Principles of Management

Talya Bauer, Berrin Erdogan, and Jeremy Short

Version 5.0

FlatWorld

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Dedications

Talya Bauer

To my fantastic family, Horst, Nicholas, and Alexander.

Berrin Erdogan

To Emre and Devin, for being so lovely every day.

Jeremy Short

To my beautiful wife, Tessa; son, Jack; and daughter, Ella. You entertain and inspire me daily.

About the Authors

Talya Bauer

Talya Bauer (Ph.D., Purdue University) is the Cameron Professor of Management and Affiliated Professor of Psychology at Portland State University. She is an award-winning teacher and researcher and recipient of the Academy of Management Human Resource division's Innovations in Teaching Award as well as the Society for Industrial and Organizational Psychology (SIOP) Distinguished Teaching Contributions Award. She conducts research about relationships at work throughout the employee lifecycle, including leadership, organizational justice, HR analytics, recruitment, applicant and candidate experiences during selection, and new employee onboarding. Her work has been supported by grants from the National Science Foundation (NSF) and the National Institutes of Health (NIH) as well as the Society for Human Resource Management (SHRM) and SIOP foundations and has been published in research outlets such as the *Academy of Management Journal, Academy of Management Learning and Education, Academy of Management Perspectives, Journal of Applied Psychology, Journal of Management, Journal of Organizational Behavior*, and *Personnel Psychology*. She has worked with dozens of government, Fortune 1000, and start-up organizations and has been a Visiting Scholar in France, Italy, Singapore, Spain, the UK, and at Google Headquarters, and she has delivered keynote addresses in Australia, France, Greece, Norway, Spain, the UK, and the United States. She has served in elected positions, including the HRM Executive Committee of the Academy of Management and SIOP President. She is currently an Associate Editor for the *Journal of Applied Psychology* (and the former Editor-in-Chief of *Journal of Management*). Her work has been discussed in *Bloomberg Businessweek, Harvard Business Review*, the *New York Times, USA Today, Wall Street Journal*, and NPR's *All Things Considered*, and her work has been referenced 16,000+ times by scholars in their own work. She is a Fellow of SIOP, the American Psychological Association, the Association for Psychological Science, and the International Association of Applied Psychology.

Berrin Erdogan

Berrin Erdogan (Ph.D., University of Illinois at Chicago) is the Express Employment Professionals Professor of Management and Affiliated Professor of Psychology at Portland State University where she was recognized with the Innovative Teaching Award. She also holds a Distinguished Research Professor position at the University of Exeter, UK. Berrin's research focuses on two themes. First, she examines how leaders lead through the relationships they build with their employees; and the implications of manager-employee relationships for employee effectiveness, retention, and well-being. Second, she is interested in understanding person-job fit and misfit, with a focus on why and how employees find themselves overqualified for their jobs and the consequences of being overqualified. She conducted studies and shared results with organizations in manufacturing, retail, health care, education, information technology, construction, and banking among others, in the US, the UK, China, Turkey, Vietnam, France, and India. To date, she has published over 70 journal articles and book chapters, in journals including *Academy of Management Journal, Journal of Applied Psychology, Personnel Psychology, and Journal of Management*. She has also coauthored *Organizational Behavior: Bridging Science and Practice* published by FlatWorld, *Psychology and Work* published by Routledge, and *Human Resource Management: People, Data, and Analytics* by Sage Press. She co-edited the *Oxford Handbook of Leader-Member Exchange*, published by Oxford University Press. Her work has been discussed in media outlets, including the *New York Times, Harvard Business Review*, CNBC, BBC Capital, and *Wall Street Journal*, among others. She was elected a Fellow of the Society for Industrial and Organizational Psychology (SIOP) and the Association for Psychological Science (APS) for unique and unusual contributions to the field of applied psychology. She is the Editor-in-Chief of *Personnel Psychology*. Previously, she served as an associate editor for *European Journal of Work and Organizational Psychology* and *Personnel Psychology*. Berrin is a frequent speaker at national and international conferences and has served as a visiting scholar and given invited talks in Australia, Canada, Greece, Iceland, Singapore, Spain, Turkey, the UK, and the US.

Jeremy Short

Jeremy Short (PhD, 2000, Louisiana State University) is the G. Brint Ryan Chair in Entrepreneurship at the University of North Texas. His award-winning teaching includes classes on principles of management, strategic management, entrepreneurship, and research methods. Dr. Short's research focuses on the determinants of performance in organizations ranging from startups, social ventures, family firms, and large organizations. He has published more than eighty articles in journals such as *Strategic Management Journal*, *Strategic Entrepreneurship Journal*, *Organization Science*, *Personnel Psychology*, *Organizational Behavior and Human Decision Processes*, *Journal of Business Venturing*, *Academy of Management Learning and Education*, and *Journal of Management Education*, among others. He served as an associate editor for the *Journal of Management* and serves on the editorial boards of *Strategic Entrepreneurship Journal*, *Journal of Business Venturing*, *Journal of Management*, *Family Business Review*, and *Organizational Research Methods*. He also coauthored the first Harvard Business School case in graphic novel format as well as other graphic texts such as *Atlas Black: The Complete Adventure*. Jeremy's work has been highlighted in outlets such as *Forbes*, the *Wall Street Journal*, *USA Today*, *Scientific American Mind*, and *Franchise Times*. A recent study highlighting the citation count of scholarly publications placed Jeremy's scholarly impact among the top 2% of all management scholars in the world.

Preface

Principles of management is likely to be one of the first management or business courses that students take. Consequently, our objective when developing material for each chapter was to provide students and instructors with a solid and comprehensive foundation on the fundamentals of management. Each of the 15 chapters is comprehensive, succinct, and action-oriented. The book and available supplements have also been written in a direct, active style that we hope students and instructors find both readily accessible and immediately relevant.

So how are we delivering on these promises?

First, this principles of management book is organized around the well-established **planning**, **organizing**, **leading**, and **controlling** framework (or, simply, P-O-L-C). The P-O-L-C structure provides a number of benefits. Each chapter opens with a brief discussion of how the chapter topic fits in P-O-L-C. For instructors, the use of P-O-L-C as an overarching framework helps with organizing class material, developing the class calendar, and making choices about adding or removing readings and real-life examples. It also provides instructors with an invaluable reference point at the beginning and conclusion of each class session to share with students "where we've been, and where we're going next." Pedagogically, this is a simple yet powerful tool to aid and promote student learning. For students, the P-O-L-C typology provides both instructors and students with an enduring framework for processing and organizing just about everything they will learn and experience, during and beyond their classroom-based education, related to the management of organizations.

Second, there are **three underlying themes** carried through all the chapters. These themes are *strategic thinking*, *entrepreneurial thinking*, and *active management*. Strategy, for instance, is explicitly concerned with the determinants of superior organizational success. We treat organizational performance using the notion of the triple bottom line—the idea that economic performance allows individuals and organizations to perform positively in social and environmental ways as well. The triple bottom line includes financial, social, and environmental performance. The entrepreneurial dimension reflects an underlying and growing trend showing that students and instructors see themselves as entrepreneurs and active change agents, not just as managers. By starting fresh with an entrepreneurial/change management orientation, we provide a perspective on the principles of management that is relevant for the decisions students will make as they move into the types of decisions relevant in the competitive job market. Starting with the opening chapter, we incorporate an active management perspective to show how leaders and leadership are essential to personal and organizational effectiveness and effective organizational change. Moreover, the concluding section of each chapter is focused on the assessment and development of particular management skills.

Third, we incorporate a truly **interdisciplinary perspective** to your principles of management course. We are energized to write a text where mastery of the content has important implications for key skills such as effective decision making, coupled with the strategic, entrepreneurial, and leadership orientations. Your authors are award-winning teachers who have collectively been teaching classes for over half a century and harbor a deep knowledge and appreciation for the book's conceptual underpinnings with a sincere appreciation for experiential teaching approaches.

In an era with increasing concerns over higher-education costs, we are pleased to offer a competitively priced text without sacrificing author and content quality. In addition, an extensive instructors' manual and excellent set of PowerPoint slides provide teaching support for instructors. A test item file developed using state-of-the-art assessment techniques supports faculty in evaluating student performance.

What's New in Version 5.0?

In this edition, you'll find a number of updates since our last revision published nearly three years ago, including new examples, a greater focus on application, as well as many new and updated end-of-chapter cases, which bring course concepts to life for students and stimulate classroom discussions in which every student may participate.

In summary, the following changes have been made:

- This edition reflects a substantive overhaul to reflect more diversity of examples, and to incorporate the great changes globally that have occurred in the past years since our last revision. A specific focus embraces new challenges in regard to managing social media that are relevant to students today.
- All end-of-chapter cases were either written or rewritten to include the latest content or new content. Other new cases focus on contemporary management challenges such as how to best communicate given the current social media landscape.
- This edition is streamlined to make key points more quickly and powerfully than ever before. Chapters have been updated to include the most relevant information while removing distractions.
- All facts and figures have been updated with the most current information.
- New businesses are featured throughout the book.
- New business examples are included throughout the book.

What hasn't changed is our commitment to writing in a concise, accessible, and engaging manner to communicate the latest findings and best practices related to mastering the principles of management.

Support for Instructors

Principles of Management, v5.0 is accompanied by a robust supplements program that augments and enriches both the teaching and student learning experiences. All supplements were created to ensure accuracy and full alignment with the book's narrative. Faculty should contact their FlatWorld sales representative or FlatWorld support at support@flatworld.com for more information or to obtain access to the supplements upon adoption.

Instructor's Manual

The instructor's manual (IM) includes Learning Objectives and an outline for each chapter. The IM also features possible responses to case discussion questions which encourage students to more deeply engage with course material.

PowerPoint Slides

PowerPoint lecture slides provide a concise but thorough outline for each chapter and include relevant tables, figures, and images from the text to enliven lectures and stimulate class discussions. These PowerPoint slides also include a list of Learning Objectives by chapter. Instructors can use the slides as composed to support lectures or customize and build upon them to suit their particular teaching needs.

Online Quizzes

Quiz questions for student self-evaluation are available by section and by chapter in the online version of this text. Students can use the quizzes to test themselves on their comprehension as they move through the different sections of the text or once they have completed a chapter.

FlatWorld Homework

Accompanying FlatWorld Homework for this text is provided in an easy-to-use interface. Multiple choice, fill-in-the-blank, matching, and other question types are available for use and are all auto-gradable. Students who utilize the homework questions should see their performance improve on examinations that are given using the Test Item File questions provided to adopters via Word documents or LMS packages.

Test Item File

The Test Item File (TIF) includes more than fifty multiple-choice, fill-in-the-blank, and essay-question questions. All answers are provided, including possible responses to the essay questions. The items have been written specifically to reinforce the major topics covered in each chapter and to align with FlatWorld Homework and in-text quiz items. The Test Item File questions are also available in pre-formatted form for easy export into popular learning management systems such as Canvas or Blackboard.

Test Generator—Powered by Cognero

FlatWorld is pleased to provide a computer-generated test program powered by the leading assessment provider Cognero to assist instructors with selecting, randomizing, formatting, loading online, or printing exams. Please contact your local FlatWorld representative or FlatWorld support (support@fwk.com) for more information or to request the program.

Sample Syllabi

Sample syllabi based on either 16-week or 10-week terms provide useful templates that help new adopters transition from their current course textbook to Mastering Human Resource Management. Faculty can download the syllabi from the FlatWorld website or they can be obtained by contacting your local FlatWorld representative or FlatWorld support (support@flatworld.com).

We hope you and your students enjoy this edition as much as we enjoyed writing it!

Acknowledgments

Version 5.0

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CHAPTER 1

Introduction to Principles of Management

Check please! Due to a high-stress environment and frequent turnover, the restaurant industry poses many challenges to the successful management of individuals and groups. This dynamic has only increased with analysts predicting 1 in 5 restaurants may close permanently in the wake of the COVID-19 pandemic.

Source: Shutterstock.com

Chapter Learning Objectives

Reading this chapter will help you accomplish the following:

1. Learn about managers and the nature of managerial work.
2. Understand the importance of psychology, leadership, entrepreneurship, and strategy within organizations.
3. Know the dimensions of management articulated in the planning-organizing-leading-controlling (P-O-L-C) framework.
4. Understand the relationship between economic, social, and environmental performance.
5. Understand how the concept of performance is understood at the individual and group levels.
6. Create your personal survivor's guide to learning and developing principles of management.

Thomas Edison once quipped, "There is a way to do it better—find it." This simple challenge is at the heart of the study and practice of management. Most of us have pondered better ways to manage others at work or considered ways to manage tasks better at home. As you've visited or worked at restaurants, coffee shops, schools, or other organizations—and talked with friends and family in numerous settings—it's likely you've encountered many instances where different personal interactions would have led to better experiences.

Chief Bogo's bigotry against small mammals in Disney's Zootopia is an example of a potential bias against management positions common in films that may hinder children from effective organizational readiness as they prepare for their future careers.

Source: Shutterstock.com

This book focuses on a number of skills that are critical to business success. For example, a recent article by *Forbes* magazine noted a number of skills that managers desperately need but often lack. Examples include learning to accept feedback, being able to empathize with the perspectives of others, and understanding how different aspects of individual efforts contribute to greater organizational goals.[1] These kinds of "soft skills" are critically important to employers, and demonstrating skills such as effective communication through body language, highlighting the ability to process feedback by nodding, and other active listening activities, and asserting strategic thinking in an interview such as proactively learning key facts about a potential employer is key to successfully landing a job.[2] By simply reading the first paragraph of this chapter you have, at some level, managed a soft skill such as the challenge of time management and procrastination that plagues many individuals (especially if you are taking a largely self-paced or online class).[3] The *need* for managerial talent is so large that a recent study by Burning Glass Technologies estimated 1.3 management or supervisor roles available for every worker.[4] However, scholars that study **organizational readiness** examined over fifty Disney films and found that common themes of manipulation and deception often paint managers in a bad light creating potential biases against management positions.[5] Whether you're a Disney villain plotting a scheme of world domination or a benevolent social entrepreneur hoping to change the world for good, you need strong management skills to continually master organizational challenges.

Management is the art and science of managing others. Knowledge of management will help you identify and develop the skills to better manage your career, relationships, and the behavior of others in organizations. A manager's primary challenge is to solve problems creatively, and **management** often refers to "the art of getting things done through the efforts of other people."[6] The **principles of management** are the means by which you work to accomplish tasks through others individually, in groups, or in organizations. Formally defined, the principles of management are the activities that "plan, organize, and control the operations of the basic elements of [people], materials, machines, methods, money, and markets, providing direction and coordination, and giving leadership to human efforts, so as to achieve the sought objectives of the enterprise."[7] For nearly a century, principles of management have been discussed using the P-O-L-C framework, which refers to the management functions of planning, organizing, leading, and controlling. While managers do not necessarily spend all their time managing, everyone employed in an organization is affected by management principles, processes, policies, and practices. Consequently, finding a "way to do it better" is a challenge that helps all individuals to meet their personal and professional goals.

organizational readiness

The expectations surrounding future organizational life based on cultural influences from childhood.

management

The art and science of accomplishing individual and organizational goals through the efforts of individuals and groups using planning, organizing, leading, and controlling.

principles of management

The concepts managers use in an effort to accomplish management goals.

1.1 Who Are Managers?

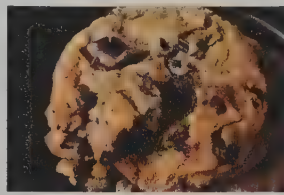
Learning Objectives

1. Know what is meant by the term "manager."
2. Describe the types of managers.
3. Understand the nature of managerial work.

Types of Managers

The term *manager* relates to both a position in an organization as well as the nature of different roles and responsibilities. Figure 1.1 summarizes classic and contemporary views of organizations with respect to managerial roles.[8] In contrast to the traditional view of management where the manager is seen as the "boss" who wields unquestioned power over employees, the contemporary view casts top managers as individuals that support and serve other managers and employees through a process called empowerment just as the organization ultimately exists to serve its customers and clients. **Empowerment** is the process of enabling or authorizing an individual to think, behave, take action, and control work and decision-making in autonomous ways.

Restaurants often empower employees to offer free dessert to dissatisfied patrons to maintain long-term customer allegiance. That might be particularly effective at Chick-fil-A, whose chocolate chip cookie was highlighted as the favorite fast food offering by "Eat This, Not That!" in 2020.



Source: Shutterstock.com

empowerment

The process of enabling or authorizing an individual to think, behave, take action, and control work and decision-making in autonomous ways.

A number of different types of managers can be found in organizations. *Top managers* are responsible for developing the organization's strategy and acting as a steward for[9] its vision and mission. An example is found in Microsoft CEO Satya Nadella outlining their mission to "empower every person and every organization on the planet to achieve more."[10] *Functional managers* are responsible for the efficiency and effectiveness of a specific area of the business, such as accounting or marketing. *Supervisory managers*, or *team managers*, are responsible for coordinating a subgroup of a particular division or a team composed of members from different parts of the organization.

Line and staff managers serve two distinct functions. A *line manager*, often called a product or service manager, leads a team that contributes directly to the products or services the organization creates. For example, a line manager at Apple Inc. might be responsible for the production, marketing, and profitability of the Apple watch. In contrast, a *staff manager* leads a function that creates indirect inputs. For example, finance and accounting are critical organizational functions but do not typically provide a clear input into the final product or service a customer buys. Instead, they serve a supporting role. A *project manager* is responsible for the planning, execution, and closing of a specific project. For example, the HGTV show *Home Town* depicts the husband and wife team of Erin and Ben Napier as they transform homes in Laurel, Mississippi.[11] Project managers are often found in construction, architecture, consulting, computer networking, telecommunications, and software development.

A *general manager* is responsible for managing a clearly identifiable revenue-producing unit, such as a store, business unit, or product line. Typically, general managers make decisions across various functions and have rewards tied to the performance of the entire unit. General managers take direction from their top executives and must first understand the executives' overall plan for the company. Then they set specific goals for their own departments to fit in with the plan. The general manager of production, for example, might have to increase certain product lines and phase out others. Moreover, general managers must describe their goals clearly to their support staff. Supervisory managers see that the goals are met.

FIGURE 1.1 Types of Managers

We illustrate the different types of managers using examples drawn from fact and fiction.

Top managers are responsible for developing the organization's strategy and acting as a steward for its vision and mission. Michael Dell showed this type of visionary leadership by founding Dell, Inc. after successfully selling computers out of his dorm room as a freshman student at the University of Texas.

Functional managers are responsible for the efficiency and effectiveness of a specific area such as accounting or marketing. Functional managers at marketing-intensive companies such as Kellogg's, General Mills, and Post must carefully manage many similar but competing brands. In fact, these individuals are typically called brand managers.

Supervisory managers, or team managers, are responsible for coordinating a subgroup with a particular function or a team composed of members from different parts of the organization. Hotel managers are responsible for all aspects of their hotel, from staffing and customer service to the flowers on display in the hotel lobby.

Line managers, often referred to as product or service managers, lead a team that contributes directly to the products or services the organization creates. Line managers often serve critical roles in keeping assembly line manufacturing on track to meet the organization's production goals as in the auto industry.

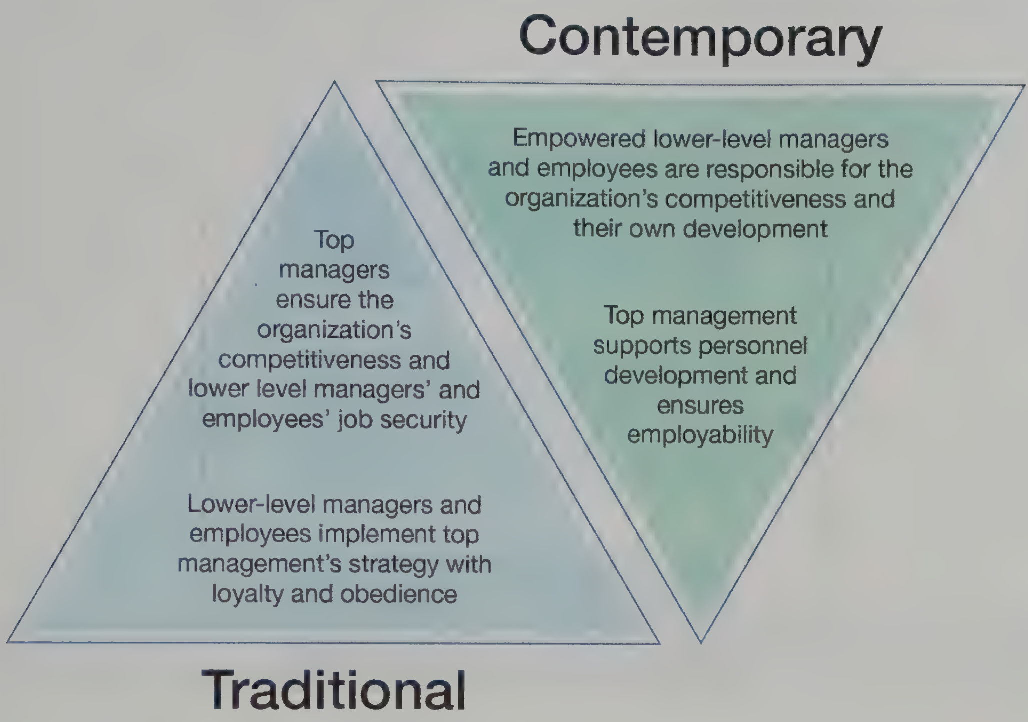
A staff manager leads a group that creates indirect inputs. Staff managers usually provide an advisory role. The White House chief of staff (an office held by Jacob Lew among others during the Obama administration) provides a high-profile example of this important managerial type.

Project managers are responsible for the planning, execution, and completion of projects. Project managers are found in industries such as construction, architecture, consulting, computer networking, telecommunications, or software development. General contractors often serve as project managers in new housing construction.

General managers are responsible for managing a clearly identifiable, revenue-producing unit, such as a store, business unit, or product line. Michael Scott served as a general manager of the Scranton branch of paper merchant Dunder-Mifflin in the first several seasons of the popular TV series *The Office*.

Source: Shutterstock.com, https://en.wikipedia.org/wiki/Michael_Dell#/media/File:Michael_Dell_2010.jpg, https://commons.wikimedia.org/wiki/File:Jacob_Lew_official_portrait.jpg, Featureflash Photo Agency/Shutterstock.com.

FIGURE 1.2 The Changing Roles of Management and Managers



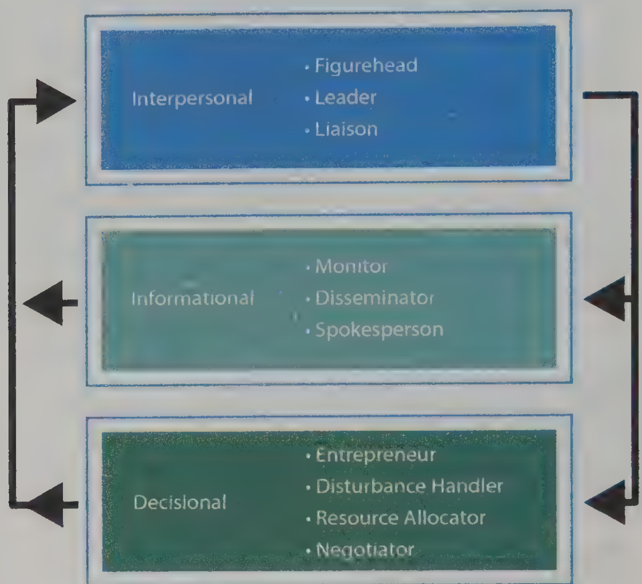
The Nature of Managerial Work

Managers are responsible for the processes of getting activities completed effectively and efficiently with other people while setting and achieving the firm's goals through the execution of four basic management functions: planning, organizing, leading, and controlling. Both sets of processes utilize human, financial, and material resources.

Why are some managers more effective than others? There have been a number of studies on what managers actually do, with one of the most famous conducted by Professor Henry Mintzberg in the early 1970s.[12] After following managers around and observing their behaviors for several weeks, Mintzberg concluded that to meet the many demands of performing their functions, managers assume multiple roles (a role is an organized set of behaviors). Mintzberg identified ten roles common to the work of all managers. As summarized in Figure 1.3, the 10 roles are divided into three groups: interpersonal, informational, and decisional. The informational roles link all managerial work together, while the interpersonal roles ensure that information is provided. The decisional roles make significant use of the information. The performance of managerial roles and the requirements of these roles can be played at different times by the same manager and to different degrees, depending on the level and function of management. The ten roles are described below.

The three interpersonal roles are primarily concerned with interpersonal relationships. In the figurehead role, the manager represents the organization in all matters of formality. The top-level manager represents the company legally and socially to those outside of the organization. The supervisor represents the work group to higher management and higher management to the work group. In the liaison role, the manager interacts with peers and people outside the organization. The top-level manager uses the liaison role to gain favors and information, while the supervisor uses it to maintain the routine flow of work. The leader role defines the relationships between the manager and employees.

FIGURE 1.3 Ten Managerial Roles



The unique relationships between individuals in their interpersonal roles place the manager in a position to handle information in different ways. Thus, the three informational roles are primarily concerned with the information aspects of managerial work. In the monitor role, the manager receives and collects information. In the role of disseminator, the manager transmits special information into the organization. The top-level manager receives and transmits more information from people outside the organization than the supervisor. In the role of spokesperson, the manager disseminates the organization's information into its environment. Thus, the top-level manager is seen as an industry expert, while the supervisor is seen as a unit or departmental expert.

The unique access to information places the manager at the center of organizational decision making. There are four decisional roles managers play. In the entrepreneur role, the manager initiates change. An example of such change is found at Hello Sunshine, the production company founded by Reese Witherspoon to place the voices of women at the forefront of the film industry.[13] In the disturbance handler role, the manager deals with threats to the organization. Such skills were critical for Volkswagen in the wake of the resignation of their CEO, Martin Winterkorn, following the revelation that the auto manufacturer had manipulated emissions tests with several of the diesel vehicles in 2015.[14] In the resource allocator role, the manager chooses where the organization will expend its efforts. Such skills are critical for managers such as Lawrence Culp, CEO of General Electric, due to their involvement in a number of diverse industries ranging from aviation to healthcare and home appliances. In the negotiator role, the manager negotiates on behalf of the organization. Such skills are as valuable to small business owners, corporate CEOs, and politicians charged with negotiating peace between disputing nations. The top-level manager makes the decisions about the organization as a whole, while the supervisor makes decisions about his or her particular work unit.

A master of interpersonal roles, Chris Paul has served as the NBA Player's Association President since 2013.

Source: Featureflash Photo Agency/ Shutterstock.com

The supervisor performs these managerial roles but with different emphasis than higher managers. Supervisory management is more focused and short-term in outlook. Thus, the figurehead role becomes less significant and the disturbance handler and negotiator roles increase in importance for the supervisor. Since leadership permeates all activities, the leader role is among the most important of all roles at all levels of management.

Key Takeaway

Managers are responsible for accomplishing work through others by using the key managerial functions of planning, organizing, leading, and controlling. The nature of management has evolved from the traditional hierarchical relationship between managers and employees to a climate better characterized as an upside-down pyramid, where top executives support middle managers and middle managers, in turn, support the employees, who innovate and fulfill the needs of customers and clients. Through all four managerial functions, the work of managers ranges across 10 roles, from figurehead to negotiator. While actual managerial work can seem challenging, the skills you gain through principles of management—consisting of the functions of planning, organizing, leading, and controlling—will help you to meet these challenges.

Discussion Questions

1. Why do organizations need managers? Can you imagine an organization without managers? What are some different types of managers and how do they differ? What types of managers do you prefer to work for personally?
2. Reflect on Mintzberg's ten managerial roles. What are they? Which have you personally held? Which seem easier and which seem harder for individuals to do effectively?
3. Imagine you are designing a new restaurant or retail store. Which managerial roles do you think you'll need in this new management position? What friends would you want to hire or avoid hiring and why? Are any jobs less important, or are they all important at different times?
4. What four managerial functions are the focus of principles of management? Think of an effective organization you know about in some depth as either an employee or a customer. Do you think they do a good job in all four of these managerial functions? Why or why not?

1.2 Psychology, Leadership, Entrepreneurship, and Strategy

Learning Objectives

1. Know the roles and importance of psychology, leadership, entrepreneurship, and strategic management (strategy) in principles of management.
2. Understand how psychology, leadership, entrepreneurship, and strategy are interrelated.

Management principles are drawn from a number of academic fields such as psychology, leadership, entrepreneurship, and strategy. We outline key issues culled from each field below.

Psychology

psychology

Psychology refers to the study of how individuals act and behave as individuals and in groups in different situations.

Psychology refers to the study of how individuals act and behave as individuals and in groups in different situations. The field of management draws considerably from applied psychology to learn how individuals interact with each other in various workplace settings.

For example, in the United States, restaurant employees and bartenders often receive the majority of their compensation from tips. This encourages faster customer service, friendlier engagement with customers, and the desire to provide repeat customers with preferred treatment. This norm is not always the case in many European countries where employees are paid through a fixed hourly rate. The different compensation systems has implications for how employees interact with customers, and we can accurately predict differences based on research in applied psychology. In addition, we can draw from applied psychology to assess how restaurants use visuals to encourage purchase of menu items, purposely choose to omit pricing of dishes to encourage patrons to order more expensive items, and suggest legitimacy by noting "signature" dishes and cocktails.[15] Such dynamics can be explained with principles of behavior reinforcement and other elements of applied psychology such as research on persuasion and decision biases that have been studied for decades. Such knowledge can be powerful for landing a job as well.[16] Consequently, a considerable portion of management essentially covers the applied psychology found in workplace settings.

For example, recent research suggests that biases in funding female entrepreneurs (who only receive 2% of venture financing despite owning 35% of all businesses) may stem from the different interactions commonly encountered by men versus women in the venture funding process. While men tend to be asked questions associated with "winning" funding, women are often pitched questions that focus more on the possibility of failure and stress the avoidance of "losing."[17] Concepts such as decision biases and individual differences also make up an important portion of the material you will learn studying management.

Leadership

Leadership is defined as the social and informal sources of influence individuals use to inspire the actions of others. Leadership involves actions taken to mobilize others to work toward a common goal. Leadership also includes an understanding of when, where, and how to use more formal sources of authority and power, such as position or ownership. Increasingly, we live in a world where good *management* requires good *leaders* and *leadership*. More than ever before, competition among employers and countries for the best and brightest—coupled with increased labor mobility and the nature of global competition—puts pressure on firms to invest in present and future leadership capabilities.

leadership

The act of influencing others toward a goal.

General Electric (GE) exemplifies a corporation with an excellent reputation for developing leaders. In contrast to many companies, GE has generally filled the CEO position with individuals who have been developed through their experience with the company. Their addition of Larry Culp as CEO in 2018 marked the first time GE had ever filled the top position in the company with an outside candidate.[18] Whereas GE has been around for more than 125 years, another winning firm in terms of leadership—Google—has only been around since 1998. Both firms emphasize leadership in terms of being exceptional at developing people. Google's founders, Sergey Brin and Larry Page, built a company around the idea that work should be challenging and the challenge should be fun.[19] Google's culture is relatively unique in corporate America, and Google espouses the practice of putting employees first when it comes to daily life in all its offices. There is an emphasis on team achievements and pride in individual accomplishments that contribute to the company's overall success. Ideas are traded, tested, and put into practice quickly. Observers and employees note that meetings that would take hours elsewhere are frequently little more than a conversation in line for lunch and few walls separate those who write the code from those who write the checks. This highly communicative environment fosters productivity and camaraderie fueled by the realization that millions of people rely on Google results. Leadership at Google amounts to a deep belief that if you give the proper tools to a group of people who like to make a difference, they will.[20]

Entrepreneurship

Reese Witherspoon epitomizes the entrepreneurial spirit and was named one of *Fast Company* magazine's most creative people in 2018 based on her creation of production company Hello Sunshine that places women's voices at the forefront of films.

Source: Featureflash Photo Agency/Shutterstock.com

Entrepreneurship is defined as the recognition of opportunities (needs, wants, problems, and challenges) and the use or creation of resources to implement innovative ideas for new, thoughtfully-planned ventures. An **entrepreneur** is a person who engages in the process of entrepreneurship. Entrepreneurship is best understood as a process because it often involves more than simply coming up with a good idea—someone also has to convert that idea into action. As an example of both, Google's leaders suggest that its point of distinction "is anticipating needs not yet articulated by our global audience, then meeting them with products and services that set new standards. This constant dissatisfaction with the way things are is ultimately the driving force behind the world's best search engine."[21]

Entrepreneurs and their entrepreneurial activities are the catalysts for much value creation. They identify and create new markets, as well as foster change in existing ones. However, such value creation first requires an opportunity. Indeed, the opportunity-driven nature of entrepreneurship is critical. Opportunities are typically characterized as problems in search of solutions, and the best opportunities are big problems in search of big solutions. In other words, bigger problems will often mean there will be a bigger market for the product or service that the entrepreneur creates. The problem-solving, opportunity-seeking nature of entrepreneurship is a fundamental building block for effective principles of management.

Strategy

entrepreneurship

The recognition of opportunities (needs, wants, problems, and challenges) and the use or creation of resources to implement innovative ideas for new, thoughtfully planned ventures.

entrepreneur

A person who engages in the process of entrepreneurship.

strategy

The central, integrated, externally-oriented concept of how an organization will achieve its objectives.

strategic management

Examines how actions and events involving top executives, firms, and industries influence a firm's success or failure.

Strategy refers to the creation of an organization's long-term purpose, articulated in clear goals and objectives that can be incorporated into a coherent plan of action. An organization has a *good* or even *great* strategy when this plan takes advantage of unique resources and capabilities that results in a firm that can perform well for years or even decades. **Strategy** refers to the central, integrated, externally-oriented concept of how an organization will achieve its objectives.[22] **Strategic management** is the body of knowledge that answers questions surrounding how firms differ, and how those differences impact firm performance over time.

Strategic management is important to all organizations because when correctly formulated and communicated, strategy provides leaders and employees with a clear set of guidelines for their daily actions. An effective strategy helps managers and individuals answer difficult choices such as: What do I do today? What should my organization be doing? What should it stop doing? One example of a culture-changing successful strategic decision is found in the case of Netflix. Threatened by the cable and streaming success of HBO and physical distribution and cost of Redbox, Netflix decided to engage in a major strategic change to create their own original content. Their gamble paid off with hits such as *House of Cards, Daredevil, Orange is the New Black, Stranger Things*, and *Unbreakable Kimmy Schmidt*. Netflix also features a number of shows that explicitly incorporate strategic management challenges, such as the hit *Gentefied* that shows a family taqueria as they plot to navigate the waters of gentrification in Los Angeles.[23]

So far, their decision to engage in a strategy of developing creative content rather than continuing to simply rely on distribution of existing movie and television offerings represents a major strategic change in direction that has paid off for Netflix and their subscribers.[24]

Binge much? The idea of Netflix streaming content instead of mailing out DVDs seemed pretty strange just a few years ago but skeptics have chilled as the success of their strategic move to focus on new and streaming content such as *Gentefied* continued to inspire bold entrepreneurial actions.

Source: Shutterstock.com

Synchronizing Psychology, Leadership, Entrepreneurship, and Strategy

Psychology, leadership, entrepreneurship, and strategy are the inspiration for important, valuable, and useful principles of management that relate to each other in meaningful ways. In terms of principles of management, you can think of leadership, entrepreneurship, and strategic management as answering questions about "who," "what," and "how." Psychology helps us understand how individuals think, behave, and interact with others. Leadership helps us understand who helps lead the organization forward using the critical characteristics of good leadership. Entrepreneurial firms and entrepreneurs in general are fanatical about identifying opportunities and solving problems—for any organization, entrepreneurship answers big questions about "what" an organization's purpose might be. Strategic management aims to make sure "what" decisions are made with the goal of impacting the firm's overall performance long-term.

Key Takeaway

The principles of management are drawn from four specific areas—psychology, leadership, entrepreneurship, and strategic management. Psychology helps us understand individual behavior. Leadership helps us understand who leads the organization forward and what the critical characteristics of good leadership might be. Entrepreneurs are fanatical about identifying opportunities and solving problems—for any organization, entrepreneurship answers big questions about "what" an organization's purpose might be. Strategic management aims to make sure that the right choices are made—specifically, that a good strategy is in place—to exploit those big opportunities.

Discussion Questions

1. What psychology concepts you may have learned in other classes seem most likely to help understand behavior in the workplace?
2. How do you define leadership, and who would you identify as a great leader? How much does your personal experience help shape your responses to this question?
3. Have you ever had an idea for a new product or service? If so, did you pursue it? Why or why not?
4. Now that you have read this section, how is the idea of strategy similar to or different from the idea you held before this course?
5. Address the following alone or in a group. What roles do leadership, entrepreneurship, and strategy play in good principles of management? Can you be an effective organization by employing strong leadership, entrepreneurship, or strategy? Explain your answer.

1.3 Planning, Organizing, Leading, and Controlling

Learning Objectives

1. Know the dimensions of the planning-organizing-leading-controlling (P-O-L-C) framework.
2. Understand the importance of each P-O-L-C dimension.

Four major functions at the heart of management are planning, organizing, leading, and controlling (the P-O-L-C framework). The four functions are highly integrated when carried out in the day-to-day realities of running an organization. Although these functions may not all be part of the day-to-day actions of actual managers on any given day,[25] the P-O-L-C categorization of management functions continues to serve as an effective framework for classifying the activities managers engage in as they attempt to achieve organizational goals.[26]

Music Rap-Up: Planning, Organizing, Leading, Controlling

Twinprov perform their original rap song written to accompany this book on the topic of management functions of P-O-L-C.

View in the online reader

Planning

Planning is the function of management that involves setting objectives and determining a course of action for achieving those objectives. Planning requires that managers be aware of environmental conditions facing their organization and forecast future conditions. It also requires that managers be effective decision makers.

Planning is a process consisting of several steps. The process begins with **environmental scanning**, where planners must be aware of the critical contingencies and trends facing their organizations in terms of economic conditions, their competitors, and their customers. Planners must then attempt to forecast future conditions. These forecasts form the basis for planning.

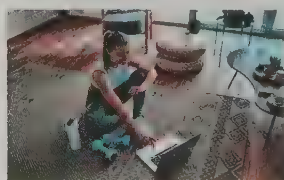
environmental scanning

The act of analyzing the critical external contingencies facing an organization in terms of economic conditions, competitors, and customers.

Planners must establish objectives, which are statements of tangible actions that need to be achieved, and a timeline for their completion. Planners must then identify alternative courses of action after evaluating the various alternatives, planners must make decisions about the best courses of action for achieving objectives. They then formulate necessary steps and ensure effective implementation of plans. Finally, planners must constantly evaluate the success of their plans and take corrective action when necessary.

There are many different types of plans and planning.

The emergence of Millennials as the largest segment of the United States workforce has led to an obsession to market to Millennials for organizations and a focus on work-life balance by many Millennial employees.



Source: Shutterstock.com

FIGURE 1.4 The P-O-L-C Framework

The P-O-L-C framework has been a popular structure since the first principles of management books were written less than a century ago. However, the four functions can be seen as critical management elements in antiquity. Here, we explain how elements of P-O-L-C were utilized to manage the Roman Empire for nearly a thousand years.

Planning involves setting objectives and determining a course of action for achieving those objectives. Hallmarks of planning in the Roman Empire included impressive architectural feats like bridges, roads, aqueducts, baths, and other structures that multitudes of people visit to this day. The city grid used in modern-day city planning was popularized in Roman colonies.

Organizing is the management function that involves developing an organizational structure and allocating human resources to ensure the completion of objectives, often through the design of individual jobs within the organization. Organization in the Roman Empire is best illustrated through their military. The Roman military was composed of legions of about five thousand soldiers; these were then organized into smaller units (e.g., cohorts of about six centuries or a hundred men).

Leading involves social and informal sources of influence used to inspire others to take action utilizing knowledge of personalities, values, attitudes, and emotions. Leadership in the Roman Republic was headed by two consuls elected annually and advised by a senate. This system of checks and balances is often emulated in both governments and corporations today.

Controlling involves ensuring that managerial actions do not deviate from standards by creating processes and procedures that ensure consistent behavior. The establishment of Roman Law allowed for the peaceful control of citizens, conquered lands, and property rights in a manner that kept peace more efficiently than previous global powers.

Source: http://en.wikipedia.org/wiki/File:Maccari-Cicero.jpg (Roman senate picture); all other images © Shutterstock.

strategic planning

The process of analyzing competitive opportunities and threats, as well as the strengths and weaknesses of the organization, and then determining how to position the organization to compete effectively in its environment.

Strategic planning involves analyzing competitive opportunities and threats, as well as the strengths and weaknesses of the organization, and then determining how to position the organization to compete effectively in its environment. Strategic planning has a long time frame, often three years or more. Strategic planning generally includes the entire organization and includes formulation of objectives. Strategic planning is often based on the organization's mission, which is its fundamental reason for existence. An organization's top management most often conducts strategic planning. For example, the LEGO company (LEGO is an abbreviation derived from two Danish words "leg" and "godt" and means "play well") made a decision in 1958 that impacts their company today. In that year, they committed to their current plastic brick size so that bricks in 1958 can be combined with generations of bricks from the last 60 years. This represented a significant change from early products such as wooden bricks and a wooden toy duck that was once a signature product.

Tactical planning refers to intermediate-range (one to three years) planning that is designed to develop relatively concrete and specific means to implement the strategic plan. Middle-level managers often engage in tactical planning.

tactical planning

Intermediate-range planning that is designed to develop relatively concrete and specific means to implement the strategic plan.

Operational planning generally assumes the existence of organization-wide or subunit goals and objectives and specifies ways to achieve them. Operational planning is short-range (less than a year) planning that is designed to develop specific action steps that support the strategic and tactical plans.

For the LEGO company, strategic planning can be found in their commitment to make their bricks and mini-figures interchangeable regardless of theme in a particular set. Tactical planning can be found in their commitment to create agreements to produce sets featuring characters from *Star Wars, Harry Potter*, and their own original LEGO movies. Operational planning is found in the decision to sell to specific distributors such as Target and specialty toy stores.

For LEGO, strategic planning is found in their commitment to the interchangeable nature of their bricks and mini-figures allowing customers to combine classic sets with updates such as their Friends line introduced in 2012.

Source: Ekaterina_Minaeva/Shutterstock.com

Organizing

Organizing is the function of management that involves developing an organizational structure and allocating human resources to ensure the accomplishment of objectives. The structure of the organization is the framework within which effort is coordinated. The structure is usually represented by an organization chart, which provides a graphic representation of the chain of command within an organization. Decisions made about the structure of an organization are generally referred to as organizational design decisions.

operational planning

Assumes the existence of goals and objectives and specifies ways to achieve them.

Organizing also involves the design of individual jobs within the organization. Decisions must be made about the duties and responsibilities of individual jobs, as well as the manner in which the duties should be carried out. Decisions made about the nature of jobs within the organization are generally called "job design" decisions.

Organizing at the organizational level involves deciding how best to departmentalize, or cluster, jobs into departments to effectively coordinate efforts. There are many different ways to departmentalize, including organizing by function, product, geography, or customer. Many larger organizations use multiple methods of departmentalization.

Organizing at the level of a particular job involves how best to design individual jobs to most effectively use human resources. Traditionally, **job design** was based on principles of division of labor and specialization, which assumed that the more narrow the job content, the more proficient the individual performing the job could become. However, experience has shown that it is possible for jobs to become too narrow and specialized. For example, a recent list of most repetitive jobs found frozen pea tester (the individual who checks the temperature of frozen peas on a production line) to be among the most repetitive jobs. Close behind was the task of threading strings for bookmarks.[27] Another list highlighted costume character entertainer and night security guard.[28] When job fatigue results from such processes, negative outcomes are often the result, including decreased job satisfaction and organizational commitment, increased absenteeism, turnover, and accidents. But the news is not all bad; a recent study found that boredom can lead to creativity and increased individual productivity.[29]

job design

The process of putting together various elements to form a job, bearing in mind organizational and individual worker requirements.

These aren't the jobs you're looking for! Although it may be a blast at Halloween, a recent study found costume character entertainer to top the most boring jobs in the world list.

Source: Mauro Rodrigues/ Shutterstock.com

Leading

Leading involves the social and informal sources of influence that individuals use to inspire action taken by others. If managers are effective leaders, their subordinates will be enthusiastic about exerting effort to attain organizational objectives.

Behavioral sciences, such as psychology and sociology, have made many contributions to understanding this function of management. Personality research and studies of job attitudes provide important information as to how managers can most effectively lead subordinates. For example, this research tells us that to become effective at leading, managers must first understand their subordinates' personalities, values, attitudes, and emotions.

Studies of motivation and motivation theory provide important information about the ways in which workers can be energized to put forth productive efforts. Studies of communication provide direction as to how managers can effectively and persuasively communicate. Studies of leadership and leadership style provide information regarding questions, such as, "What makes a manager a good leader?" and "In what situations are certain leadership styles most appropriate and effective?"

Controlling

The old adage "measure twice and cut once" refers to the importance of quality control. Quality control ensures that the organization delivers on its promises.

Source: Shutterstock.com

Controlling involves ensuring that performance does not deviate from standards. Controlling consists of three steps, which include (1) establishing performance standards, (2) comparing actual performance against standards, and (3) taking corrective action when necessary. Performance standards are often stated in monetary terms such as revenue, costs, or profits, but may also be stated in other terms, such as units produced, number of defective products, or levels of quality or customer service.

The measurement of performance can be achieved in several ways, depending on the performance standards, including financial statements, sales reports, production results, customer satisfaction, and formal performance appraisals. Managers at all levels engage in the managerial function of controlling to some degree.

The managerial function of controlling should not be confused with control in the behavioral or manipulative sense. This function does not imply that managers should attempt to control or to manipulate the personalities, values, attitudes, or emotions of their subordinates. Instead, this function of management concerns the manager's role in taking necessary actions to ensure that the work-related activities of subordinates are consistent with and contributing toward the accomplishment of organizational and departmental objectives.

Effective controlling requires the existence of plans, since planning provides the necessary performance standards or objectives. Controlling also requires a clear understanding of where responsibility for deviations from standards lies. Two traditional control techniques are budget and performance audits. An audit involves an examination and verification of records and supporting documents. A budget audit provides information about where the organization is with respect to what was planned or budgeted for, whereas a performance audit might try to determine whether the figures reported are a reflection of actual performance. Although controlling is often thought of in terms of financial criteria, managers must also control production and operations processes, procedures for delivery of services, compliance with company policies, and many other activities within the organization.

The management functions of planning, organizing, leading, and controlling are widely considered to be the best means of describing the manager's job, as well as the best way to classify accumulated knowledge about the study of management. Although there have been tremendous changes in the environment faced by managers and the tools used by managers to perform their roles, managers still perform these essential functions.

Key Takeaway

The principles of management include four critical functions: planning, organizing, leading, and controlling. This P-O-L-C framework provides useful guidance for common managerial roles.

Discussion Questions

1. What are the management functions that comprise the P-O-L-C framework?
2. Imagine that you are redesigning an organization to maximize its cost effectiveness. Which of the four P-O-L-C aspects would you most focus on and why?
3. Imagine you are hoping to create a highly creative organization to invent new products and processes. In this scenario, how would you emphasize each of the P-O-L-C aspects to best ensure you were creating an environment where ideas could thrive?

1.4 Economic, Social, and Environmental Performance

Learning Objectives

1. Define economic, social, and environmental performance.
2. Understand how economic performance is related to social and environmental performance.

A stakeholder approach to management focuses on the desire to satisfy multiple, often competing, constituents who have a claim on an organization's actions and outcomes. Economic performance is a very important outcome to a firm's **stakeholders**, such as investors or owners, because this performance eventually provides them with a return on their investment. Other stakeholders, like the firm's employees and society at large, are also deemed to benefit from such performance. Increasingly, noneconomic accomplishments, such as reducing waste and pollution, are also viewed as critical performance targets that managers must meet to satisfy stakeholders. The notion of the triple bottom line refers to the measurement of business performance along social, environmental, *and* economic dimensions. We discuss economic, social, and environmental performance in the following section and conclude it with a brief discussion of the interdependence of economic performance with other forms of performance.

stakeholders

Individuals and organizations who are actively involved in the organization or whose interests may be positively or negatively affected as a result of what the organization does.

The triple bottom line emphasizes the three Ps: people (social concerns), planet (environmental concerns), and profits (economic concerns). Companies like Patagonia show their commitment to such practices by working to become certified Benefit Corporations also known as B Corps.

Source: LMWH/Shutterstock.com

The iconic Snoop Dogg's assertion that he keeps his "mind on his money and his money on his mind" epitomizes a focus on economic performance.

Source: Jaguar PS/Shutterstock.com

Economic Performance

Traditionally, economic performance of a firm is a function of its success in producing benefits for its owners, accomplished through the efficient use of resources to produce some form of profit. Simply put, an organization makes a profit when its revenues (money it receives from sales) are more than its costs in a given period of time, such as three months, six months, or a year. Profits accrue to firms because customers are willing to pay a certain price for a product or service, as opposed to a competitor's product or service of a higher or lower price. If customers are only willing to make purchases based on price, then a firm, at least in the face of competition, will only be able to generate profit if it keeps its costs under control.

Social and Environmental Performance

Corporate social responsibility (CSR) is a concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities, and the environment in all aspects of their operations. This obligation is seen to extend beyond the statutory obligation to comply with legislation and sees organizations voluntarily taking further steps to improve the quality of life for employees and their families, as well as for the local community and society at large. Such actions result in the corporate social performance of an organization.

Integrating Economic, Social, and Environmental Performance

Interest in integrating economic, social, and environmental performance has never been higher as evidenced by the World Economic Forum's 2020 theme, "Stakeholders for a Cohesive and Sustainable World."[30] Still, managing a firm's actions to achieve a triple bottom line in a way that actually builds up all three facets of performance—economic, social, and environmental—is challenging. Advocates of CSR argue that achieving success in each type of performance is possible, and consideration of all stakeholders should be the way all firms are evaluated. Increasingly, evidence is mounting that attention to a triple bottom line is more than being "responsible"; instead, it's just good business. Critics argue that CSR detracts from the fundamental economic role of businesses; still, others argue that it is an attempt to preempt the role of government as a watchdog over powerful multinational corporations.

A review of nearly 170 research studies on the relationship between CSR and firm performance reported that there appeared to be no negative shareholder effects of such practices. In fact, these reports showed that there was a small positive relationship between CSR and shareholder returns.[31] Similarly, companies that pay good wages and offer good benefits to attract and retain high-caliber employees "are not just being socially responsible; they are merely practicing good management."[32]

Warby Parker exemplifies a venture based on social goals by donating a pair of glasses for every pair purchased.

Source: Shutterstock.com

The financial benefits of social or environmental CSR initiatives vary by context. For example, environment-friendly strategies are much more complicated in the consumer products and services market. Cosmetics retailer The Body Shop and StarKist Seafood Company (a strategic business unit of Heinz Food) both undertook environmental strategies, but only the former succeeded. The Body Shop goes to great lengths to ensure that its business is ecologically sustainable.[33] It actively campaigns against human rights abuses and for animal and environmental protection and is one of the most respected firms in the world, despite its small size. Consumers pay premium prices for products from The Body Shop, likely because they believe that it simply costs more to provide goods and services that are environmentally friendly. The Body Shop has been very successful with this strategy.

StarKist, too, adopted a CSR approach when it decided to purchase and exclusively sell dolphin-safe tuna. At the time, biologists thought that the dolphin population decline was a result of the thousands killed in the course of tuna harvests. However, consumers were unwilling to pay higher prices for StarKist's environmental product attributes. Moreover, since tuna were bought from commercial fishermen, this particular practice afforded the firm no protection against imitation by competitors. Finally, in terms of credibility, the members of the tuna industry had launched numerous unsuccessful campaigns in the past touting their interest in the environment, particularly the world's oceans. Thus consumers did not perceive StarKist's efforts as sincerely "green."

Whole Foods is a company that has recently received mixed media attention with regard to their CSR and other organizational practices. Noted for their use of natural and organic products, Whole Foods has been recently highlighted as one of the most socially responsible companies in the United States.[34] Despite their enviable reputation, sales slowed recently amidst allegations from the New York City Department of Consumer Affairs that Whole Foods overcharged customers by listing incorrect weights on some prepackaged food items.[35] Only time will tell how consumers ultimately value the efforts of Whole Foods despite conflicting media reports.

Key Takeaway

Organizational performance can be viewed along three dimensions—financial, social, and environmental—collectively referred to as the triple bottom line, where the latter two dimensions are included in the definition of CSR. While there remains debate about whether organizations should consider environmental and social impacts when making business decisions, there is increasing pressure to include such CSR activities in what constitutes good principles of management. This pressure is based on arguments that range from CSR helps attract and retain the best and brightest employees, to showing that the firm is being responsive to market demands, to observations about how some environmental and social needs represent great entrepreneurial business opportunities in and of themselves.

Discussion Questions

1. Why is financial performance important for organizations?
2. What are some examples of financial performance metrics?
3. What dimensions of performance beyond financial are included in the triple bottom line?
4. How does CSR relate to the triple bottom line?
5. Describe the pros and cons of the triple bottom line approach.

1.5 Performance of Individuals and Groups

Learning Objectives

1. Understand the key dimensions of individual-level performance.
2. Understand the key dimensions of group-level performance.
3. Know why individual- and group-level performance goals need to be compatible.

Managers are concerned with organization-level outcomes such as economic, social, or environmental performance, innovation, or the ability to change and adapt. Most organizations involve the management of more than one person. Consequently, understanding concepts of individual and group performance are important to effective management in most firms. We highlight key aspects of individual and group performance below.

Individual-Level Performance

in-role performance

The things that you have to do as part of your job and its job description.

organizational citizenship behaviors (OCBs)

Voluntary behaviors employees perform to help others and benefit the organization.

Individual-level performance relates to tasks individuals perform in their job (referred to as **in-role performance**), and those things that add value but are not part of a formal job description. These "extras" are called extra-role performance, or **organizational citizenship behaviors (OCBs)**. Generally, in-role performance relates to productivity and quality dimensions associated with certain standards that you must meet to do your job. In contrast, OCBs can be understood as individual behaviors that are beneficial to the organization and are discretionary, but not directly or explicitly recognized by the formal reward system.[36] Here, we outline a number of examples commonly cited as OCBs.

Altruism is a helping behavior that refers to voluntary actions that help others with work problems such as instructing new hires how to use equipment or helping coworkers catch up with work backlogs.[37] Not wasting time (the average American worker wastes 6 hours watching March Madness at work yearly) is an example of altruism as an OCB.

Interpersonal helping is a helping behavior that focuses on assisting coworkers in their jobs when such support is needed.

Courtesy is a helping behavior that includes gestures that facilitate the prevention of problems such as touching base with someone before committing to actions that will affect them or providing advance notice to someone in regards to scheduling.

Peacemaking is a helping behavior that refers to actions that help prevent, resolve, or mitigate unconstructive interpersonal conflict.

Cheerleading is a helping behavior that refers to the use of encouraging and reinforcing words and gestures with coworkers.

Sportsmanship is a citizen-like posture of tolerating the inevitable inconveniences and impositions of work without complaining or grievance.

Organizational loyalty refers to identification with and allegiance to the organization as a whole, transcending the parochial interests of individuals, work groups, and departments.

Representative behaviors include defending the organization against threats, contributing to its good reputation, and cooperating with others to serve the interests of the whole.

Organizational compliance (or *obedience*) refers to an orientation toward organizational structure, job descriptions, and personnel policies that recognizes and accepts the necessity and desirability of a rational structure of rules and regulations. Obedience may be demonstrated by a respect for rules and instructions, punctuality in attendance and task completion, and stewardship of organizational resources.

Individual initiative (or *conscientiousness*) involves a pattern of going beyond minimally required levels of attendance, punctuality, housekeeping, conserving resources, and related matters of internal maintenance.

Civic virtue involves responsible, constructive involvement in the political process of the organization, including not just expressing opinions, but reading one's mail, attending meetings, and keeping abreast of larger issues involving the organization.

Self-development includes all the steps that workers take to voluntarily improve their knowledge, skills, and abilities so they are better able to contribute to their organizations. Examples include seeking out and taking advantage of advanced training courses, keeping abreast of the latest developments in one's field, or even learning a new set of skills to expand the range of one's contributions to an organization.

OCB advocates suggest we should make everyday Common Courtesy Day in our hearts.

Source: Shutterstock.com

The need to train individuals to work in groups has resulted in the near universal adoption of group projects in most business schools.

Source: Shutterstock.com

Group-Level Performance

A **group** is a collection of individuals. Group-level performance focuses on both the outcomes and process of collections of individuals, or groups. In some cases, individuals might be expected to work on their own agendas in the context of a group. Groups might also consist of project-related groups, such as a product group or an entire store or branch of a company. The performance of a group consists of the inputs of the group minus any process loss that results in the final output. Examples of group performance outcomes include the quality of a product and the ramp-up time to production or the sales for a given month.

group

A collection of individuals who interact with each other such that one person's actions have an impact on other members.

Steve Carell stars as Mark Baum in the movie *The Big Short* outlining the factors that led to the bursting of the United States housing bubble and subsequent financial crisis of 2007–2008. The movie focused on how a team of opportunistic investors was able to work together to predict and profit from the market collapse.

Source: JStone/Shutterstock.com

team

A cohesive coalition of people working together to achieve mutual goals.

What is the difference between a *group* and a *team*? A collection of people is not a team, though they may learn to function in that way. A **team** is a cohesive coalition of people working together to achieve the team agenda (i.e., teamwork). Being on a team is not equal to total subordination of personal agendas, but it does require a commitment to the vision and involves each individual directly accomplishing the team's objective. Teams differ from other types of groups in that members are focused on a joint goal or product, such as a presentation, completing in-class exercises, discussing a topic, writing a report, or creating a new design or prototype. Moreover, teams also tend to be defined by their relatively smaller size. For example, according to one definition, "A team is a *small* number of people with complementary skills who are committed to a common purpose, performance goals, and approach for which they are mutually accountable."[38]

The purpose of assembling a team is to accomplish bigger goals that would not be possible for the individual working alone or the simple sum of many individuals' independent work. Teamwork is also needed in cases where multiple skills are needed or where buy-in is required from certain key stakeholders. Teams can, but do not always, provide improved performance. Working together to further the team agenda seems to increase mutual cooperation between what are often competing factions. The aim and purpose of a team is to perform, to get results, and to achieve victory in the workplace and marketplace. The very best managers are those who can gather together a group of individuals and mold them into an effective team.

Compatibility of Individual and Group Performance

Managers need to understand the compatibility of individual and group performance, typically with respect to goals and incentives. What does this mean? Looking at goals first, there should be compatibility between individual and group goals. For example, do the individuals' goals contribute to the achievement of the group goal or are they contradictory? Incentives also need to be aligned between individuals and groups. A disconnect between these is most likely when individuals are rewarded for action that is not consistent with the goal. For example, the contracts of many professional athletes have been criticized for rewarding individual statistics (such as individual scoring) instead of group goals such as team wins. Finally, firms need to be careful to match their goals with their reward structures. For example, if the organization's goal is to increase group performance but the firm's performance appraisal process rewards individual employee productivity, then the firm is unlikely to create a strong team culture.

Key Takeaway

Individual and group performance are important components of organizational performance. Principles of management incorporate two key facets of individual performance: in-role performance and OCB (or extra-role performance). Group performance is a function of how well individuals achieve a combination of individual and group goals. A team is a type of group that is relatively small with members who are willing and able to subordinate individual goals and objectives to those of the larger group.

Discussion Questions

1. What is in-role performance? In your opinion, what can managers do to increase in-role performance of employees?

2. If extra-role performance is not directly recognized by reward systems, what motivates employees to display these behaviors?
3. Can you think of any situations in which in-role and extra-role performance may not be beneficial for the work group or the organization? Provide examples.
4. What differentiates a team from a group? Is this distinction an important one?
5. Consider the definitions of different types of citizenship behaviors. Who are the targets or beneficiaries of these behaviors? Do you feel that behaviors with different beneficiaries may have different causes? Why or why not?

1.6 Managing Preferred Learning Styles

Learning Objectives

1. Know your preferred learning style.
2. Know how to match your preferred style to the circumstances.
3. Use the gauge-discover-reflect framework.
4. Learn about journaling as a tool.

Principles of management courses typically combine knowledge about skills and the development and application of those skills. For these reasons, it is helpful to develop a strategy for learning about and developing management skills. The first part of this strategy should be based on your own dispositions, or preferences, toward learning. The second part of this section will offer some specific frameworks and tools to help you be more effective.

Assess Your Preferred Learning Style

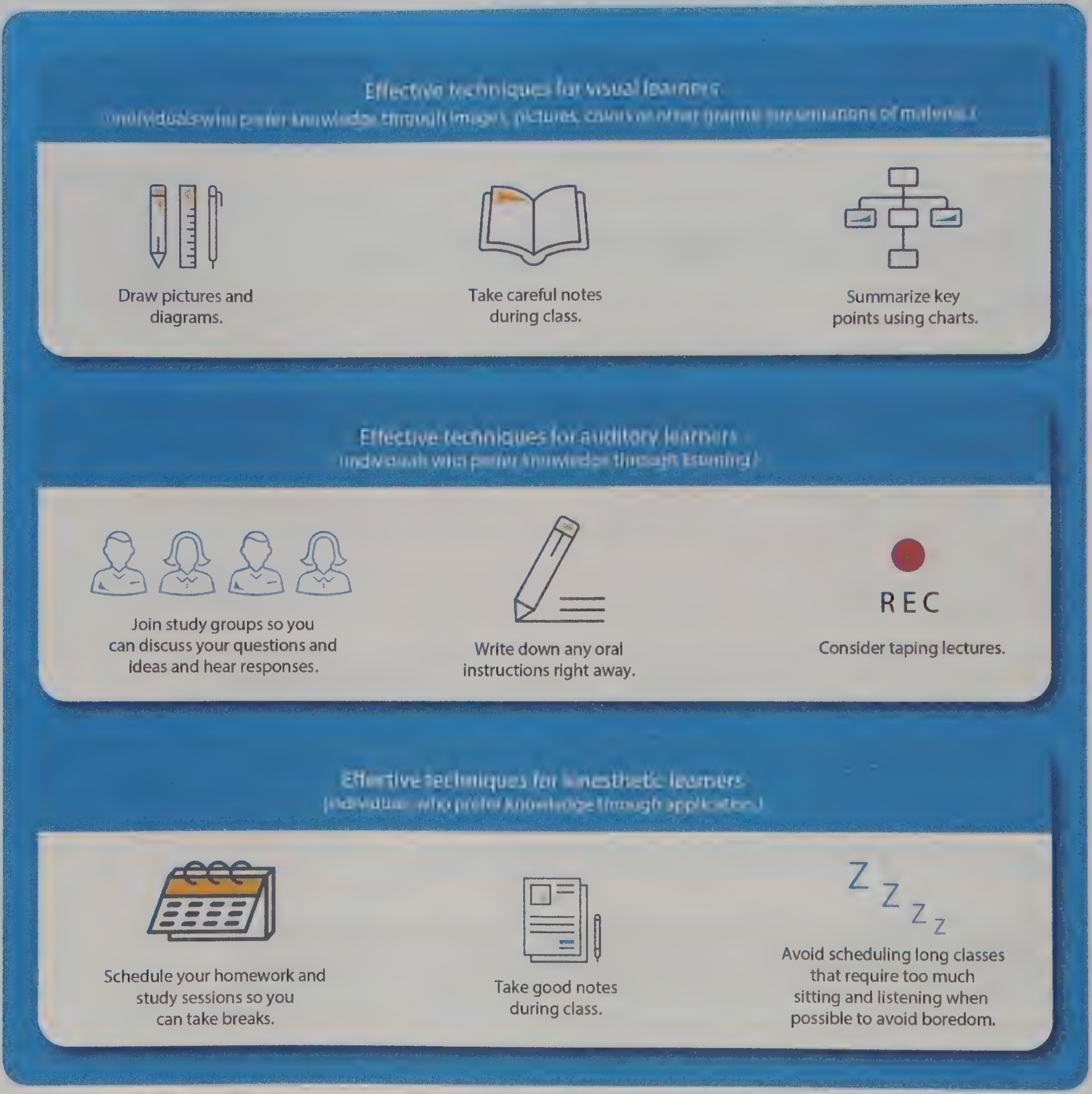
In order to best maximize your learning in this course as well as other learning situations, it is important to understand different learning styles. Some people prefer to learn by seeing information. For example, if you notice that you retain more information by reading and seeing diagrams and flow charts, you may be inclined to learning as a *visual learner*. If you primarily like to learn by listening to others, such as in lectures, conversations, and videos, you may be inclined toward being an *auditory learner*. Finally, if you have a preference for actually doing things and learning from trial and error, you may be inclined toward being a *kinesthetic learner*. If you are unaware of or curious about your primary learning style, take a moment to diagnose your style at the following website. And, keep in mind that you are able to learn in a variety of ways regardless of your preferred style and that multiple approaches can reinforce learning.

What Is Your Preferred Learning Style?

Take the following online preferred learning style quiz to find out what type of learning preference you may have: https://vark-learn.com/the-vark-questionnaire/.

FIGURE 1.5 Tips for Learning to Learn

The learning style of individuals has numerous implications for how to best manage the learning experience. We provide learning recommendations for each style here. For various reasons, using flash cards seems to help with all three learning styles. For a person who prefers to learn via auditory means, saying the answers aloud when using flash cards helps to solidify concepts. For a visual learner, seeing the answers written down on the flash card can be helpful. And for the kinesthetic learner, the act of creating and organizing cards helps the concepts stick.



Gauge-Discover-Reflect

Individuals can maximize the value of learning about learning styles by embracing the gauge-discover-reflect process. You have already begun to apply this process by gauging your learning style. The three essential components are (1) *gauge*—take stock of your knowledge and capabilities about a topic; (2) *discover*—learn enough about a topic so that you can set specific development goals that you can apply and practice, and later gauge again your progress toward your set goals; and (3)