## Chapter Summary: Key Concepts

### What Is Management?

**Management**
The achievement of organizational objectives through the use of people and other resources. The skills and principles of management apply in both profit and not-for-profit organizations.

**The management hierarchy**
The management hierarchy has three levels: top, middle, and supervisory management. Top management sets the long-term direction, vision, and values of the organization. Middle managers focus on specific operations, products, or customer groups and implement strategic plans. Supervisory managers are responsible for assigning nonmanagerial employees to specific jobs and evaluating performance.

**Skills needed for managerial success**
Successful managers should possess technical, human, and conceptual skills. Technical skills include the ability to understand and use the knowledge and tools of a specific discipline or activity. Human skills are the interpersonal skills managers need to motivate and lead employees to accomplish identified objectives. Conceptual skills, needed especially by top managers, involve the ability to see the big picture by acquiring, analyzing, and interpreting information.

**Managerial functions**
Managers in any organization must perform the essential functions of planning, organizing, directing, and controlling. Planning is the process of anticipating future events and conditions and determining courses of action for achieving organizational objectives. Organizing is the process of blending human and material resources through a formal structure of tasks and authority. Guiding and motivating employees to accomplish organizational objectives is called directing. Controlling is the function of evaluating an organization’s performance against its objective.
### Setting a Vision and Ethical Standards for the Firm

**Vision**
A perception of marketplace needs and the methods by which an organization can satisfy them. It serves as the target for a firm’s actions, helping direct the company toward opportunities and differentiating it from competitors.

**Ethical standards**
These values are set by top managers, who must focus on the organization’s long-term success, not merely short-term profits or personal gain.

### Importance of Planning

**Types of planning**
The four types of plans used by contemporary organizations are strategic, tactical, operational, and contingency plans. Strategic plans set primary objectives and strategies for how to allocate resources to achieve them. Tactical plans involve implementing the activities specified by the strategic plan. Operation plans create detailed standards that guide implementation of tactical plans. Contingency planning allows a firm to quickly resume operations and communications with the public after a crisis.

**Planning at different organizational levels**
Top managers specialize in organizational objectives and long-term plans. Middle managers focus on short-term plans, and develop the organization’s policies and procedures. Supervisory managers set daily and weekly plans, rules, and specific activities for each department. Contingency planning is led by top management, but all levels of management participate.

### The Strategic Planning Process

**Defining the organization’s mission**
The mission statement is a written explanation of an organization’s business intentions and aims.

**Assessing your competitive position**
The firm must evaluate its current and potential position in the marketplace. SWOT analysis is often used in this phase of strategic planning to assess the strengths, weaknesses, opportunities, and threats.

**Setting objectives for the organization**
Objectives are guideposts by which managers define the organization’s desired performance in such areas as new product development, sales, customer service, growth, environmental and social responsibility, and employee satisfaction.
## Creating strategies for competitive differentiation

Organizations can combine unique abilities and resources such as product innovation, technology, and employee motivation to achieve the unique blend that sets it apart from its competitors.

## Implementing the strategy

Managers, often middle managers and supervisors, put the plan into action. Generally, when top managers empower middle management, the company reaps the benefits.

## Monitoring and adapting strategic plans

The final step in the strategic planning process is to monitor and adapt plans when the actual performance fails to meet goals. Monitoring involves securing feedback about performance. Managers might compare actual sales against forecasts or compile information from surveys.

### Managers as Decision Makers

#### Programmed and nonprogrammed decisions

A programmed decision involves simple, common, and frequently occurring problems for which solutions have already been determined. A nonprogrammed decision involves a complex and unique problem or opportunity with important consequences for the organization.

#### How managers make decisions

This process begins when someone recognizes a problem or opportunity and develops possible courses of action. Next, is the evaluation of alternatives, followed by the selection and implementation of one of the alternatives. The last step is an assessment of the outcome.

### Managers as Leaders

#### Leadership

The ability to inspire and direct others to attain organizational goals.

#### Leadership styles

The way a person uses power to lead others. Leaders may utilize autocratic, democratic or free-rein styles.

#### Which leadership style is best?

No single leadership style is best for every situation. In a crises for example, an autocratic method might be best.

#### Corporate culture

The system of principles, beliefs, and values. The leadership style of its managers, the way it communicates, and the overall work environment influence a firm’s corporate culture. A corporate culture...
is typically shaped by the leaders who founded the company, and by those who have succeeded them.

**Organizational Structures**

**Organization**
A structured group of people working together to achieve common goals. An organization features three key elements: human interaction, goal-directed activities, and structure.

**Departmentalization**
The process of dividing work activities into units within the organization. In this arrangement, employees specialize in certain jobs—such as marketing, finance, or design.

**Delegating work assignments**
Managerial process of assigning work to employees. Delegation also involves a manager’s span of management and whether decision making authority is centralized or decentralized.

**Types of organization structures**
There are four basic structural forms: line, line-and-staff, committee, and matrix. The oldest and simplest is the line organization. In the line-and-staff organization, staff departments are developed to support and advise the line. Committee organizations put authority and responsibility in the hands of a group of individuals. The matrix structure links employees from different parts of the organization to work together on specific projects.
Business Vocabulary

autocratic leadership  management
centralization  matrix structure
chain of command  middle management
competitive differentiation  mission statement
committee organization  nonprogrammed decision
contingency planning  objectives
controlling  operational plans
corporate culture  organization
decentralization  organization chart
decision making  organizing
delegation  planning
democratic leadership  programmed decision
departmentalization  span of management
directing  strategic planning
empowerment  supervisory management
free-rein leadership  SWOT analysis
leadership  tactical planning
line organization  top management
line-and-staff organization  vision

Application of Vocabulary

Select the term from the list that best completes the statements below. Write that term in the space provided.

1. ___________________________ is the achievement of organizational objectives through people and other resources.

2. The blending of human and material resources into a formal structure of tasks and authority is achieved by the management function of _____________________________.

3. ___________________________ is the management function of guiding and motivating employees to accomplish the organization’s objectives.

4. ___________________________ is the management function of evaluating an organization’s performance to determine if it is meeting its objectives.

5. ___________________________ is the perception of marketplace needs and methods by which an organization can satisfy them.
6. The management function concerned with anticipating the future and determining the best courses of action to achieve organizational objectives is______________________.

7. The written statement of an organization’s overall intentions and aims is called a ____________________.

8. A __________________________________is an organized method of assessing an organization’s internal strengths and weaknesses and external opportunities and threats.

9. ____________________________specify end goals for an organization and serve as standards for evaluation of performance in such areas as profitability, customer service, employee satisfaction, and social responsibility.

10. ___________________________is the most far-reaching level of planning and is the process of determining the primary objectives of the organization, adopting courses of action, and allocating the resources necessary to achieve those objectives.

11. Planning and allocating resources for current and near-term activities required to implement overall strategies is achieved through____________________________.

12. ___________________________use standards or schedules for implementing tactical plans.

13. ___________________________is the ability to direct and inspire people to attain organizational goals.

14. When organizations try to anticipate and meet emergencies, enabling them to resume operations as quickly and smoothly as possible, they are engaged in______________________.

15. ________________occurs when work activities are subdivided into units within the organization on the basis of product, process, geography, function, or customer.

16. A __________________________________is the unique combination of a company’s abilities and approaches that makes it more successful than its competitors.

17. _____________________________is the act of assigning work activities to subordinates.

18. The ____________________________process involves recognizing and identifying a problem, developing and evaluating alternatives, selecting and implementing an alternative, and doing a follow up.

19. A(n) ___________________________uses policies, procedures, and rules to implement a previously determined response in a frequently occurring situation.

20. When a manager must develop a response to a new or unique situation with important consequences for the organization, that manager is making a______________.
21. When a manager makes decisions without consulting others, the style in use is the _______________________ style.

22. Managers who involve subordinates in decision making are using the _______ _______ _______ style of leadership.

23. The __________________________ style of leadership means that managers allow subordinates to make most decisions.

24. ______________________ means that managers lead employees by sharing power, responsibility, and decision-making authority with them.

25. The ___________________________ is the number of employees one manager supervises.

26. A(n) ________________________ is a structured grouping of people working together to achieve common objectives.

27. Retaining decision making at top management levels is known as ________________.

28. When decision-making authority is pushed down to lower organization levels, ________________ is in use.

29. A(n) __________________________ is a graphic outline of authority and responsibility.

30. ______________________ is the highest level of the management hierarchy, made up of executives who develop long-range plans and interact with the public and outside entities.

31. ______________________ is the level of management responsible for the details of assigning workers to specific jobs and evaluating performance.

32. ______________________ is the level of management responsible for developing the plans and procedures to implement the general plans of top management.

33. The _________________________ is the set of relationships in an organization that indicates who gives direction to whom and who reports to whom.

34. The oldest and simplest organization form, in which there is a clear flow of authority from the chief executive to the subordinates, is the _______________________.

35. The most common modern organization form, which combines a line organization with staff departments, is the ___________________________________.

36. An organization structure in which authority and responsibility are jointly held by a group of individuals is the _________________________.

37. In a _________________________, specialists from different functional areas of the organization are brought together to work on specific projects.

38. The value system of an organization is called its ______________________________.
Analysis of Learning Objectives

Learning Objective 7.1: Define management and the three types of skills necessary for managerial success.

True or False

1. ___ Management is defined as the process of achieving organizational objectives through people and other resources.

2. ___ The highest level of management requires technical skills above any other.

3. ___ The lowest level of management is supervisory management, whose job it is to direct the day-to-day operational activities of employees.

4. ___ Today, the essential role of a manager is simply being the boss.

Short Answer

List and define each of the three skills successful managers must have.

5.

6.

7.

Learning Objective 7.2: Explain the role of vision and ethical standards in business success.

True or False

1. ___ Vision is a clear perception of marketplace needs and the methods a company will use to meet those needs.

2. ___ The firm’s mission statement rarely relies on the original vision for the firm.

3. ___ While new companies need to develop a vision, large established companies do not.
4. ____ Vision must be focused and yet flexible enough to adapt to changes in the business environment.

5. ____ Setting high ethical standards affects the welfare of all stakeholders: employees, customers, investors, and society in general. However, it has little to do with building a firm’s lasting success.

**Learning Objective 7.3:** Summarize the major benefits of planning and distinguish among strategic planning, tactical planning, and operational planning.

**Multiple Choice**

1. Through realistic assessments of current and future conditions, planning helps a company:
   a. turn vision into action.  
   b. take advantage of opportunities.  
   c. avoid costly mistakes.  
   d. all of the above.

2. The most far-reaching plans that determine the long-range focus and activities of the organization are:
   a. strategic plans.  
   b. tactical plans.  
   c. operational plans.  
   d. contingency plans.

3. Plans that guide current and near-term activities, including implementing long-range plans, are known as:
   a. strategic plans.  
   b. tactical plans.  
   c. operational plans.  
   d. contingency plans.

4. Detailed standards that guide implementation of plans and the selection of specific work targets are articulated in:
   a. strategic plans.  
   b. tactical plans.  
   c. operational plans.  
   d. contingency plans.

5. The type of plans that establish the primary objectives of an organization and allocate resources accordingly are known as:
   a. strategic plans.  
   b. tactical plans.  
   c. operational plans.  
   d. contingency plans.

**Learning Objective 7.4:** Describe the strategic planning process.

**Short Answer**

Define and explain the six steps in the strategic planning process.

1.
Learning Objective 7.5: Contrast the two types of business decisions, and list the steps in the decision-making process.

Short Answer

1. Define and contrast programmed and nonprogrammed decisions.

2. What are the five steps in the decision-making process?
   a.
Learning Objective 7.6: Define leadership and compare different leadership styles.

True or False

1. ____ Leadership can be defined as the ability to direct or inspire others to perform the activities needed to reach an organization’s objectives.

2. ____ Experts agree that one leadership style works best regardless of the circumstances at hand.

3. ____ Free-rein leadership means that managers have lost control of their subordinates and operations will suffer.

4. ____ When a manager actively involves subordinates in decision making, that manager is utilizing the democratic leadership style.

5. ____ The current trend in management is toward more autocratic leadership styles.

Learning Objective 7.7: Discuss the meaning and importance of corporate culture.

True or False

1. ____ Corporate culture refers to the system of principles, beliefs, and values prevalent in an organization.

2. ____ Cultures arise spontaneously, and leaders typically have very little influence on an organization’s culture.
3. ____ The best leadership style to adopt depends in large measure on the culture of the organization.

4. ____ One generation of employees passes on a corporate culture to newer employees, often as part of the training process.

5. ____ An organization’s culture can really have very little impact on creating a competitive differentiation for that firm.

**Learning Objective 7.8:** Identify the five major forms of departmentalization and the four main types of organization structures.

**Short Answer**

1. What is the purpose of an organizational chart?

2. What is departmentalization?

3. Name and define the five major forms of departmentalization.
   a. 
   b. 
   c.
d.

e.

4. Name and define the four main types of organization structures.

   a.

   b.

   c.

   d.

Self Review

True or False

1. ____ Management principles apply to all organizations, whether they operate in the profit or not-for-profit sector, and whether they are producers of products or services.

2. ____ Organizing is the management function of motivating and leading employees.

3. ____ An organization’s planning process should reflect the competitive differentiation the firm hopes to achieve.
4. ____ The interpersonal skills known as human skills have grown in importance with increased diversity and globalization in the modern business environment.

5. ____ An organization chart is a picture that shows the organization’s structure and clarifies what is expected of the employees.

6. ____ Empowering employees is common with autocratic leaders.

7. ____ Middle managers generally focus on long-term planning.

8. ____ Ethical standards and the vision of the top management have no bearing on one another.

9. ____ An organization will structure groups of people and activities to permit greater and more efficient attainment of organizational objectives.

10. ____ The line-and-staff organization is the oldest and simplest organization structure.

11. ____ As organizations grow larger, the need for organization structure diminishes.

12. ____ A line organization provides a clear chain of command.

13. ____ The committee organization often places authority and responsibility in the hands of a single manager.

14. ____ In a matrix organization, each employee reports to two managers, one is a line manager and the other is a project manager.

15. ____ The line organization is based on authority being passed down the chain of command.

16. ____ Committees tend to act very quickly in the decision-making process.

17. ____ Empowerment will thrive in a firm where autocratic leadership styles are common.

18. ____ Both the decision-making process and the organizing process require a follow-up to be sure the process has produced effective results.

19. ____ A mission statement makes explicit a firm’s purpose and aims.

20. ____ Objectives provide guideposts by which managers define the organization’s desired performance in such areas as new product development or sales.

21. ____ SWOT analysis helps a firm develop plans in case of a crisis, such as a security breach.

**Multiple Choice**

1. The process of anticipating future events and conditions and determining the courses of action for achieving organizational objectives is:
a. technical skills.
b. human skills.
c. conceptual skills.
d. configuration skills

2. Knowing a computer program or how to maintain a machine are examples of:
   a. technical skills.
   b. human skills.
   c. conceptual skills.
   d. configuration skills.

3. Inspiring trust, being a good communicator, and showing empathy with others are examples of:
   a. technical skills.
   b. human skills.
   c. conceptual skills.
   d. configuration skills.

4. In order to do the long-range planning that involves the entire organization, top managers need to have developed:
   a. technical skills.
   b. human skills.
   c. conceptual skills.
   d. configuration skills.

5. Which of the following is a major advantage of a line organization?
   a. the managers become knowledgeable in several areas.
   b. the chain of command is clear.
   c. the paperwork required of top executives is simple.
   d. morale is improved through participative decision making.

6. Which of the following is an advantage of a committee organization?
   a. it provides for quick decision making.
   b. it makes decisions by compromising conflicting interests.
   c. workers have more than one supervisor.
   d. willingness to carry through with committee decisions is improved.

7. Which of the following is an advantage of a matrix organization?
   a. flexibility and quick adaptability.
   b. employees may have to answer to more than one supervisor.
   c. potential conflicts are minimized.
   d. it is simple to understand.

8. In a large firm, a major drawback of the line organization is:
a. the very slow process of decision making.
b. overall, managers have few responsibilities.
c. the unclear and vague chain of command.
d. each manager has responsibility in areas he or she may not be experts in.

9. Staff managers:
   a. have authority to give orders to line managers.
   b. advise line managers.
   c. are empowered to make decisions about line department operations.
   d. all of the above.

10. The obligation to perform an assigned task is known as:
    a. responsibility.
    b. authority.
    c. accountability.
    d. power.

11. When employees take on a new responsibility:
    a. they agree to be obligated to complete the task.
    b. they need adequate authority to complete the task.
    c. they are held accountable for the results, as are their supervisors.
    d. all of the above.

12. A manager’s span of control is also known as:
    a. span of management.
    b. chain of command.
    c. glass ceiling.
    d. corporate culture.

13. SWOT analysis requires management to consider:
    a. strengths and weaknesses, opportunities and threats.
    b. suppliers, workers, other competitors, and time.
    c. strategic planning, working plans, operational plans, and time frames.
    d. sales, workforce, organization structure, and technologies.

Application Exercises

1. As a new manager at a technology firm, you have been asked to provide a fresh viewpoint of the organization and assess its competitive position. As you observe and research the firm, you discover that the firm has a solid base of technical experts who design and produce cutting-edge electronic components for the U.S. market while having no marketing or distribution in other countries. You also note that the firm faces stiff competition from a new firm in the industry that is also producing cutting-edge products. You later learn that the firm is in dispute with many of its employees regarding compensation and benefits.
a. Describe the tool you will use to analyze the firm and its separate parts.

b. Discuss the results of your evaluation.

2. Paul McKinley has just returned from a management trainee job interview. He explains that he thought he answered most of the questions well, except the one about his personal leadership style. Paul said that the interviewer asked him to analyze what type of leader he sees himself as. Paul explained that although he has given a great deal of thought to the type of leader he would prefer to work with, he has given little thought to his own leadership style.

a. What suggestions would you give Paul to help him determine his leadership style?

b. In the event that Paul has another interview, what answer should Paul give if asked this question again?
Short Essay Questions

1. What is planning? Name and define the four types of plans.

2. What is delegation? What are the implications of greater authority for employees?

3. What is corporate culture? What is leadership? How are they related?