

chapter 1

MANAGERS AND MANAGEMENT

fact or fiction?

Only those who want to be managers need to study management.

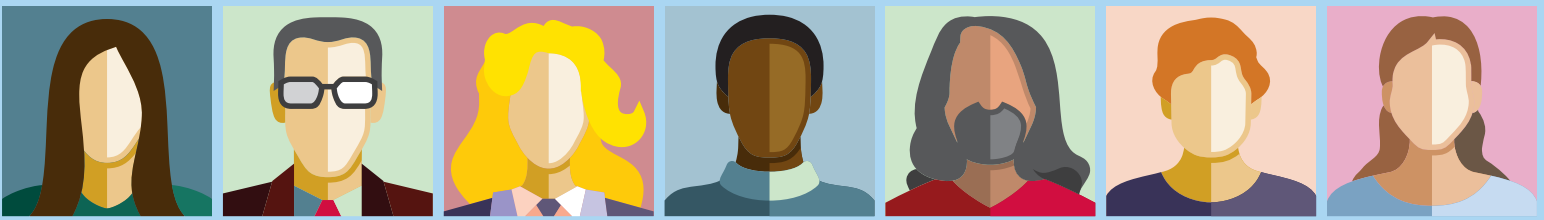
fiction

Anyone who works in an organisation – *not just managers* – can gain insight into how organisations work and their boss's behaviour by studying management.

A lot of people think good management is just 'good common sense', but it's a lot more complicated than that! In fact, as we'll detail in this text, extensive research has shown that a lot of 'good management' is actually counterintuitive. To reinforce this point, we open each chapter with a fact about management that runs counter to common sense.

In this chapter, we'll explain why you don't have to be a manager, or aspire to be a manager, to gain something from a management course. Formally studying management provides a 'toolkit' of perspectives and approaches you can draw on to manage different situations or to understand what managers are doing. So, the more you learn about management, the better understanding you'll have of the managers you work with and of how to be a manager yourself.

We like to think that all managers are good at managing, but this isn't necessarily the case: managers can be good, or not so good, at what they do – or even good one day and not so good the next! But *all* managers have important jobs to do. In this chapter, we introduce you to managers and management: who they are, where they work, what management is, how managers manage, and what important factors are reshaping and redefining management in today's organisations. We'll finish by examining even more reasons why you'll benefit from studying management.



Learning outcomes

- 1.1 Identify who managers are and where they work.
- 1.2 Define management.
- 1.3 Describe what managers do.
- 1.4 Describe the factors that are reshaping and redefining management.
- 1.5 Explain why it's important to study management.

Becoming an Uber boss

When Dara Khosrowshahi's (pronounced 'Cause-Row-Sha-hee') became the CEO of Uber in August 2017, he had quite a clean-up job to do! Since its founding in 2009, Uber had become a global disruptor of the taxi industry and the subject of numerous scandals. In 2017 alone, the company lost more than 200,000 passenger trips due to the #DeleteUber movement, and suffered further reputational damage when a former Uber employee wrote a blog exposing the company's dysfunctional culture to the world. When Uber's founder, Travis Kalanick, was forced to step down as CEO, the company was leaderless for two months with 'a dysfunctional board of directors' and haemorrhaging staff.

One of Khosrowshahi's biggest challenges on taking over the management of Uber was to undo the reputational damage caused by Kalanick's 'overly aggressive', win-at-any-cost leadership style. In its bid to squeeze out competitors and dominate the market, Uber had recruited heavily, including hiring some unsuitable and unsafe drivers. In fact, there were so many allegations of sexual misconduct by drivers that the company developed its own system for categorising 21 different types of behaviour and assault.

Khosrowshahi has modelled a very different approach. 'He didn't come in guns blazing ... he came in listening,' recalled Uber's global director of people experiences and employer brand. In his first two weeks on the job, he held roundtable discussions with Uber drivers to hear first hand why they were dissatisfied with the company. He shadowed customer support



When Dara Khosrowshahi became the new head of Uber in 2017, he set a new cultural tone for the company by listening, empathising and apologising, and by sharing power.

PHILIP PACHECO/AFP/Getty Images

staff to hear what customers were saying about their experiences with Uber's services. He also met with Uber's diversity support groups, including those that supported black, latino, female and LGBTQ employees, and went on to hire the company's first diversity and inclusion officer.

While Kalanick's mantra had been described as 'no-apologies-necessary', Khosrowshahi's is 'acknowledge-apologise-learn to do better'. Only a month into the job, he wrote an open letter to the city of London, in which he stated: 'While Uber has revolutionized the way people move in cities around the world, it's equally true that we've got things wrong along the way ... On behalf of everyone at Uber globally, I apologize for the mistakes we've made.'

Becoming an Uber boss continued

Two months later, he publicly disclosed that when hackers had accessed company data related to 57 million drivers and riders in October 2016, Uber had paid US\$100,000 to have the information deleted. 'None of this should have happened, and I will not make excuses for it,' he said. 'While I can't erase the past, I can commit on behalf of every Uber employee that we will learn from our mistakes.' This commitment was tested in March 2018, when an Uber self-driving vehicle killed a pedestrian. To ensure the issue was thoroughly investigated and handled well, Uber grounded its driverless cars for nine months.

'Doing better' has included providing a more stable and functional work environment for Uber employees. One aspect of this has been redefining Uber's cultural norms. Kalanick had previously developed 14 'cultural values' for Uber that included 'toe-stepping', 'always be hustling' and 'principled confrontation'. Khosrowshahi crowdsourced Uber's new cultural values by reaching out to the company's workforce

for suggestions and distilling the 1,200 submissions he received into eight cultural norms that included 'We celebrate differences', 'We value ideas over hierarchy', 'We persevere' and 'We do the right thing. Period'. Another initiative has been improving the company's financial position by negotiating a US\$9.3 billion investment deal with Softbank and leading the company's listing on the New York Stock Exchange. A third element has been expanding Uber's business focus to include electric bicycle and third-party transportation services that currently include UberEats and will eventually include trucking and other logistics services.

Running a company that operates in 63 countries with more than 22,000 employees continues to present many challenges. But Khosrowshahi's approach has certainly been appreciated by those who work for him. As CEO of Expedia, he got a 94 per cent approval rating from his staff on job site Glassdoor: at Uber, his rating has climbed to 96 per cent!

Learning outcome 1.1
Identify who managers are and where they work.

Who are managers, and where do they work?

Managers today can be under age 18 or over 80. They may be any gender, or from any socioeconomic or cultural background. They can be found in all industries. They manage entrepreneurial businesses, large corporations, government agencies, hospitals, museums, schools and not-for-profit enterprises. Some hold top-level management jobs, while others are supervisors or team leaders. However, all managers share one common element: they work in an organisational setting. An **organisation** is a deliberate arrangement of people brought together to accomplish some specific purpose. For example, your university or college is an organisation, as are the Red Cross, your local supermarket, the Cancer Council, and global companies such as Nestlé, Nokia and Nissan. These and all organisations share four common characteristics (see Figure 1.1).

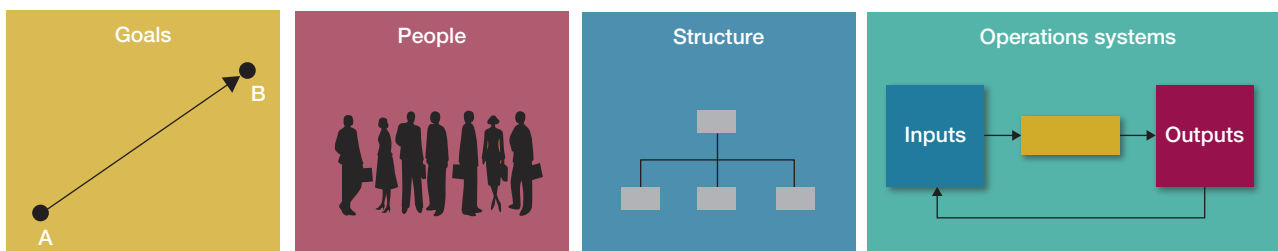
organisation

A systematic arrangement of people brought together to accomplish some specific purpose

What four characteristics do all organisations share?

The first characteristic of an organisation is that it has a distinct purpose, which is typically expressed as a goal or set of goals. For example, Bob Iger, when president and CEO of Walt Disney Company, said that his company's goal was to create amazing family entertainment and provide customers with extraordinary experiences, which would then lead to increasing shareholder value.

Figure 1.1 Four characteristics of organisations



Those goals are achieved by the people in an organisation, which is the *second* common characteristic. An organisation's people make decisions and engage in work activities to make the desired goal(s) a reality. For example, at Disney, many employees work to create the content and experiences that are so important to the company's businesses. Others provide supporting services or interact with guests (customers) directly.

The *third* characteristic is that an organisation is structured in some way that defines and limits the behaviour of its members. Disney, like most large organisations, has a fairly complex structure with different businesses, departments and functional areas. Within that structure, rules and regulations might guide what people can or cannot do, some members will supervise other members, work teams might be formed, and job descriptions might be created so that organisational members know what they're supposed to do. That structure is the setting within which managers manage.

The *fourth* characteristic of organisations is that they have an operational system that transforms inputs into outputs. Manufacturing organisations turn raw materials into physical goods such as hamburgers, cars and mobile phones. Service organisations use raw materials to deliver services to clients, such as dentists providing dental care, mechanics repairing vehicles, and postal services delivering mail.

How are managers different from non-managerial employees?

Not everyone who works in an organisation is a manager. For simplicity's sake, we'll divide organisational members into two categories: non-managerial employees and managers. **Non-managerial employees** are people who work directly on a job or task and have no responsibility for overseeing the work of others. The employees who help you choose paint at the home decorating store, who clean your clothes at the dry-cleaners or who process your university enrolment are all non-managerial employees. These non-managerial employees may be referred to by names such as associates, team members, contributors or even employee partners. **Managers**, on the other hand, are individuals in an organisation who direct and oversee the activities of other people in that organisation so that its goals can be accomplished. A manager's job isn't about *personal* achievement – it's about helping *others* to do their work. That may mean coordinating the work of a departmental group, or it might mean supervising a single person. It could involve coordinating the work activities of a team with people from different departments or even people from outside the organisation, such as temporary employees or individuals who work for the organisation's suppliers. This distinction doesn't mean, however, that managers don't ever work directly on tasks. Some managers do have work duties not directly related to overseeing the activities of others. For example, an insurance claims supervisor might process claims in addition to coordinating the work activities of other claims employees.

What titles do managers have?

Managers can have a variety of titles but are usually classified as top, middle or front-line managers, or team leaders (see Figure 1.2). **Top managers** are those at or near the top of an organisation. They're usually responsible for making decisions about the direction of the organisation, and for establishing policies and philosophies that affect all organisational members. Top managers typically have titles such as managing director, chief operating officer, vice president, president, chancellor, chief executive officer or chairperson of the board. **Middle managers** are those managers found between the lowest and top levels of the organisation. These individuals often manage other managers, and maybe some non-managerial employees, and are typically responsible for translating the goals set by top managers into specific details and tactical plans. Middle managers may have such titles as department or agency head, project leader, unit chief, district manager, division manager or store manager. **Front-line managers** are those individuals responsible for directing the day-to-day activities of non-managerial employees. Front-line managers are often called supervisors, shift managers, office managers, department managers or unit coordinators. These days, many organisations also have **team leaders** – that is, individuals who are responsible for managing and facilitating the activities of a work team. Team leaders will typically report to a front-line manager.

non-managerial employees

People who work directly on a job or task and have no responsibility for overseeing the work of others

managers

Individuals in an organisation who direct the activities of others



Rebecca Clare is the operations manager and co-owner of PhysioWest, a health-care and wellbeing service located in Adelaide.² As a manager, Rebecca leads a purpose-driven team collectively focused on 'why' they exist and do what they do. Developing operational systems in line with this enables the business to run effortlessly and effectively, and provides a firm foundation for a strong team culture. Rebecca also mentors other managers and business owners to help them improve their own managerial skills.

top managers

Individuals who are responsible for making decisions about the direction of the organisation, and for establishing policies that affect all organisational members

middle managers

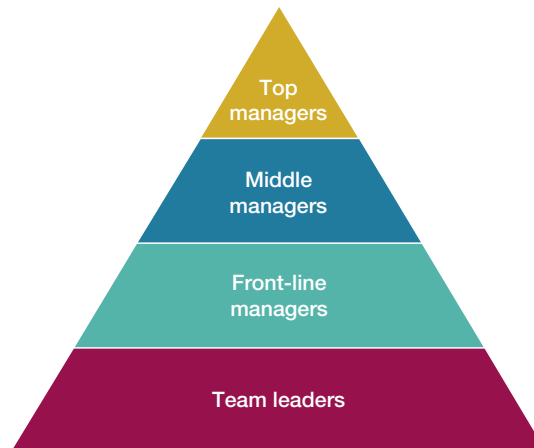
Individuals who are typically responsible for translating goals set by top managers into specific details and tactical plans that lower-level managers will ensure are carried out

front-line managers

Supervisors responsible for directing the day-to-day activities of non-managerial employees

team leaders

Individuals who are responsible for managing and facilitating the activities of a work team

Figure 1.2 Management levels**CLASSIC CONCEPTS IN TODAY'S ORGANISATIONS****Management: Is there one best way to do a job?**

The terms *management* and *manager* are actually centuries old.³ One source says that 'manager' originated in 1588 to describe one who manages. Its specific use to mean a person who oversees a business or a public organisation is believed to have originated in the early part of the 18th century. However, used in the way we're defining 'management' and 'manager', in terms of overseeing and directing organisational members, the terms are more appropriately dated to the early 20th century. 'Management' was first popularised by Frederick Winslow Taylor. Taylor is a 'biggie' in management history, so let's look at his contributions to how management is practised today.

- In 1911, Taylor's book *Principles of Scientific Management* took the business world by storm. His ideas spread in the United States and to other countries, where they inspired other theories.
- Why? His theory of **scientific management** argued for the use of scientific methods to define the 'one best way' for a job to be done.

scientific management

The use of scientific methods to define the 'one best way' for a job to be done

- As a mechanical engineer in Pennsylvania steel companies, Taylor was continually appalled by workers' inefficient work practices. He observed:
 - employees using vastly different techniques to perform the same task and often 'taking it easy' on the job
 - few, if any, existing work standards
 - workers placed in jobs with little or no concern for matching their abilities and aptitudes with the tasks they were required to do.
- The result: worker output was only about *one-third* of what Taylor thought was possible.
- Taylor's remedy: applying the scientific method to manual shop-floor jobs. The result: phenomenal increases in worker output and efficiency – in the range of 200 per cent or more!
- Because of his work, Taylor is known as the 'father' of scientific management.

Discuss this:

- What would a 'Taylor' workplace be like?
- How have Taylor's views contributed to how management is practised today?

Learning outcome 1.2

Define management.

What is management?

Management is the process of getting things done, efficiently and effectively, with and through other people. We need to look more closely at some key words in this definition.

A **process** is a set of ongoing and interrelated activities. In our definition of management, the term refers to the primary activities or functions that managers perform – functions that we'll discuss in more detail in the next section.

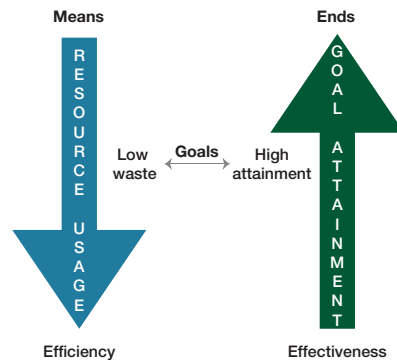
management

The process of getting things done, efficiently and effectively, with and through other people

Efficiency is achieved by doing a task correctly ('doing things right') and getting the most output from the least amount of inputs. Because managers deal with scarce inputs – including resources such as people, money and equipment – they're concerned with the efficient use of those resources. Managers want to minimise resource usage and resource costs.

Effectiveness is achieved by doing the right things – that is, doing those work tasks that help the organisation to reach its goals. Whereas efficiency is concerned with the *means* of getting things done, effectiveness is concerned with the *ends*, or the attainment of organisational goals (see Figure 1.3).

Figure 1.3 Efficiency and effectiveness



Good management is concerned with attaining goals (effectiveness) and doing so as efficiently as possible. Poor management is most often due to both inefficiency and ineffectiveness, or to effectiveness achieved without regard for efficiency. Focusing on just effectiveness can waste time, energy and other resources. For example, Hewlett Packard Enterprise (formerly Hewlett-Packard) could focus solely on effectiveness in producing sophisticated and longer-lasting cartridges for its laser printers. If, however, the company focused only on effectiveness, it might generate such high labour and input costs that it might go broke or have to charge such high prices that it couldn't compete against rival companies. Conversely, if a call centre focused exclusively on efficiency, it might deal with calls quickly but provide poor service, leading to dissatisfied customers.

But good management achieves a lot more than that! What managers do, and how they do it, can profoundly affect their organisations and the people within them. The way an organisation manages its people can determine its financial performance⁴ and have a significant impact on employees' mental and emotional health.⁵

Good management = **What you do**
AND **how you do it.**

What do managers do?

Every organisation has a slightly different job to do, and so does every manager. But managers do share some common job elements, whether they are the foreperson of a construction company or the CEO of Westpac. Management researchers have proposed three approaches that help in describing what managers do: functions, roles and skills. Let's look at each of these in turn.

What are the four management functions?

According to the functions approach, managers perform certain activities or functions as they direct and oversee others' work. The functions approach was first proposed in the early part of the 20th century by a French industrialist, Henri Fayol, who suggested that all managers perform

process

A set of ongoing and interrelated activities required to achieve particular outcomes

efficiency

Doing things right, or getting the most output from the least amount of inputs

effectiveness

Doing the right things, or completing activities so that organisational goals are attained

Learning outcome 1.3

Describe what managers do.

five management activities: plan, organise, command, coordinate and control.⁶ Today, these management functions have been condensed to four: planning, organising, leading and controlling (see Figure 1.4). Let's look briefly at each function.

Figure 1.4 Four management functions



planning

Includes defining goals, establishing strategy and developing plans to coordinate activities

organising

Includes determining what tasks are to be done, who is to do them, how the tasks are to be grouped, who reports to whom and where decisions are to be made

leading

Includes motivating employees, directing the activities of others, selecting the most effective communication channel and resolving conflicts

controlling

The process of monitoring performance, comparing it with goals and correcting any significant deviations

Organisations exist to achieve some purpose. Through planning, managers define that purpose and decide how to achieve it. **Planning** includes defining goals, establishing strategy and developing plans to coordinate activities. Planning ensures that the work to be done is kept in proper focus and that organisational members keep their attention on what is most important.

Managers are also responsible for arranging and structuring work to accomplish the organisation's goals. This function is called **organising**. Organising includes determining what tasks are to be done and by whom, how tasks are to be grouped, who reports to whom and where decisions are to be made.

Leading is the part of a manager's job that involves directing and coordinating the work activities of others. When managers motivate employees, direct the activities of others, select the most effective communication channel or resolve conflicts among organisational members, they are leading.

The fourth and final management function is **controlling**, which involves monitoring, comparing and correcting work performance. After the goals are set, the plans formulated, the structural arrangements determined and the people hired, trained and motivated, there has to be some evaluation to see if things are going as planned. Any significant deviations will require that the manager gets the work back on track.

The functions approach is useful for understanding the fundamentals of management. Its continued popularity is largely because 'the classical functions provide clear and discrete methods of classifying the thousands of activities that managers carry out and the techniques they use in terms of the functions they perform for the achievement of goals.'⁷ But to understand *how* managers perform these functions, let's consider the roles that managers play in organisations.

What are management roles?

Our understanding of the roles that managers play in organisations comes from the research conducted by Henry Mintzberg. In the late 1960s, Mintzberg did an empirical study of five chief executives at work.⁸ His discoveries challenged long-held notions about the manager's job. For example, at the time, the predominant view was that managers were reflective thinkers who carefully and systematically processed information before making decisions. However, Mintzberg found that the managers he studied had little time for reflective thinking because they encountered constant interruptions and their activities often lasted less than nine minutes. Mintzberg also developed a categorisation scheme for defining what managers do based on the managerial roles they use at work. These **managerial roles** consist of the specific categories of managerial actions or behaviours expected of a manager. (Think of the different roles you play – such as student, employee, volunteer, sports team member, sibling and so forth – and the different things you're expected to do in those roles.)

Mintzberg concluded that managers perform 10 different but interrelated roles. These roles, as shown in Table 1.1, are grouped around interpersonal relationships, the transfer of information and decision making. The **interpersonal roles** are ones that involve people (subordinates and persons outside the organisation) and other duties that are ceremonial and symbolic in nature. The **informational roles** involve collecting, receiving and disseminating information. Finally, the **decisional roles** entail making decisions or choices.

managerial roles

Specific categories of managerial behaviour; often grouped under three primary headings: interpersonal relationships, transfer of information and decision making

interpersonal roles

Involve people (subordinates and persons outside the organisation) and other duties that are ceremonial and symbolic in nature

informational roles

Involve collecting, receiving and disseminating information

decisional roles

Entail making decisions or choices

Table 1.1 Mintzberg's managerial roles

ROLE	DESCRIPTION	EXAMPLES OF IDENTIFIABLE ACTIVITIES
INTERPERSONAL		
Figurehead	Symbolic head; obliged to perform a number of routine duties of a legal or social nature	Greeting visitors; signing legal documents
Leader	Responsible for the motivation of subordinates; responsible for staffing, training and associated duties	Performing virtually all activities that involve subordinates
Liaison	Maintains self-developed network of outside contacts and informers who provide favours and information	Acknowledging mail; doing external board work; performing other activities that involve outsiders
INFORMATIONAL		
Monitor	Seeks and receives wide variety of internal and external information to develop thorough understanding of organisation and environment	Reading periodicals and reports; maintaining personal contacts
Disseminator	Transmits information received from outsiders or from subordinates to members of the organisation	Holding informational meetings; making phone calls to relay information
Spokesperson	Transmits information to outsiders on organisation's plans, policies, actions, results, etc.	Holding board meetings; giving information to the media
DECISIONAL		
Entrepreneur	Searches organisation and its environment for opportunities and initiates 'improvement projects' to bring about changes	Organising strategy and review sessions to develop new programs
Disturbance handler	Responsible for corrective action when organisation faces important, unexpected disturbances	Organising strategy and review sessions that involve disturbances and crises
Resource allocator	Responsible for the allocation of organisational resources of all kinds; making or approving all significant organisational decisions	Scheduling; requesting authorisation; performing any activity that involves budgeting and the programming of subordinates' work
Negotiator	Responsible for representing the organisation at major negotiations	Participating in industrial negotiations

Source: Based on H. Mintzberg, *The Nature of Managerial Work* (New York: Harper & Row, 1973), pp. 93–4.

Mintzberg's roles approach complements the functions view of management by offering additional insight into what managers do. The roles approach demonstrates that as managers perform each function, they interact with a variety of different people and adopt different roles in those relationships. Understanding how the performance of different roles contributes to each managerial function provides a more detailed perspective on what successful management entails. For example, a manager engaged in planning activities might initially adopt the liaison and monitor roles in order to acquire information on which they base their plans. Once a course of action has been decided, the manager might adopt the leader and disseminator roles as they communicate the plan to employees. Mintzberg has since completed another intensive study of managers at work and concluded: 'Basically, managing is about influencing action. It's about helping organizations and units to get things done, which means action.'⁹ Based on his observations, Mintzberg said managers do this in three ways: (1) by managing actions directly (e.g. negotiating contracts, managing projects, etc.); (2) by managing people who take action (e.g. motivating them, building teams, enhancing the organisation's culture, etc.); or (3) by managing information that propels people to take action (e.g. using budgets, goals, task delegation, etc.). Mintzberg's newest study gives us additional insights into the manager's job, adding to our understanding of what it is that managers do and how adopting the roles we have described helps managers to influence action in their organisations.

What characteristics do managers need?

The final way we'll describe what managers do is to look at the characteristics they need in order to manage. One way to define managerial characteristics is in terms of the competencies managers need. Research has identified nine managerial competencies: *traditional functions* (encompassing tasks such as decision making, short-term planning, goal setting, monitoring, team building, etc.); *task orientation* (including elements such as urgency, decisiveness, initiative, etc.); *personal orientation* (including things such as compassion, assertiveness, politeness, customer focus, etc.); *dependability* (involving aspects such as personal responsibility, trustworthiness, loyalty, professionalism, etc.); *open-mindedness* (encompassing elements such as tolerance, adaptability, creative thinking, etc.); *emotional control* (including both resilience and stress management); *communication* (including aspects such as listening, oral communication, public presentation, etc.); *developing self and others* (including tasks such as performance assessment, self-development, providing developmental feedback, etc.); and *occupational acumen and concerns* (involving aspects such as technical proficiency, being concerned with quality and quantity, financial concern, etc.).¹⁰

Another way to think about managerial characteristics is to consider the skills and drive that managers need to have to perform a managerial role. Robert L. Katz and others have proposed that managers must possess and use four critical management skills in managing.¹¹ **Conceptual skills** are the skills managers use to analyse and diagnose complex situations. They help managers to see how things fit together and facilitate making good decisions. **Interpersonal skills** are those skills involved with working well with other people, both individually and in groups. Because managers get things done with and through other people, they must have good interpersonal skills to communicate, motivate, mentor and delegate. Additionally, all managers need **technical skills**, which are the job-specific knowledge and techniques needed to perform work tasks. These abilities are based on specialised knowledge or expertise. For top-level managers, these abilities tend to be related to knowledge of the industry and a general understanding of the organisation's processes and products. For middle- and lower-level managers, these abilities are related to the specialised knowledge required in the areas where they work – finance, human resources, marketing, computer systems, manufacturing, information technology and so forth. Finally, managers need and use **political skills** to build a power base and establish the right connections. Political skills represent the ability to change one's situation by influencing others at work, with the overall objective of attaining valued goals from the situation.¹² Organisations are political arenas in which people compete for resources. Managers who have and know how to use political skills tend to be better at getting resources for their groups than those who don't.

conceptual skills

A manager's ability to analyse and diagnose complex situations

interpersonal skills

A manager's ability to work with, understand, mentor and motivate others, both individually and in groups

technical skills

Job-specific knowledge and techniques needed to perform work tasks

political skills

A manager's ability to build a power base and establish the right connections

The importance of different managerial skills changes as managers progress to higher levels of the organisation.¹³ Technical skills have higher importance for a lower-level manager, as they are working close to the physical operations of the organisation. Conceptual skills have higher importance for high-level managers, who require the ability to conceptualise unknown situations and visualise how their decisions will affect the organisation. Interpersonal skills are very important at all levels, because management always involves working with others. By extension, political skills are also valuable at all managerial levels for acquiring resources and support.

Another characteristics that managers need is the drive or **motivation to manage**, which is an internal force that drives people to become a manager, enjoy being one, and perform well in managerial positions, especially in large hierarchical organisations.¹⁴ Motivation to manage has six components: (1) attitudes to superiors, (2) desire to engage in competitive situations, (3) desire to exercise power over subordinates and direct their behaviour, (4) desire to behave assertively, (5) desire to engage in highly public activities, and (6) desire to organise administrative tasks. Motivation to manage influences how comfortably and how well individuals perform managerial roles. A person may have strong technical, interpersonal and conceptual skills, but a weak motivation to manage would make them unsuited to a managerial role.

motivation to manage

An internal force that drives people to become a manager, enjoy being one, and perform well in managerial positions

Is the manager's job universal?

The approaches we've detailed might lead you to think that what a manager does should be essentially the same whether they are a top-level executive or a front-line supervisor, in a corporation or a government agency; in a large corporation or a small business; or located in Melbourne, Australia, or Melbourne, Florida. Is that the case?

Is a manager a manager, **no matter where or what they manage?**

Level in the organisation

Although a supervisor of the Genius Bar in an Apple Store may not do exactly the same things that Apple's CEO Tim Cook does, it doesn't mean that their jobs are inherently different. The differences are of degree and emphasis, but not of activity. All managers, regardless of level, make decisions. They do planning, organising, leading and controlling activities, but the amount of time they give to each activity isn't necessarily constant. For instance, as managers move up in the organisation, they do more planning and less direct overseeing of others. In addition, the content of the managerial activities changes with the manager's level. For example, as we'll demonstrate elsewhere, top managers are concerned with designing the overall organisation's structure, whereas lower-level managers focus on designing the jobs of individuals and work groups.

Size of organisation

Organisational size affects management by influencing the importance of different managerial roles. Organisational size can be defined using a number of measures, such as the number of employees, annual sales or total assets. For simplicity, we'll define organisational size in terms of the number of employees. According to the Australian Bureau of Statistics, a **small business** is one that employs between 5 and 19 people, a



Jim Chapman, Sandy Hickson and Nathaniel Poynting are the founders of Nice Coffee Co., a social enterprise that sells Kenyan coffee beans and coffee machines in Australia so it can provide free food to school children studying in Kenya.¹⁵ Jim, Sandy and Nathaniel manage their 'profit-for-purpose' enterprise in much the same way as other managers run for-profit organisations.

Photograph courtesy of Nice Coffee Co.

small business

An independent business that employs between 5 and 19 people

medium-sized business

An independent business that employs between 20 and 199 people

large business

An independent business that employs at least 200 people

medium-sized business has between 20 and 199 employees, and a **large business** is one that employs at least 200 people.¹⁶ Now to the question at hand: Is the job of managing a small business different from that of managing a large one? Yes. For example, the small business manager's most important role is that of spokesperson. They spend a great deal of time performing outwardly directed actions such as meeting with customers, arranging financing with bankers, searching for new opportunities and stimulating change. In contrast, the most important concerns of a manager in a large organisation are directed internally – deciding which organisational units get what available resources and how much of them. Accordingly, the entrepreneurial role – looking for business opportunities and planning activities for performance improvement – appears to be least important to managers in large firms, especially among first-level and middle managers.

Compared with a manager in a large organisation, a small business manager is more likely to be a generalist. Their job will combine the activities of a large corporation's chief executive with many of the day-to-day activities undertaken by a front-line supervisor. Moreover, the structure and formality that characterise a manager's job in a large organisation tend to give way to informality in small firms. Planning is less likely to be a carefully orchestrated ritual. The organisation's design will be less complex and structured, and control in the small business will rely more on direct observation than on sophisticated, computerised monitoring systems. Again, as with organisational level, we see differences in degree and emphasis but not in the activities that managers do. Managers in both small and large organisations perform essentially the same activities, but how they go about those activities and the proportion of time they spend on each will differ.

Profit versus not-for-profit

An organisation's profit orientation affects management by determining the focus of organisational activities on efficiency and effectiveness. Profit is the difference between an organisation's revenues and operating costs. Businesses are profit-oriented because they fund their operations using capital that investors such as company owners, shareholders and financial institutions provide in exchange for a share of future profits. Businesses generate profits by maximising the revenues they generate from sales (e.g. by charging higher prices for their products) and/or by minimising their operating costs. If a business cannot generate sufficient profits, it will eventually become bankrupt, so profit determines the organisation's survival. Consequently, managers in profit-oriented businesses focus on efficiency in minimising costs and effectiveness in generating revenues so as to maximise profits.

Not-for-profit organisations, such as government agencies, schools, public hospitals, charities and community groups, have a different focus on efficiency and effectiveness because they don't rely on profits for survival. Not-for-profit organisations use funds provided by governments, sponsors or donors to provide goods and services such as health care, education and support to members of the community. Managers in not-for-profit organisations focus on efficiency in minimising costs and effectiveness in delivering services so as to be able to help as many members of the community as possible.

Management concepts and national borders

If managerial concepts were completely generic and universal, they would apply in any country in the world, regardless of economic, social, political or cultural differences. Studies that have compared managerial practices in different countries haven't found this to be the case. In the chapter on the external organisational environment, we'll examine some specific differences between countries and describe their effect on managing. At this point, it's important for you to understand that most of the concepts discussed in the following chapters primarily apply to Australia, New Zealand, the United States, Canada, the United Kingdom and other English-speaking countries. Managers likely will have to modify these concepts if they want to apply them in India, China, Chile or other countries whose economic, political, social or cultural environments differ from those of the so-called free-market democracies.

A QUESTION OF ETHICS

Being set up to fail?

- 26% of new managers feel they're unprepared to transition into management roles.
- 58% of new managers don't receive any training to help them make the transition.
- 48% of first-time managers fail in that transition.

Moving to a management position isn't easy, as these statistics indicate.¹⁷

Discuss this:

- Does an organisation have an ethical responsibility to assist its new managers in their new positions? Why or why not?
- What could organisations do to make this transition easier?

What factors are reshaping and redefining management?

Learning outcome 1.4

Describe the factors that are reshaping and redefining management.

Welcome to the **new world of management!**

In today's world, managers are dealing with changing workplaces and workforces, changing technology and global uncertainties. Managers everywhere are dealing with fluid and changing circumstances, and *how* managers manage is changing as a result. Throughout the rest of this text, we'll be discussing these changes and how they're impacting the way managers plan, organise, lead and control. Here, we want to highlight six of these changes: the increasing importance of customers, innovation, diversity and inclusion, social media, sustainability, and the COVID-19 global pandemic.

Why are customers important to the manager's job?

John Chambers, a former CEO of Cisco Systems, liked to listen to voice mails forwarded to him from dissatisfied customers. 'Email would be more efficient,' he conceded, 'but I want to hear the emotion, I want to hear the frustration, I want to hear the caller's level of comfort with the strategy we're employing. I can't get that through email.'¹⁸ A manager like Chambers understands the importance of customers. Organisations need customers because without them, most would cease to exist. Focusing on the customer was once thought to be the responsibility of marketing people. But now managers are recognising that delivering consistent high-quality customer service is essential and that employees are an important part of that equation.¹⁹ In fact, in developed countries such as Australia, Germany and Japan, more than 70 per cent of the labour force works in customer service roles such as sales assistants, teachers, bartenders, nurses, receptionists, financial planners and bank tellers.²⁰ The implication is clear: they must create a customer-responsive organisation where employees are friendly and courteous, accessible, knowledgeable, prompt in responding to customer needs and willing to do what's necessary to please the customer.²¹

Why is innovation important to the manager's job?

Success in business today demands innovation: doing things differently, exploring new territory and taking risks. And innovation isn't just for high-tech or other technologically sophisticated organisations; innovative efforts are needed in all types, all levels, all areas and all sizes of organisations. In today's challenging environment, innovation is critical. Managers not only need to be innovative personally; they must also encourage their employees to be innovative. That means understanding what, when, where, how and why it can be fostered and encouraged throughout their organisation. We'll share stories of innovative practices and approaches throughout this text.

Why are diversity and inclusion important to the manager's job?

As we'll discuss more fully in the chapter on the external organisational environment, societies and workplaces are becoming increasingly diverse. This makes diversity management a critical job for today's manager. As one human resources (HR) expert described it, diversity is similar to finding people for a choir who have different musical backgrounds, vocal talents and abilities. To make that choir the best it can be, managers have to 'make sure that those different voices are heard and valued and that they contribute to the performance'.²² That's where diversity management comes in. **Diversity management** includes managing anti-discrimination, equal opportunity and affirmative action so that all organisational members are treated with dignity and fairness.²³ It also involves creating a strong and positive diversity climate focused upon inclusion. **Inclusion** is the achievement of a work environment in which all individuals are treated fairly and respectfully, have equal opportunities and resources, and can contribute fully to the organisation's success.²⁴ It's making people feel like their strengths and characteristics are just as valuable – and valued – as everyone else's in the organisation. Managing diversity effectively is increasingly important to an organisation's relationships with employees, customers and a whole range of other stakeholders. We'll explore how managers can do this successfully in the Managing for Diversity and Inclusion feature of each chapter.

diversity management

Creating a work environment focused on achieving inclusion for all organisational members, in which people are treated with dignity, equality and fairness, and have fair and equitable access to employment and professional development opportunities

inclusion

The achievement of a work environment in which all individuals are treated fairly and respectfully, have equal opportunities and resources, and can contribute fully to the organisation's success

social media

Forms of electronic communication through which users create online communities to share ideas, information, personal messages and other content

Why are social media tools important to the manager's job?

In 2020, social platforms such as Facebook, Instagram, Twitter, YouTube, LinkedIn and others were being used by more than 3.6 billion people.²⁵ Such widespread usage of **social media** – forms of electronic communication through which users create online communities to share ideas, information, personal messages and other content – makes them important tools for managers, employees and organisations, enabling entirely new kinds of relationships with customers and employees. However, they have also put those relationships on public display, making it incredibly easy for disgruntled or dissatisfied employees and customers to tell the world why they're unhappy. This means that managers need to think more carefully than ever about how their actions are perceived by other people. Throughout this text, we'll look at how social media is impacting how managers manage, especially in the areas of human resource management, communication, teams and strategy.



Sam Elson is the founder of Sea Forest, an innovative Australian company that grows edible red seaweed. But don't expect to see it on a restaurant menu any time soon. Sea Forest actually grows its seaweed to feed to cows, because scientists in Australia and the US have discovered that feeding a small amount of edible seaweed to cows reduces their methane production by 80 per cent. And since livestock accounts for 10 per cent of Australia's total greenhouse gas emissions, that's a pretty big deal!²⁶

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sustainability

A company's ability to achieve its business goals and increase long-term shareholder value by integrating economic, environmental and social opportunities into its business strategies

Why is sustainability important to the manager's job?

Managers and organisations need to focus on sustainability because of growing expectations that they will responsibly manage the impact of their activities on the environments in which they operate. Although 'sustainability' means different things to different people, the World Business Council for Sustainable Development describes a scenario where all Earth's inhabitants can live well with adequate resources.²⁷ From a business perspective, **sustainability** has been defined as a company's ability to achieve its business goals and increase long-term shareholder value by integrating economic, environmental and social opportunities into its business strategies.²⁸ Managers are discovering that running an organisation in a more sustainable way will mean making informed business decisions based on (1) communicating openly with various stakeholders and understanding their requirements, and (2) factoring economic, environmental

and social aspects into how they pursue their business goals. Managing for sustainability will require fundamental shifts for many organisations and managers about what they do and how they do it. These shifts are affecting many aspects of management and we'll explore them throughout the text in the Managing for Sustainability boxes.

Why is the COVID-19 pandemic important to the manager's job?

The global COVID-19 pandemic has been the largest, fastest and most profound force for change that most managers and organisations have ever experienced. The issues and challenges that have resulted from the pandemic have forced people and organisations across the world to change what they do and how they do it. Along the way, they have also created huge and valuable opportunities to do new things, to do old things in new ways, and to rethink many aspects of management. We'll explore these throughout the text in the Rethinking Management in a Global Crisis feature.

Why study management?

We'll finish this chapter by examining three key reasons why studying management is going to be worth your time. The first reason is that, whatever you do in your career, you'll work in organisations and either manage or be managed. Talented managers can communicate well and build genuine relationships with their staff, provide clear guidance about performance expectations and whether these are being met, and help employees build on their strengths. When their managers manage effectively, staff feel connected and enthusiastic about their jobs, which improves individual performance and organisational competitiveness.²⁹ When you understand what management is and how it is practised, you'll gain more insights into the way your boss and other employees behave, and you'll be able to make sure that your influence as a manager is positive.

The second reason is that understanding management will help you to differentiate between organisations that are well managed and those that are poorly managed when you're deciding who to deal with and who to work for. When you deal with a well-managed organisation, you're likely to have a far better experience of being a customer or an employee. So, the more you learn about management, the better choices you'll make in terms of the roles and organisations you experience in your career.

The third reason is that studying management will help you to enhance your professionalism. **Professionalism** is how you conduct yourself in your workplace – your attitudes, actions and behaviours. It affects how seriously people take you at work, the employment and promotion opportunities you get offered, and whether your boss and colleagues view you as an asset to your team and your organisation. Being professional means developing and displaying qualities and behaviours³⁰ such as being focused, punctual, attentive, diligent and humble, and developing good interpersonal skills and emotional intelligence. Conversely, being disrespectful, unreliable and irresponsible, failing to honour and deliver on your commitments to your organisation and other people, and being a poor communicator are considered 'unprofessional' qualities and behaviours.³¹ Throughout this text, we explore many more behaviours and qualities that managers use in order to behave in professional ways and to encourage other people to do so.

Learning outcome 1.5

Explain why it's important to study management.

professionalism

How you conduct yourself in your workplace – your attitudes, actions and behaviours

review

chapter 1 summary

1.1 Identify who managers are and where they work.

Managers are individuals who work in an organisation directing and overseeing the activities of other people. Managers are usually classified as top, middle or front-line. Organisations, where managers work, have four characteristics: goals, people, a deliberate structure and an operations system.

1.2 Define management.

Management is the process of getting things done, efficiently and effectively, with and through other people. Efficiency is achieved by 'doing things right' – doing a task correctly and getting the most output from the least amount of inputs. Effectiveness is achieved by 'doing the right things' – by doing those work tasks that help the organisation to reach its goals.

1.3 Describe what managers do.

What managers do can be described using three approaches: functions, roles and skills/competencies. The functions approach says that managers perform four functions: planning, organising, leading and controlling. Mintzberg's roles approach says that what managers do is based on the 10 roles they use at work, which are grouped around interpersonal relationships, the transfer of information and decision making. The skills/competencies approach looks at what managers do in terms of the skills and competencies they need and use. Four critical management skills are conceptual,

interpersonal, technical and political. Additional managerial competencies include aspects such as dependability, personal orientation, emotional control and communication. All managers plan, organise, lead and control, although how they do these activities and how often they do them may vary according to their level in the organisation, whether it is profit or not-for-profit, the size of the organisation and its geographic location.

1.4 Describe the factors that are reshaping and redefining management.

In today's world, managers are dealing with changing workplaces, a changing workforce, global economic and political uncertainties, and changing technology. Five areas of critical importance to managers are: delivering high-quality customer service, fostering innovation, managing diversity and fostering inclusion, using social media efficiently and effectively, and recognising how sustainability contributes to an organisation's effectiveness.

1.5 Explain why it's important to study management.

Management is fundamentally about influencing human behaviour in order to achieve organisational goals. Formally studying management will help you to build a broader knowledge of what management entails and to develop a 'toolkit' of approaches you can apply in order to manage in different situations.

discussion questions

- 1.1 What is an organisation, and what characteristics do organisations share?
- 1.2 How do managers differ from non-managerial employees?
- 1.3 Why do managers need to focus on both efficiency and effectiveness?
- 1.4 Interview a manager you know and ask them to explain what they do. What sorts of activities do they mention? Which of Mintzberg's roles do they relate to?
- 1.5 Using any of the popular business periodicals (such as *Australian Financial Review*), find examples of managers doing each of the four management functions. Write a description and explain how these are examples of that function.
- 1.6 Review the six components of motivation to manage. How does each component help a manager to do their job successfully?

- 1.7** Why is it important that managers think about the environmental, economic and social aspects of sustainability of their organisation's actions?
- 1.8** Identify two ways in which social media makes a manager's job easier to do, and two ways in which it makes their job harder.
- 1.9** Think about the most 'professional' person you know. What behaviours and qualities make them seem 'professional' to you?
- 1.10** Choose an organisation and describe three ways in which it has been affected by the COVID-19 pandemic. If you were a manager in that organisation, how would you have handled those issues?

management skills spotlight

becoming politically adept

Anyone who has had much work experience knows that organisational politics exist everywhere. That is, people try to influence the distribution of advantages and disadvantages within their organisation in their favour. Those who understand organisational politics typically thrive. Those who don't, regardless of how good their actual job skills are, often suffer by receiving less positive performance reviews, fewer promotions and smaller salary increases. If you want to succeed as a manager, it helps to be politically adept. Research has shown

that people differ in their political skills.³² Those who are politically skilled are more effective in their use of influence tactics. Political skill also appears to be more effective when the stakes are high. Finally, politically skilled individuals are able to exert their influence without others detecting it, which is important in being effective so that you're not labelled as playing politics. A person's political skill is determined by their networking ability, interpersonal influence, social astuteness and apparent sincerity.

experiential exercise

As we explained in this chapter, scientific management and the notion that there can be 'one best way' to do a job is a cornerstone of management theory. In this exercise, you're going to see how these principles can affect how managers and organisations operate.

- 1.** Choose a task you do regularly (e.g. laundry, grocery shopping, studying for exams, etc.). As you do it, write down every single action you take.
- 2.** Now examine each step in your list. What activities could be combined or eliminated? Write out the new, 'best way' to do this task.
- 3.** Try the scientifically managed way! See if you become more efficient – keeping in mind that it isn't easy to change old habits.
- 4.** Reflect on your experiences.
 - a.** Describe what occurred when you wrote down every single step of the activity. Were you surprised at how many steps it took to do the activity? Were there any steps you hadn't realised you actually took when you did it?
 - b.** Interpret your experience of using the principles of efficiency and scientific management. How did you determine which steps of the activity should be kept, and which ones should be cut out?
 - c.** Evaluate your experience: what did you learn from the experience about applying a scientific approach to the execution of a task? How useful was it in helping you to be more efficient?
 - d.** How could you apply your insights in the future? What would you do differently next time you decide you want to be able to do something more efficiently?

case application

Learning to 'walk the walk'

Moving into a managerial role brings a lot of new challenges, lessons and insights.³³ So, what do you need to learn to do when you become a manager for the first time? Chi Ngo became manager of a team of 10 people at age 23 and says that being a manager early in your career can pose particular challenges. Her advice is to *focus on justifying people's faith in you*. If people look down on you because you're young, focus on doing the job to the best of your ability. Remember: you were given the position because people were already convinced that you could do the job well and have faith that you will perform satisfactorily.

Similarly, *you don't have to have all the answers*. When members of your team bring you questions you can't answer, use it as an opportunity to learn and then pass your new knowledge back to your team. They'll then trust both you and your answers.

Look after your team, and results will follow. Your role is to protect your team from unreasonable demands and pressures. Be prepared to push back on their behalf. Stakeholders may not love it, but your team will be happier, more productive and more committed.

Establish a team culture of being constructive and supportive, and of treating people how they want to be treated. Building cultural norms and practices of sharing ideas, voicing concerns, challenging each other respectfully to do better, and offering praise helps your team to grow, develop and perform well individually and together, especially if you communicate that feedback and praise in the ways people prefer to receive it.

According to Florence Stone of the American Management Association, a lot of first-time managers give vague instructions about assignments, and dodge the hard conversations required when people don't perform as needed. So, be clear about what you want staff to do, and follow up on those expectations. When they meet or exceed your expectations, make sure you recognise and reward that! When they don't meet them, don't just do the job yourself: sit down with them, talk about where things have gone wrong, and explain how they need to be done differently.

Moving into a top managerial position brings a whole lot more learning, even for people with a lot of management experience. When Roman Stanek became CEO of software company NetBeans, he learnt it was important to *check assumptions*. When a major competitor offered to buy his company, Stanek thought his team could manage the acquisition

process on top of their regular duties – until he discovered the other company had a team of over 100 people working on it!

When you learn a good lesson, make it a rule. As the NetBeans acquisition contract was being worked out, Stanek realised that the teams involved were constantly fighting via email over the wording of the contract, causing delays and threatening to bring the whole deal undone. When he brought them together in person, they worked things out and saved the deal. Now, Stanek's rule is that any project team must meet in person early in their project because the personal connections they form will help them to deal with problems later on.

Professor Linda Hill, from Harvard Business School, has studied managers at many levels and warns that when you're a CEO or managing director, *you deal with far more bad news than good!* That's because people bring you the problems they can't (or don't want to) handle. So, top managers spend a lot of time dealing with complex problems that have high stakes and may affect the whole organisation, and for which there are no easy answers!

Similarly, Autumn Manning, CEO of employee engagement firm YouEarned It, says one of her biggest lessons was: *'It's your call, and your responsibility'*. Top managers need to be prepared to make decisions and to stand by them, even when those decisions are going to be unpopular. But you can still use help! When Autumn has to make decisions about cash flow, she confers with her chief operating officer, which helps her to build confidence in her decision.

Discussion questions

- 1.11 What kinds of adjustments do you think people have to make when they switch from being a non-managerial employee to being a manager?
- 1.12 Pick one of the lessons detailed in the case study. How do you think following that lesson would help you to be efficient or effective as a manager?
- 1.13 Which managerial characteristics do each of these managerial lessons relate to?
- 1.14 Pick one of the factors reshaping contemporary management. If you were a manager, which of the lessons learnt by the managers in this case study would you use to help you deal with that factor? How do you think it would help you do that?

running case

Holiday Home Helpers: Motivated to make a difference

At 8.30 am on Mia's first day as an operations manager at Holiday Home Helpers (HHH), she had a meeting with the company's founder and CEO, Skylar.

'Good morning, Mia' said Skylar. 'I thought we could focus, this week, on getting you familiar with how the company works and what your role will entail. HHH is a national company. We currently operate in every state capital and in a number of regional areas that are particularly popular tourism destinations. These include Byron Bay in NSW, the Great Ocean Road in Victoria, the Adelaide Hills, the Margaret River wine region in Western Australia, and Noosa in Queensland. Our main business is cleaning and support services for people who own holiday homes that they rent out as tourist accommodation. Most of our clients list their properties through Airbnb; some also list through holiday accommodation services such as Stayz and Booking.com.

'In your role as a regional manager, you'll report to me and the other members of the top management team. Our goal as a company is to provide excellent service to our clients. That includes helping them to provide excellent service to their guests, and delivering value for money. So, we expect you to focus on how effectively and efficiently your team is achieving that. What ideas do you have so far about how you'll approach this role?'

'Well,' said Mia. 'My first priority is to build my understanding of how HHH operates as a company and within this region. And how it could do that in the future. While running my own Airbnb for the last few years, I've become an active member of the local tourism operators industry association and the local chamber of commerce, and both those links are going to be really useful for learning about developments that could affect HHH.'

'And what do you think will be the next big issue for businesses like us?' asked Skylar.

'Sustainability,' said Mia. 'Accommodation and cleaning are areas with huge potential to improve waste management and environmental impact. And if we're smart about how we go about this, we can make it part of a better guest experience

and a better employment experience. Our staff will be excited about what we're doing, and they'll be proud to be part of it.'

'And how are you planning to engage with your team?' asked Skylar.

'Establish my credibility,' said Mia. 'Let them know I ran housekeeping teams in hotels, but I also worked *on* housekeeping teams as well. They need to be confident, if they tell me about challenges they're having when cleaning properties or ordering supplies, that I know what they're talking about! They might be a bit intimidated to know that I've worked at 6-star resorts like Palazzo Versace on the Gold Coast and Sapphire in Tasmania, but I'm hoping that will give them confidence that I'll know great-quality work when I see it and I'll be able to bring in new ideas about making our services even better.

'But I need to build credibility as a listener, too. I need to get to know my team members and to understand what each of them is bringing to the company. And what *aren't* they bringing to the table yet? What ideas do they have that they haven't shared with us? How could we improve their work environment? What's stopping them from doing better and having a better experience of working for us? And what about our clients? Why are they with us? What could we do better? What are guests saying in their online reviews about the properties we manage? How could we help our clients get even better reviews in the future?'

'These are excellent questions,' said Skylar. 'I look forward to hearing what the answers turn out to be. Good luck!'

Discussion questions

- 1.15 If Mia wanted to improve both efficiency and effectiveness at HHH, what areas could she focus on?
- 1.16 What level of manager is Mia?
- 1.17 Which of Mintzberg's managerial roles will Mia be performing?
- 1.18 Which of the factors reshaping management will Mia need to focus on in her new role?