Management An Integrated Approach 2nd edition Gulati Solutions Manual

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CHAPTER 1

INTRODUCTION TO MANAGEMENT

Learning Objectives

After reading this chapter, the student should be able to:

- Differentiate among the three pillars of managing organizations: strategic positioning, organizational design, and individual leadership.
- Describe the complementary components of management and leadership and the relative importance of technical, interpersonal, and conceptual skills at various managerial levels in the organization.
- Articulate how the practice of management has evolved.
- Explain the changing perspectives on the purpose of business and how the relationship between the firm and its business environment has changed over time.
- Describe the stakeholder theory of management and how various stakeholder relationships are managed to enhance overall firm performance.

Chapter Outline

- Introduction
- Management and Leadership
- Historical Perspectives on Business
- Changing Perspectives on the Purpose of Business
- Stakeholder Approach
    - Stakeholder Mapping

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- Stakeholder Management Processes
- Managing Uncertainty

- Summary

Self-Reflection: What Are Your Managerial and Leadership Strengths?

This self-reflection is designed to assess students' ability to evaluate their leadership and managerial strengths. It is based upon the idea that management requires a diversity of skills. For this assessment, students are asked to respond true or false to each question. Based on their answers, students can develop a list of strengths (statements that are true) and developmental opportunities (statements that are false). In addition, students can reflect upon their ideal career and discuss if their strengths are aligned with their career choice.

Managerial Strength	*Self-Reflection Question (Q)*
Organizational Skills	• Excels at planning projects (Q1) • Excels at organizing resources needed to execute a project (Q1)
Strategic-Thinking Skills	• Thinks strategically (Q2) • Creates vision (Q2) • Sets goals (Q2) • Creates solutions for complex problems (Q7)

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Financial-Management Skills	• Budgeting (Q3) • Financial planning (Q3)
Change-Management Skills	• Encourages change (Q4) • Challenges the status quo (Q4) • Influences people by inspiring a vision (Q10)
Human-Resource Management Skills	• Organizes people to get a job done (Q5) • Establishes structure (Q5) • Delegates tasks (Q5) • Understands how to motivate people (Q6) • Aligns and works with a diverse group of people to accomplish a goal (Q8) • Encourages behavior from the heart (Q10)
Leadership Skills	• Ability to take charge (Q9) • Brings order to a situation (Q9)

Comprehensive Lecture Outline

I. **Introduction.** Leaders have always faced the challenge of inspiring others while making important strategic decisions for their organizations based on disparate, ambiguous, and conflicting information. Today's leaders are confronted with challenges and opportunities that are more dynamic and complex than ever before.

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A. **The challenge of leadership**

1. Success in leadership today requires a strong knowledge of the pillars of managing organizations. The key to this success is recognizing the dynamic and interactive relationship between these three pillars.
2. The textbook is organized based on the concept of mutual interdependence and interconnectivity between strategic positioning, organizational design, and individual leadership.

Class Activity: The *Walmart's Business Environment* example provides an opportunity to allow students to apply some of the early concepts of the chapter to a company most students will relate to. You could ask them to do this as individuals or in impromptu teams as a class activity. Have the students read the scenario presented in the text and answer the included questions:

1. If you were a manager at Walmart, how would you have dealt with the situation?
2. What could they have done differently?

II. Management and Leadership

A. **The distinction between management and leadership**

1. **Management**: The act of working with and through a group of people to accomplish a desired goal or objective in an efficient and effective manner.
2. **Leadership**: The ability to drive change and innovation through inspiration and motivation.

Discussion Starter: Ask students to name several bureaucracies that come to mind. What is their experience with these organizations? What is their perception of bureaucratic structures for organizations?

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3. While the leader creates a vision and strategic direction for the organization, the management team is responsible for implementing and executing the strategy by organizing the company's resources to effectively accomplish that vision.

B. The skills required for success in business are often different depending on a person's level and responsibilities in the organization.

1. At lower levels of management, technical skills are necessary to accomplish the tasks required at that level.
2. Managers higher up in an organization (middle-level management) tend to focus on tasks such as financial reporting, planning, recruiting of talent, and team development. Good interpersonal skills are required at this level.
3. Senior executives (top-level management) are expected to set the vision and agenda for the organization as well as oversee strategic execution. Conceptual skills are important at this level of the organization.
4. Technical, interpersonal, and conceptual skills are all important and relevant for all individuals regardless of their place in the organization. The key difference is the level of intensity of each skill at each level of management.
5. Ultimately, managers must have the cognitive abilities needed to recognize a situation, the social skills to know what to do in that situation, and the behavioral skills to act.
6. Effective management requires the development of a broad set of skills and capabilities needed to act in a variety of situations.

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The Leadership Development Journey

This Leadership Development Journey is designed to have students think about their personal leadership journey and develop a career management strategy. The questions in this section draw upon Figure 1.4, which illustrates how skill importance and relevance changes as one progresses through management. Figure 1.4 highlights three skills: conceptual, interpersonal, and technical. For this assignment, students are asked to identify their ideal career and consider the following questions.

- Can you identify the technical skills required for an entry-level job?
- What are the interpersonal skills needed to supervise a staff?
- How does a top executive use conceptual skills to set a vision and craft a strategy?

Based on the analysis of the skills needed for their ideal career, students should identify three goals that will enable them to succeed and develop a career path.

In class, students can discuss their career goals and the skills needed to succeed in their chosen career. In addition, students may discuss how they think the importance of conceptual, interpersonal, and technical skills may change as they advance in their careers.

III. Historical Perspectives on Business

A. The theory of why organizations exist was first developed in the early 1900s by German social scientist Max Weber. Weber's main contribution to the field was the conceptualization of the **bureaucratic organization structure**.

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1. Bureaucratic organization structure (Weber)
    a. A clear differentiation of tasks and responsibilities among individuals.
    b. Coordination through a strict hierarchy of authority and decision rights; standardized rules and procedures.
    c. Vertical separation of planning and execution so that plans are made in the upper ranks of an organization and executed in the lower ranks.
2. Most modern organizations have explicitly or implicitly based their structures on the basic principles of this bureaucratic form.
3. The classic example of the bureaucratic organization is the military.
4. According to Weber, the bureaucratic form's greatest contribution was its ability to make organizations more rational and efficient.

Teaching Tip: Students usually only mention negative experiences with bureaucratic organizations. Remind them of a few positive examples of bureaucracies: UPS, McDonald's.

B. **Theories of Management**

1. **Scientific management** (Frederick Taylor): The organization was likened to a well-oiled machine and the manager was seen as a machine operator. The manager prescribed certain actions based on scientific study that were expected to produce definitive outcomes. Taylor believed that employees were economically driven and rational in their motives.
2. **Human relations movement:** Emphasis shifted from the output of the firm to the informal and social side of the firm. From this standpoint, organizations served as a means for people to interact and learn as well as produce a profit.

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3. **Contingent view:** Emerged where effective organizational structure was based on fit or alignment between the organization and various aspects in its environment. This approach affirmed that the social, political, and business environments play a large role in shaping the way effective organizations are structured. According to this contingent view, the organization's structure should fit the firm's customers, culture, and tasks performed.

IV. Changing Perspectives on the Purpose of Business

A. Today's **business environment** is infinitely more complex than it was just a few years ago. Over the years, the view of how to approach the business environment and drive performance has changed.

1. **Managerial view** of the firm, which saw the firm as a mechanism for converting raw materials into products to sell to customers. In this framework, managers focused on relationships between the firm and its suppliers, customers, owners, and employees.
2. **Shareholder view** of the firm, the job of top managers was to produce the highest possible stock market valuation of the firm's assets (return on shareholder's investment). This period saw a huge increase in both merger and acquisition activity and corporate takeovers as managers attempted to seek growth in any way possible.
3. **Stakeholder view** of the firm emerged amidst this increasing complexity and turbulence in the economic environment. A typical firm may have relationships or duties to governments, local community organizations, owners, advocacy groups, customers, competitors, media, employees, environmentalists, and suppliers.

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Teaching Tip: Refer back to the Walmart example used in the previous **Class Activity** to tie in how Walmart failed to acknowledge and respond to these changing perceptions of the business environment.

IV. **Stakeholder Approach.** A stakeholder is any group or individual who can affect or is affected by the achievement of an organization's purpose. At its core, stakeholder theory is concerned with who can influence a firm's decisions and who benefits from those decisions**.** The first step in organizing for stakeholder management is to identify all of the important stakeholders of the firm. The second component of stakeholder management involves designing formal processes and systems to deal with the firm's various stakeholders.

A Different View

In this chapter's A Different View, students are asked to consider the responsibility of managing "the triple bottom line" (three Ps) that measures the financial (profit), environmental (planet), and social (people) performance of a corporation over a period of time. Students can discuss how sustainable corporations emphasize social and environmental responsibility in addition to profits.

This section features Timberland as an example of a company managing the three Ps. Students are asked to research a sustainable corporation and focus on the triple bottom line. They should answer the following questions.

- How successful are they at each of the three Ps?
- How do they quantify "planet" and "people"?
- Is this practice always ethical and why?

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In addition, they should contrast this company to a more traditional corporation that focuses only on profit and answer the following questions.

- Would a focus on the three Ps benefit them?
- What are ways that they could implement the three Ps?

Teaching Tip: Continue with the Walmart example. Ask students to identify the key stakeholders involved in the Walmart expansion plan.

A. **Stakeholder Mapping**

1. Once the initial stakeholder map is constructed, the manager should identify specific subgroups within each stakeholder that affect or are affected by the firm.
2. Important lessons may emerge from the mapping process.
   a. A firm's stakeholders and their interests are not static.
   b. Many of the stakeholders on the map have the potential to become interconnected on a specific issue.

B. **Stakeholder Management Processes**

1. Predicting Stakeholder Responses and Activities
2. Knowing when and how to make strategic changes is not always easy. Managers must look beyond the boundaries of their internal operations to prepare for emerging competitive threats or capitalize on new potential opportunities.

C. **Managing Uncertainty**

1. Despite a manager's best efforts, there will always be some level of uncertainty about the direction of the business environment. It is important that managers appropriately estimate this level of uncertainty.

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a. If managers underestimate the nature of uncertainty in their industry, they will fail to prepare for competitive threats or to capitalize on potential new opportunities.

b. If managers overestimate the level of uncertainty, they may become paralyzed and fail to act, assuming that there is nothing that they can do to influence their business environment.

2. Managers generally face greater uncertainty when many contextual forces impact an industry and when these same forces are constantly changing.

a. The rate of change in the context will dictate the extent to which managers should engage in environmental scanning activities and the degree to which companies will need to adapt their operations.

Case in Point: BHP's Tintaya Copper Mine

1. Often managers react to a crisis situation. An alternative strategy is to try to proactively prevent crises. What are some actions that BHP's managers could have done differently to prevent the crisis?

   BHP managers could have prevented the crisis by taking a stakeholder approach to management. A stakeholder approach is concerned with managing and being attuned to the various groups that can influence the firm's decisions and actions. The local inhabitants of Espinar did not see how copper mining had contributed to the prosperity of Peruvian citizens. When Peru's fortunes increased from mining, NGOs and citizens showed unrest about the rise of Peru's mining industry; this was a signal for BHP that a crisis may occur.

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2. Contextual intelligence is an essential managerial skill. How could managers of BHP's Tintaya Copper Mine have analyzed the environment or its business operations to influence or react to the crisis?

   Contextual intelligence is the ability to understand the impact of environmental factors on a firm and the ability to understand how to influence those same factors. Management of BHP could have leveraged contextual intelligence by analyzing the environmental factors and how it may influence the firm's goals, work practices, and stakeholders. When making managerial decisions, BHP should have considered the view of Peru's citizens and NGOs regarding the firm's management practices by:

   - developing appreciation and awareness of history.
   - being attuned to the environment.
   - learning from experiences.
   - engaging in scenario assessments.

3. For the executives of BHP's Tintaya Copper Mine, why was managing uncertainty a difficult task? How can scenario planning help you to manage uncertainty?

   One possible reason that the executives of BHP's Tintaya Copper Mine had difficulties with managing uncertainty is that they did not focus on forecasting the consequences of disgruntled stakeholders. Scenario planning enables managers to respond to uncertainty by forecasting possible situations that might occur when several events and stakeholders are linked together. If managers approximately forecast scenarios, they can plan for uncertainty.

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4. A stakeholder view of the firm takes into account how multiple groups interact with the firm. Who are the key stakeholders in the BHP's Tintaya Copper Mine case? Which stakeholders would you have collaborated with to prevent the crisis?

   The key stakeholders in the BHP's Tintaya Copper Mine case are the mining firms, the Peruvian government, Peruvian citizens, and NGOs. Before the crisis escalated, BHP could have collaborated with key stakeholders to address their concerns and create a plan that would balance the goals of the various stakeholder groups.

5. What are the important lessons learned from the BHP's Tintaya Copper Mine case? How can you apply these lessons learned to the management practices of other firms?

   This case emphasizes the importance of managing uncertainty, contextual intelligence, and stakeholder management. Other firms can learn from this case that environments with high uncertainty require the management of stakeholders and contextual forces so that the firm can adapt. This adaptation process requires strategic thinking, environmental scanning, and scenario planning.

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Discussion Topics

1. Describe how the three pillars of management interact with each other. How can a firm's strategy influence the design of the organization? In what ways can a manager influence the strategy of an organization?

2. How do various contextual factors influence the business landscape? What levers can a manager use to influence the context?

3. What is the most important contextual factor impacting business today? How could a manager or firm influence this factor?

4. Combine the differences between managers and leaders with the various skills that are important to success in business (technical, interpersonal, and conceptual). What skills are more important to managers? Why? Do the same for leaders.

5. What are the advantages and disadvantages of the shareholder and stakeholder views of the firm? If you were a stockholder in a firm, what perspective would you want the management team to follow? Why? If you were an employee, would your perspective change?

6. What role do nonprofits and advocacy groups play in shaping the business context?

7. Review Figure 1.12. If you were starting a business, would you rather be in an industry with high or low uncertainty? What are the advantages and disadvantages of each environment? What skills would you need to be successful in each environment?

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Assignments

Management Research

1. Use resources in your library to identify examples of the different perspectives of management:

   - Bureaucratic Organization Structure
   - Scientific Management
   - Human Relations
   - Contingent View

   Students should use library resources to identify examples of the different perspectives of management described in this chapter.

Managerial Perspective	*Characteristics*
Bureaucratic Organization Structure	• Differentiation of tasks and responsibilities among individuals • Coordination through hierarchy of authority • Standardized rules and procedures • Vertical separation of planning and execution

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Scientific Management	• Focus on jobs, work, and incentives to improve productivity • Management draws upon industrial engineering methods
Human Relations	• Belief that organizations must be understood as systems of interdependent human beings who share a common interest in the performance of the organization
Contingent View	• The effectiveness of a firm is determined by the alignment of an organization within its environment

2. How have management perspectives changed over time? How would you describe current management practices? What changes in management practices do you anticipate in the next five to ten years? How should individuals prepare for these changes?

   This question prompts students to take both a retrospective and futuristic approach to management practices. Students can draw upon the "Historical Perspectives on Business" section to describe how management practices have changed over time. For the second part of this question, students can brainstorm the changes they anticipate in management practices in the next five to ten years. Encourage students to use examples or evidence to support how they think management practices will change in the future and how individuals can prepare for these changes.

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3. Select a firm and draw a stakeholder map for it. What potential changes should the firm anticipate in its internal and external environments? How should the firm prepare for these changes?

   For this question, students should select a firm and draw a stakeholder map similar to Figure 1.9. Students should provide examples for each category of stakeholders. In addition to identifying stakeholders, students should analyze how environmental changes will influence the actions of stakeholders and implications for the firms. For the final segment of this question, students should recommend how the firm can prepare for environmental changes while taking into account the different views of its stakeholders.

In the Field

1. Spend some time with an experienced manager to learn how the individual "changed" while progressing through positions of greater career responsibility. Similar to Figure 1.4 in this chapter, create a map that identifies the importance of technical, interpersonal, and conceptual skills in that individual's career.

   For this field assignment, students can spend time interviewing an experienced manager and learn how his or her usage of conceptual, interpersonal, and technical skills have changed over time. Students can create a map that has specific examples of the manager's usage of the skills over time. Also, students may want to ask the manager to estimate the percentage of time they spend using each skill.

2. Visit a local business and collect the following information to enhance your contextual intelligence:

   - Identify historical events that have impacted its industry.
   - Scan its internal and external environments to identify current trends that affect the business.

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- Identify another industry or firm that the local business can learn from given its current environment.
- Develop two future scenarios for the local business you visited. Given these scenarios, what type of contingency planning would you recommend?

For this field assignment, students should visit a local business and collect information to enhance their contextual intelligence. Encourage students to map out historical events that have impacted that business's industry, environmental trends, and key lessons learned from other industries or firms. After students have mapped out this information, have them create two future scenarios with recommendations for how the firm can prepare for each scenario.

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