now easily compare prices on the Net from thousands of competitors. If you can’t cut costs, you can’t compete.
From his dorm room, Michael Dell took on giants IBM, Apple, and Compaq. The amazing success of Dell Computer is due to its quality, low cost, innovation, and speed.

Delivering All Four

Don’t assume you can settle for delivering just one of the four competitive advantages: low cost alone, or quality alone, for example. The best managers and companies deliver them all.

Michael Dell started Dell Computer in his dorm room and used a low-cost, direct-sales approach to making his company the driving force in the PC business. Dell says, “We will be the lowest-cost provider, period.” But low cost is not the only thing at which Dell excels. Dell builds and ships PCs within 36 hours of receiving an order. All of its suppliers know they must deliver parts to Dell within one hour. At the same time, Dell computers have consistently held some of the highest quality ratings in the industry. Nonetheless, Michael Dell recently became obsessed with improving quality even further. He decided that the sensitive hard drive needed to be handled less during assembly. Dell innovated by revamping the production lines, which reduced the number of touches from more than 30 per drive to fewer than 15. Rejected hard drives fell by 40 percent, and the overall PC failure rate by 20 percent.

The Functions of Management

Management is the process of working with people and resources to accomplish organizational goals. Good managers do those things both effectively and efficiently. To be effective is to achieve organizational goals. To be efficient is to achieve goals with minimal waste of resources, that is, to make the best possible use of money, time, materials, and people. Some managers fail on both criteria, or focus on one at the expense of another. The best managers maintain a clear focus on both effectiveness and efficiency.

These definitions have been around for a long time. But as you know, business is changing radically. The real issue is what to do. The context of business and the specifics of doing business are changing, but there are still plenty of timeless principles that make great managers, and great companies, great. While fresh thinking and new approaches are required now more than ever, much of what has already been learned about successful management practices remains relevant, useful, and adaptable, with fresh thinking, to the 21st-century business environment.

To use an analogy: Engineering practices evolve continually, but the laws of physics are relatively constant. In the business world today, the great executives not only adapt to changing conditions but also apply—fanatically, rigorously, consistently, and with discipline—the fundamental management principles. These fundamentals include the four traditional functions of management: planning, organizing, leading, and controlling. They remain as relevant as ever, and they still provide the fundamentals that are needed in start-ups as much as in established corporations. But their form has evolved.
Planning: Delivering Strategic Value

Planning is specifying the goals to be achieved and deciding in advance the appropriate actions needed to achieve those goals. Planning activities include analyzing current situations, anticipating the future, determining objectives, deciding in what types of activities the company will engage, choosing corporate and business strategies, and determining the resources needed to achieve the organization’s goals. Plans set the stage for action and for major achievements.

The planning function for the new business environment, discussed in Part 2 of this book, is more broadly described as delivering strategic value. Historically, planning described a top-down approach in which top executives establish business plans and tell others to implement them. Now and in the future, delivering strategic value is a dynamic process in which people throughout the organization use their brains and the brains of customers, suppliers, and other stakeholders to identify opportunities to create, seize, strengthen, and sustain competitive advantage. This dynamic process swirls around the objective of creating more and more value for the customer. Effectively creating value requires fully considering a new and changing set of stakeholders and issues, including the government, the natural environment, globalization, and the dynamic economy in which ideas are king and entrepreneurs are both formidable competitors and potential collaborators. You will learn about these and related topics in Chapter 4 (planning and strategic management), Chapter 5 (ethics and corporate social responsibility), Chapter 6 (international management), and Chapter 7 (new ventures).

Organizing: Building a Dynamic Organization

Organizing is assembling and coordinating the human, financial, physical, informational, and other resources needed to achieve goals. Organizing activities include attracting people to the organization, specifying job responsibilities, grouping jobs into work units, marshaling and allocating resources, and creating conditions so that people and things work together to achieve maximum success.

Part 3 of the book describes the organizing function as building a dynamic organization. Historically, organizing involved creating an organization chart by identifying business functions, establishing reporting relationships, and having a personnel department that administered plans, programs, and paperwork. Now and in the future, effective managers will be using new forms of organizing and viewing their people as perhaps their most valuable resources. They will build organizations that are flexible and adaptive, particularly in response to competitive threats and customer needs. Progressive human resource practices that attract and retain the very best of a highly diverse population will be essential aspects of the successful company. You will learn about these topics in Chapter 8 (organization structure), Chapter 9 (responsive organizations), Chapter 10 (human resources management), and Chapter 11 (the diverse workforce).

Leading: Mobilizing People

Leading is stimulating people to be high performers. It is directing, motivating, and communicating with employees, individually and in groups. Leading involves close day-to-day contact with people, helping to guide and inspire them toward achieving team and organizational goals. Leading takes place in teams, departments, and divisions, as well as at the tops of large organizations.

In earlier textbooks, the leading function was about how managers motivate workers to come to work and execute top management’s plans by doing their jobs. Today and in the future, managers must be good at mobilizing people to contribute their ideas, to use their brains in ways never needed or dreamed of in the past. As described in Part 4, they must rely on a very different kind of leadership (Chapter 12).
that empowers and motivates people (Chapter 13). Far more than in the past, great work must be done via great teamwork (Chapter 14), both within work groups and across group boundaries. Ideally, underlying these processes will be effective interpersonal and organizational communication (Chapter 15).

Controlling: Learning and Changing

Planning, organizing, and leading do not guarantee success. The fourth function, controlling, monitors progress and implements necessary changes. Monitoring is an essential aspect of control. If you have any doubts that this function is important, consider that after the terror attacks of September 11, 2001, many Department of Agriculture laboratories could not account for dangerous biological agents supposedly in their stockpiles, including 3 billion doses of a dangerous virus. The Department of Energy could not account fully for radioactive fuel rods and other nuclear materials lent to other countries.56 On a different note, a man with an ax (a hatchet, according to a company spokesman) entered an Oklahoma City Wal-Mart. On his way in, the greeter not only failed to alert authorities but placed a sticker on the weapon so he would not be charged for it when he left. The man, who robbed the store, had claimed he was returning it.57 Controls failures can take many forms!

When managers implement their plans, they often find that things are not working out as planned. The controlling function makes sure that goals are met. It asks and answers the question, “Are our actual outcomes consistent with our goals?” It makes adjustments as needed.

Successful organizations, large and small, pay close attention to the controlling function. But Part 5 of the book makes it clear that today and for the future, the key managerial challenges are far more dynamic than in the past; they involve continually learning and changing. Controls must still be in place, as described in Chapter 16. But new technologies and other innovations (Chapter 17) make it possible to achieve controls in more effective ways, and to help all the people throughout the company, and across company boundaries (including customers and suppliers), to use their brains, learn, make a variety of new contributions, and help the organization change in ways that forge a successful future (Chapter 18).

The four management functions apply to you personally, as well. You must find ways to create value, organize for your own personal effectiveness, mobilize your own talents and skills as well as those of others, and constantly learn, develop, and change for the future. As you proceed through this book and this course, we encourage you to not merely do your “textbook learning” of an impersonal course subject, but to think about these issues from a personal perspective as well, using the ideas for personal development and advantage.

Performing All Four Management Functions

As a manager, your typical day will not be neatly divided into the four functions. You will be doing many things more or less simultaneously.58 Your days will be busy and fractionated, spent dealing with interruptions, meetings, and firefighting. There will be plenty to do that you wish you could be doing but can’t seem to get to. These activities will include all four management functions.

Some managers are particularly interested in, devoted to, or skilled in a couple of the four functions but not in the others. The manager who does not devote adequate attention and resources to all four functions will fail. You can be a skilled planner and controller, but if you organize your people improperly or fail to inspire them to perform at high levels, you will not be an effective manager. Likewise, it does no good to be the kind of manager who loves to organize and lead, but who doesn’t really understand where to go or how to determine whether you are on the right track. Good managers don’t neglect any of the four management functions. Knowing what they are, you can periodically ask yourself if you are devoting adequate attention to all of them.
Organizations (particularly large organizations) have many levels. In this section, you will learn about the types of managers found at three different levels in large organizations: top-level, middle, and frontline.

**Top-Level Managers**

Top-level managers are the senior executives of an organization and are responsible for its overall management. Top-level managers, often referred to as strategic managers, are supposed to focus on long-term issues and emphasize the survival, growth, and overall effectiveness of the organization.

Top managers are concerned not only with the organization as a whole but also with the interaction between the organization and its external environment. This interaction often requires managers to work extensively with outside individuals and organizations.

The chief executive officer (CEO) is one type of top-level manager found in large corporations. This individual is the primary strategic manager of the firm and has authority over everyone else. Others include the chief operating officer (COO), company presidents, vice presidents, and members of the top executive committee.

Traditionally, the role of top-level managers has been to set overall direction by formulating strategy and controlling resources. But now, top managers are more commonly called upon to be not only strategic architects but also true organizational leaders. As leaders they must create and articulate a broader corporate purpose with which people can identify, and one to which people will enthusiastically commit. Effective top leaders treat people as valued members of the organization. As GE’s legendary Jack Welch said, “A manager’s job is to make people feel 10 feet tall—strong, powerful, self-confident, willing to take risks” (p. 93).59

**Middle-Level Managers**

As the name implies, middle-level managers are located in the organization’s hierarchy below top-level management and above the frontline managers. Sometimes called tactical managers, they are responsible for translating the general goals and plans developed by strategic managers into more specific objectives and activities.

Traditionally, the role of the middle manager is to be an administrative controller who bridges the gap between higher and lower levels. Middle-level managers take corporate objectives and break them down into business unit targets; put together separate business unit plans from the units below them for higher-level corporate review; and serve as linchpins of internal communication, interpreting and broadcasting top management’s priorities downward and channeling and translating information from the front lines, upward.

As a stereotype, the term middle manager connotes mediocrity: unimaginative people defending the status quo, behaving like bureaucrats. But middle managers are closer than top managers to day-to-day operations, customers, and frontline managers and employees—they know the problems. They also have many creative ideas—often better than their bosses’. Good middle managers provide operating skills and practical problem solving that keep the company working.60

**Frontline Managers**

Frontline managers, or operational managers, are lower-level managers who supervise the operations of the organization. These managers often have titles such as supervisor or sales manager. They are directly involved with nonmanagement employees, implementing the specific plans developed with middle managers. This role is critical in the organization, because operational managers are the link between management and nonmanagement personnel. Your first management position probably will fit into this category.
Traditionally, frontline managers have been directed and controlled from above, to make sure that they successfully implement operations in support of company strategy. But in leading companies, the role has expanded. Whereas the operational execution aspect of the role remains vital, in leading companies frontline managers are increasingly called upon to be innovative and entrepreneurial, managing for growth and new business development.

For example, Andy Wong took over a struggling unit at 3M, focused attention on new goals, reenergized a discouraged team of people, introduced new products, and found new markets for old products. His unit became a showcase within 3M—quite an honor in a company known for its innovative and successful business units.61

In innovative organizations, outstanding frontline managers are not only allowed to initiate new activities but are expected to by their top- and middle-level managers. And they are given freedom, incentives, and support to find ways to do so.

Table 1.2 elaborates on the changing aspects of different management levels. You will learn about each of these aspects of management throughout this course.

**Working Leaders with Broad Responsibilities**

You may have noted that we qualified our descriptions of managerial levels by referring to large organizations. These descriptions represent the traditional model for large organizations. But the trend today is toward less hierarchy and more teamwork. In small...
firms—and in those large companies that have adapted to the times—managers have strategic, tactical, and operational responsibilities. They are complete businesspeople; they have knowledge of all business functions, are accountable for results, and focus on serving customers both inside and outside their firms. All of this requires the ability to think strategically, translate strategies into specific objectives, coordinate resources, and do real work with lower-level people.

In short, today’s best managers can do it all; they are “working leaders.” They focus on relationships with other people and on achieving results. They don’t just make decisions, give orders, wait for others to produce, and then evaluate results. They get dirty, do hard work themselves, solve problems, and produce value.

Management Skills
Performing management functions and achieving competitive advantage are the cornerstones of a manager’s job. However, understanding this does not ensure success. Managers need a variety of skills to do these things well. Skills are specific abilities that result from knowledge, information, practice, and aptitude. Although managers need many individual skills, which you will learn about throughout the text, consider three general categories: technical skills, interpersonal and communication skills, and conceptual and decision skills. When the key management functions are performed by managers who have these critical management skills, the result is a high-performance work environment.

A technical skill is the ability to perform a specialized task that involves a certain method or process. Most people develop a set of technical skills to complete the activities that are part of their daily work lives. The technical skills you learn in school will provide you with the opportunity to get an entry-level position; they will also help you as a manager. For example, your accounting and finance courses will develop the technical skills you need to understand and manage the financial resources of an organization.

Conceptual and decision skills involve the manager’s ability to identify and resolve problems for the benefit of the organization and everyone concerned. Managers use these skills when they consider the overall objectives and strategy of the firm, the interactions among different parts of the organization, and the role of the business in its external environment. As you acquire greater responsibility, you must exercise your conceptual and decision skills with increasing frequency. You will confront issues that involve all aspects of
the organization and must consider a larger and more interrelated set of decision factors. Much of this text is devoted to enhancing your conceptual and decision skills, but remember that experience also plays an important part in their development.

**Interpersonal and communication skills** influence the manager’s ability to work well with people. These skills are often called *people skills*. Managers spend the great majority of their time interacting with people, and they must develop their abilities to lead, motivate, and communicate effectively with those around them.

A *Fortune* article decried the lack of communication and other “people” skills among recent MBAs launching their management careers. It is vital to realize the importance of these skills in getting a job, keeping it, and performing well in it. As one expert commented, “In many, many companies, the reason a manager fails is not because he doesn’t have the technical skills. It’s because he doesn’t have the people skills.”

The importance of these skills varies by managerial level. Technical skills are most important early in your career. Conceptual and decision skills become more important than technical skills as you rise higher in the company. But interpersonal skills are important throughout your career, at every level of management. Many high-potential, “fast-track” managers have had their careers “derailed” because of problems in the interpersonal arena.

The managerial skills described above translate into good or bad decisions that affect reputations and careers—managers’ own and those of the people whose careers they affect. Here are a few recent examples, prior to the chapter’s final section on careers.

- Charles Schwab was honored for the way he handled his company’s recent layoffs. Schwab and his co-CEO took a 50 percent pay cut, 750 other execs took cuts, and the firm encouraged employees to take off Fridays without pay. Only when those moves failed did they lay off 3,400 people. They softened the blow with 60 days’ notice, stock-option grants, education stipends, and a $7,500 bonus to anyone who returned within 18 months.
- In contrast to the Schwab layoffs, the airlines were securing a $15 billion bailout from Congress when they announced plans to lay off 100,000 people. Three airlines invoked a clause claiming that emergency circumstances allowed them to bypass customary notice, severance, and early-retirement incentives. When this aroused public opinion, they backed off somewhat.
- Several people received special attention from *Fortune* magazine for their career-limiting moves. CEO Linda Wachner of Warnaco, the women’s apparel maker, was kicked out without severance pay after 15 years. Warnaco is bankrupt, and its stock, once worth $44, was trading for pennies. A key customer, Calvin Klein, called Wachner a “cancer” on his brand. Wachner considered suing Warnaco for the $44 million golden parachute promised in her employment contract.
- CEO Neal Patterson of Cerner, a health care software company, was furious when he arrived to an empty corporate parking lot at 7:30 one March morning. He sent a blistering email to company managers, threatening to fire loafers. The memo said that “hell will freeze over” before he tolerates a lot that isn’t “substantially full . . . You have two weeks. Tick, tock.” A week later the email was all over the Web, precipitating a three-day, 22 percent drop in the stock price.
- Also suffering a shortage of decision-making and interpersonal skills, and receiving embarrassing publicity in *Fortune*: An analyst in the Carlyle Group’s Seoul office sent friends an email describing his “harem of chickies” and bankers catering to his “every whim.” The email made the rounds of the financial community (and some of it hit *The New York Times*). The young analyst was fired.

Chances are, you will work for several different organizations during your career. Jobs are no longer as secure for managers as they used to be. But the shortage of talented managers means that companies must develop and retain good people. Although companies no longer “guarantee” jobs permanently, those that provide long-term career benefits like training and profit sharing and some degree of security can improve corporate performance. Employee loyalty and commitment are still important; they improve teamwork, while temporary employment does not generate the high levels of service and quality that create customer satisfaction. Companies offering “employability” to workers, in the form of training and other learning experiences while employees fulfill important responsibilities, tend to be more successful.

What should you do to forge a successful, gratifying career? You are well advised to be both a specialist and a generalist, to be self-reliant and connected, to actively manage your relationship with your organization, and to be fully aware of what is required to not only survive, but also to thrive, in today’s world.

Be Both a Specialist and a Generalist

If you think your career will be as a specialist, think again. Chances are, you will not want to stay forever in strictly technical jobs with no managerial responsibilities. Accountants are promoted to accounting department heads and team leaders, sales representatives become sales managers, writers become editors, and nurses become nursing directors. As your responsibilities increase, you must deal with more people, understand more about other aspects of the organization, and make bigger and more complex decisions. Beginning to learn now about these managerial challenges may yield benefits sooner than you think.

So, it will help if you can become both a specialist and a generalist. Seek to become a specialist: you must be an expert in something. This will give you specific skills that help you provide concrete, identifiable value to your firm and to customers. And over time, you should learn to be a generalist, knowing enough about a variety of business or technical disciplines so that you can understand and work with different perspectives.

Be Self-Reliant

To be self-reliant means to take full responsibility for yourself, your actions, and your career. You cannot count on your boss or your company to take care of you. A useful metaphor is to think of yourself as a business, with you as president and sole employee. Table 1.3 gives some specific advice about what this means in practice.

To make this point in another way: To add value, you must think and act like an entrepreneur. Find new ways to make your overall performance better. Take responsibility for change; be an innovator. Don’t just do your work and wait for orders; look for opportunities to contribute in new ways, to develop new products and processes, and to generate constructive change that strengthens the company and benefits customers and colleagues.

Be Connected

Being connected means having many good working relationships and being a team player with strong interpersonal skills. For example, those who want to become partners in professional service organizations like accounting, advertising, and consulting firms strive constantly to build a network of contacts. Their goal is to work not only with lots of clients but also with a half dozen or more senior partners, including several from outside their home offices and some from outside their country.
Having a network of “social resources” will enhance your career success because networks give you access to information, to resources, and to people who will help you. Just ask Jay Alix, a successful advisor to and acquirer of troubled companies. Believing that in his competitive business getting hired is not a function of competence alone, but also of whom you know, Mr. Alix prides himself on his networking prowess. He stays in constant touch with hundreds of people, and calls his network of contacts “the daisy chain.”

Look at this another way: All business is a function of human relationships. Building competitive advantage depends not only on you but on other people. Management is personal. Commercial dealings are personal. Purchase decisions, repurchase decisions, and contracts all hinge on relationships. Even the biggest business deals—takeovers—are intensely personal and emotional. Without good work relationships, you are an outsider, not a good manager and leader.

**Actively Manage Your Relationship with Your Organization**

Many of the previous comments suggest the importance of taking responsibility for your own actions and your own career. Unless you are self-employed and your own boss, one way to do this is to think about the nature of the relationship between you and your employer. Figure 1.1 shows two possible relationships—and you have some control over which relationship you will be in.

Relationship #1 is one in which you view yourself as an employee, and passively expect your employer to tell you what to do and give you pay and benefits. Your employer is in charge, and you are a passive recipient of its actions. Your contributions are likely to be minimal—you won’t strengthen your organization, and if all organizational members

---

**TABLE 1.3**

**Keys to Career Management**

Vicky Farrow of Sun Microsystems gave the following advice to help people assume responsibility for their own careers:

1. Think of yourself as a business.
2. Define your product: What is your area of expertise?
3. Know your target market: To whom are you going to sell this?
4. Be clear on why your customer buys from you. What is your “value proposition”—what are you offering that causes him to use you?
5. As in any business, strive for quality and customer satisfaction, even if your customer is just someone else in your organization—like your boss.
6. Know your profession or field and what’s going on there.
7. Invest in your own growth and development, the way a company invests in research and development. What new products will you be able to provide?
8. Be willing to consider changing your career.

take this perspective, the organization is not likely to be strong for the long run. Personally, you may lose your job, or keep your job in a declining organization, or receive few positive benefits from working there and either quit or become cynical and unhappy in your work.

In contrast, relationship #2 is a two-way relationship in which you and your organization both benefit from one another. The mindset is different: Instead of doing what you are told, you think about how you can contribute—and you act accordingly. To the extent that your organization values your contributions, you are likely to benefit in return by receiving full and fair rewards, support for further personal development, and a more gratifying work environment. If you think in broad terms about how you can help your company, and if others think like this as well, there is likely to be continuous improvement in the company’s ability to innovate, cut costs, and deliver quality products quickly to an expanding customer base. As the company’s bottom line strengthens, benefits accrue to shareholders as well as to you and other employees.

What is the nature of the contributions you can make? You can do your basic work. But you can, and should, go further. You can also figure out new ways to add value—by thinking of and implementing new ideas that improve processes and results. You can do this by using your technical knowledge and skills, as in developing a better information system, accounting technique, or sales technique.

You also can contribute with your managerial actions (see Figure 1.2). You can execute the essential management functions and deliver competitive advantage. You can deliver strategic value (Part 2 of this book). You can take actions that help build a more dynamic organization (Part 3). You can mobilize people to contribute to their fullest potential (Part 4). And you can learn and change—and help your colleagues and company learn and change—in order to adapt to changing realities and forge a successful future (Part 5).

Survive and Thrive

Table 1.4 shows a resume that might help a person to not just survive, but to thrive, in the 21st century. Don’t be discouraged if your resume doesn’t match this idealized resume—it’s tough to match, especially early in life! But do think about the messages. It indicates the kinds of skills that companies need now more than ever—and therefore

FIGURE 1.2
Managerial action is your opportunity to contribute
the skills you should consider working to develop and the experiences you might want to accumulate.

Management consultant and author Tom Peters points out that now—far more than ever—you will be accountable for your actions and for results. In the past, people at many companies could show up, do an OK job, get a decent evaluation, and get a raise equal to the cost of living and maybe higher. Today, managers must do more, better, and it will all be far more visible. Managers will have many teammates, all around the globe, some of whom will know each other personally but many of whom will never meet. You are likely to move from project to project and from team to team. You will be evaluated “pass by pass, at-bat by at-bat—for the quality and uniqueness and timeliness and passion” of your contribution. Peters concludes that the minimal skills you will need to survive and thrive are to be a master at something that the world values (and be able to state succinctly what it is); to develop a strong network of colleagues who can help (and whom you will help) with current and future projects; to have entrepreneurial skills that help you act as if you were running your own business; to love technology; to market yourself (for example, via a personal website); and to be willing to constantly improve and even reinvent yourself.

A study of career success led the author to state, “In the current economic environment, people who fear competition, want security, and demand stability are often sinking like rocks in water.” Success requires high standards, self-confidence in competitive situations, and a willingness to keep growing and learning new things. You will need to learn how to think strategically, discern and convey your business vision, make decisions, and work in teams. You will need to deliver competitive advantage and thrive on change. These and other topics, essential to your successful career, provide the focus for the following chapters.

### Table 1.4
A Resume for the 21st Century

<table>
<thead>
<tr>
<th>Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Multinational Corp—Worked with top-notch mentors in an established company with global operations. Managed a talented and fickle staff and helped tap new markets.</td>
</tr>
<tr>
<td>• Foreign Operation LLC—A stint at a subsidiary of a U.S. company, or at a foreign operation in a local market. Exposure to different cultures, conditions, and ways of doing business.</td>
</tr>
<tr>
<td>• Startup Inc.—Helped to build a business from the ground up, assisting with everything from product development to market research. Honed entrepreneurial skills.</td>
</tr>
<tr>
<td>• Major Competitor Ltd.—Scooped up by the competition and exposed to more than one corporate culture.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Liberal Arts University—Majored in economics, but took courses in psychology (how to motivate customers and employees), foreign language (the world is a lot bigger than the 50 states), and philosophy (to seek vision and meaning in your work).</td>
</tr>
<tr>
<td>• Graduate Studies—The subject almost doesn’t matter, so long as you developed your thinking and analytical skills.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Extracurricular</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Debating (where you learned to market ideas and think on your feet).</td>
</tr>
<tr>
<td>• Sports (where you learned discipline and team work).</td>
</tr>
<tr>
<td>• Volunteer work (where you learned to step outside your own narrow world to help others).</td>
</tr>
<tr>
<td>• Travel (where you learned about different cultures).</td>
</tr>
</tbody>
</table>

KEY TERMS

Conceptual and decision skills, p. 19
Controlling, p. 16
Cost competitiveness, p. 13
Frontline managers, p. 17
Innovation, p. 11
Interpersonal and communication skills, p. 20
Knowledge management, p. 8
Leading, p. 15
Management, p. 14
Middle-level managers, p. 17
Organizing, p. 15
Planning, p. 15
Quality, p. 12
Speed, p. 13
Technical skills, p. 19
Top-level managers, p. 17

SUMMARY OF LEARNING OBJECTIVES

Now that you have studied Chapter 1, you should know:

The major challenges of managing in the new competitive landscape.
Managers today must deal with dynamic forces that create greater and more constant change than ever before. Among many forces that are creating a need for managers to rethink their approaches, we highlighted four major waves of change: the Internet, globalization, knowledge management, and collaboration across organizational boundaries.

The drivers of competitive advantage for your company.
Because business is a competitive arena, you need to deliver value to customers in ways that are superior to your competitors. The four pillars of competitive advantage are innovation, quality, speed, and cost.

The functions of management and how they are evolving in today's business environment.
Despite massive change, management retains certain foundations that will not disappear. The primary functions of management are planning, organizing, leading, and controlling. Planning is analyzing a situation, determining the goals that will be pursued, and deciding in advance the actions needed to pursue these goals. Organizing is assembling the resources needed to complete the job and coordinating employees and tasks for maximum success. Leading is motivating people and stimulating high performance. Controlling is monitoring the progress of the organization or the work unit toward goals and then taking corrective action if necessary. In today's business environment, these functions more broadly require creating strategic value, building a dynamic organization, mobilizing people, and learning and changing.

The nature of management at different organizational levels.
Top-level, strategic managers are the senior executives and are responsible for the organization's overall management. Middle-level, tactical managers translate general goals and plans into more specific objectives and activities. Frontline, operational managers are lower-level managers who supervise operations.

The skills you need to be an effective manager.
To execute management functions successfully, managers need technical skills, conceptual and decision skills, and interpersonal and communication skills. A technical skill is the ability to perform a specialized task involving a certain method or process. Conceptual and decision skills help the manager recognize complex and dynamic issues, analyze the factors that influence those issues or problems, and make appropriate decisions. Interpersonal and communication skills enable the manager to interact and work well with people.

What to strive for as you manage your career.
To help you succeed in your career, keep in mind several goals: Be both a specialist and a generalist; be self-reliant but also connected; actively manage your relationship with your organization; and continuously improve your skills in order to perform in the ways demanded in the changing work environment.

DISCUSSION QUESTIONS

1. Identify and describe a great manager. What makes him or her stand out from the crowd?
2. Have you ever seen or worked for an ineffective manager? Describe the causes and the consequences of the ineffectiveness.
3. Describe how the Internet and globalization affect your daily life.
4. Identify some examples of how different organizations collaborate “across boundaries.”
5. Name a great organization. How do you think management contributes to making it great?
6. Name an ineffective organization. What can management do to improve it?
7. Give examples you have seen of firms that are outstanding and weak on each of the four pillars of competitive advantage. Why do you choose the firms you do?
8. Describe your use of the four management functions in the management of your daily life.
CONCLUDING CASE

Siebel Systems sells complex software packages. Some people love it there and are rewarded handsomely, but others don’t survive the place for very long.

People say that the founder and CEO, Tom Siebel, is brilliant. They also say he is the most intense, competitive, driven person they know. “Running a business is a fundamentally rational process” says Siebel (p. 132), “We unemotionally put things on the table, look each other straight in the eye, and state the facts.”

Siebel Systems doesn’t miss deadlines, like so many other software companies do. It releases new versions of its product every spring, right on schedule. And it is the only enterprise-software company in the United States to zoom past $1 billion in revenues without serious problems along the way. It grew like crazy, but everything is carefully controlled.

Siebel has rules for everything. Offices must have medium-blue carpeting, off-white walls, gray desks. There is no eating at desks, no cartoons or posters on doors. An occasional photo of family or friends is OK—but not too many. Men must wear suit and tie, and women must wear pant or skirt suits and pantyhose. Siebel says, “I like to think of us as the Tiger Woods of the information technology industry. Tiger Woods does not play the U.S. Open in cutoffs, sneakers, and a Budweiser T-shirt. That’s unimaginable. His shirt is pressed. His shoes are shined. And his level of performance—his driving average, his score—has exceeded all other competitors.”

Contrasting the work environment of his company with those of the Silicon Valley stereotype, Siebel says, “We go to work to realize our professional aspirations, not to have a good time. We could be having encounter groups and yoga classes, and I could play the guitar in the rock & roll band at the company picnic. Instead we’re just trying to create good products, satisfied customers, and loyal employees. I think we’re doing that” (p. 133). He also says “There are people who think I’m God’s gift to technology, and people who think I’m the world’s biggest S.O.B” (p. 140).

Siebel wants all of his people to focus on the customer, and motivates them by systematically and regularly measuring customer satisfaction with specific departments and individuals. These results determine bonuses and commissions. Moreover, to remind his people who matters most, every conference room is named after a Siebel customer. Says Siebel, “The cornerstone of our corporate culture is that we are committed to do whatever it takes to make sure that each and every one of our customers succeeds” (p. 136).

Each quarter, Siebel communicates corporate objectives to the company. Two days later, department managers communicate their departmental objectives. Two weeks later, individual objectives are established. And precisely three months later, each employee receives a formal performance evaluation.

CONCLUDING CASE

Would You Work Here?

Siebel Systems sells complex software packages. Some people love it there and are rewarded handsomely, but others don’t survive the place for very long.

People say that the founder and CEO, Tom Siebel, is brilliant. They also say he is the most intense, competitive, driven person they know. “Running a business is a fundamentally rational process” says Siebel (p. 132), “We unemotionally put things on the table, look each other straight in the eye, and state the facts.”

Siebel Systems doesn’t miss deadlines, like so many other software companies do. It releases new versions of its product every spring, right on schedule. And it is the only enterprise-software company in the United States to zoom past $1 billion in revenues without serious problems along the way. It grew like crazy, but everything is carefully controlled.

Siebel has rules for everything. Offices must have medium-blue carpeting, off-white walls, gray desks. There is no eating at desks, no cartoons or posters on doors. An occasional photo of family or friends is OK—but not too many. Men must wear suit and tie, and women must wear pant or skirt suits and pantyhose. Siebel says, “I like to think of us as the Tiger Woods of the information technology industry. Tiger Woods does not play the U.S. Open in cutoffs, sneakers, and a Budweiser T-shirt. That’s unimaginable. His shirt is pressed. His shoes are shined. And his level of performance—his driving average, his score—has exceeded all other competitors.”

Contrasting the work environment of his company with those of the Silicon Valley stereotype, Siebel says, “We go to work to realize our professional aspirations, not to have a good time. We could be having encounter groups and yoga classes, and I could play the guitar in the rock & roll band at the company picnic. Instead we’re just trying to create good products, satisfied customers, and loyal employees. I think we’re doing that” (p. 133). He also says “There are people who think I’m God’s gift to technology, and people who think I’m the world’s biggest S.O.B” (p. 140).

Siebel wants all of his people to focus on the customer, and motivates them by systematically and regularly measuring customer satisfaction with specific departments and individuals. These results determine bonuses and commissions. Moreover, to remind his people who matters most, every conference room is named after a Siebel customer. Says Siebel, “The cornerstone of our corporate culture is that we are committed to do whatever it takes to make sure that each and every one of our customers succeeds” (p. 136).

Each quarter, Siebel communicates corporate objectives to the company. Two days later, department managers communicate their departmental objectives. Two weeks later, individual objectives are established. And precisely three months later, each employee receives a formal performance evaluation.

11. Devise a plan for developing yourself and making yourself attractive to potential employers. How would you go about improving your managerial skills?

Personal goals are posted on the company intranet. They can be viewed at any time by anybody. Every six months, the bottom 5 percent are asked to leave.

All of Siebel’s 1,500 sales agents file weekly progress reports on current deals. They handicap the odds of a “close”—“5 percent, opportunity qualified,” “15 percent, proposal presented,” up to 100 percent when the contract is signed. The report details dates of contacts, known competitive bidders, and dates when rivals are eliminated.

Every single employee, including secretaries, security guards—everyone—must complete at least five Web-based tutorials on Siebel products each quarter. Each tutorial ends in an exam, with 90 percent or above required to pass. Test results go into digital files and are considered in quarterly performance reviews.

Siebel believes that if he keeps micromanaging, the company will grind to a halt, so he is trying to loosen up a bit and stop overcontrolling. Some people say that he is changing. But the character of the company remains: If you want to succeed there, you must be smart, thorough, fastidious about the details, and perhaps a workaholic. You must also be fast; Siebel sometimes calls on a customer on a Friday and promises a proposal by Monday. One employee says, “That’s part of the reason we win so many deals. We turn on a dime” (p. 140).

Siebel was one of the first (on February 27, 2001) to warn Wall Street analysts of a possible tech depression. He laid off 800 people; cut off three business units that were losing money;
cut travel, marketing, and hiring budgets; and cut top executives’ pay by 20 percent. He also was one of the first to state that the recession was over and that tech would rebound beginning in the first quarter of 2002, when he started hiring again.

**DISCUSSION QUESTIONS**
1. On a 10-point scale, in which 1 = not at all and 10 = extremely, how attractive is Siebel as a place to work?
2. What are the strengths and weaknesses of the organization and its leader?
3. Based on this profile, do you think Siebel will do well in the long run? How is it doing now?
4. How would you advise Mr. Siebel?

### 1.1 Effective Managers

**OBJECTIVES**
1. To better understand what behaviors contribute to effective management.
2. To conceive a ranking of critical behaviors that you personally believe reflects their importance to your success as a manager.

**INSTRUCTIONS**
1. Following is a partial list of behaviors in which managers may engage. Rank these items in terms of their importance for effective performance as a manager. Put a 1 next to the item that you think is most important, 2 for the next most important, down to 10 for the least important.
2. Bring your rankings to class. Be prepared to justify your results and rationale. If you can add any behaviors to this list that might lead to success or greater management effectiveness, write them in.

<table>
<thead>
<tr>
<th>Behavior Description</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communicates and interprets policy so that it is understood by the members of the organization.</td>
<td></td>
</tr>
<tr>
<td>Makes prompt and clear decisions.</td>
<td></td>
</tr>
<tr>
<td>Assigns subordinates to the jobs for which they are best suited.</td>
<td></td>
</tr>
<tr>
<td>Encourages associates to submit ideas and plans.</td>
<td></td>
</tr>
<tr>
<td>Stimulates subordinates by means of competition among employees.</td>
<td></td>
</tr>
<tr>
<td>Seeks means of improving management capabilities and competence.</td>
<td></td>
</tr>
<tr>
<td>Fully supports and carries out company policies.</td>
<td></td>
</tr>
<tr>
<td>Participates in community activities as opportunities arise.</td>
<td></td>
</tr>
<tr>
<td>Is neat in appearance.</td>
<td></td>
</tr>
<tr>
<td>Is honest in all matters pertaining to company property or funds.</td>
<td></td>
</tr>
</tbody>
</table>

**Effective Managers Worksheet**

<table>
<thead>
<tr>
<th>Behavior Description</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communicates and interprets policy so that it is understood by the members of the organization.</td>
<td></td>
</tr>
<tr>
<td>Makes prompt and clear decisions.</td>
<td></td>
</tr>
<tr>
<td>Assigns subordinates to the jobs for which they are best suited.</td>
<td></td>
</tr>
<tr>
<td>Encourages associates to submit ideas and plans.</td>
<td></td>
</tr>
<tr>
<td>Stimulates subordinates by means of competition among employees.</td>
<td></td>
</tr>
<tr>
<td>Seeks means of improving management capabilities and competence.</td>
<td></td>
</tr>
<tr>
<td>Fully supports and carries out company policies.</td>
<td></td>
</tr>
<tr>
<td>Participates in community activities as opportunities arise.</td>
<td></td>
</tr>
<tr>
<td>Is neat in appearance.</td>
<td></td>
</tr>
<tr>
<td>Is honest in all matters pertaining to company property or funds.</td>
<td></td>
</tr>
</tbody>
</table>


### 1.2 Career Planning

**OBJECTIVES**
1. To explore your career thinking.
2. To visualize your ideal job in terms as concrete as possible.
3. To summarize the state of your career planning, and to become conscious of the main questions you have about it at this point.

**INSTRUCTIONS**
Read the instructions for each activity, reflect on them, and then write your response. Be as brief or extensive as you like.
Career Planning Worksheet

1. Describe your ideal occupation in terms of responsibilities, skills, and how you would know if you were successful.

_________________________________________________________________________________________________________
_________________________________________________________________________________________________________
_________________________________________________________________________________________________________
_________________________________________________________________________________________________________
_________________________________________________________________________________________________________
_________________________________________________________________________________________________________
_________________________________________________________________________________________________________
_________________________________________________________________________________________________________

2. Identify 10 statements you can make today about your current career planning. Identify 10 questions you need answered for career planning.

10 statements
1. _________________________________________________
2. _________________________________________________
3. _________________________________________________
4. _________________________________________________
5. _________________________________________________
6. _________________________________________________
7. _________________________________________________
8. _________________________________________________
9. _________________________________________________
10. _________________________________________________

10 questions
1. _________________________________________________
2. _________________________________________________
3. _________________________________________________
4. _________________________________________________
5. _________________________________________________
6. _________________________________________________
7. _________________________________________________
8. _________________________________________________
9. _________________________________________________
10. _______________________________________________