

Management and Organizations

Class 2: Managers

LEARNING OUTCOMES

- 1 Why are managers important to organizations.
- 2 Who are managers and where they work.
- 3 What are the functions, roles, and skills of managers.
- 4 What factors have reshaped and redefined the manager's job.

Why hard-nosed executives should care about management theory.

What is Theory?

Theories are statements **predicting** which actions will lead to what results, and why.

Researchers develop theories by refining hypotheses to increase their predictabilities, and give more understanding on how a phenomenon should work in a variety of circumstances.

Theories develop in three stages:

Observe and describe a phenomenon

Like in the Hawthorne studies, researchers firstly need to observe the interactions inside the experiment room, and describe the detailed activities. At 11:00, subject one praised the subject two's new dress, subject two smiles to subject one, and asked subject one about the recent movie. The entire study documents fill 14 boxes. The purpose is to understand the many aspect of a phenomenon or concept and provide clues or further information for later studies.

Classify aspects of the phenomenon into categories

By grouping the many details of a phenomenon into categories we can simplify the problem, and it also allows us to compare things and find their underlying differences and commonalities. Hawthorne scholars need to find a way to label or categories the many interactions into different groups, such as their different types of motivations, leadership style, social norms, and so forth.

Formulate a hypothesis of what causes the phenomenon, and why.

Investigate the causal linkages, such as how group outcomes such as quantity of electronic relays they have produced is affected by their intensity of interaction,

by the sympathy the supervisor showed to their subordinates and by the cliques inside the formal group.

What theories do

Parsimonious way to understand the world

Identify causation

Correlation is not causation. For example, some find that business leaders usually have large networks, meaning that they know a lot of people, but this does not mean that having a large network will definitely make someone a business leader. The security guards know everyone in our building, but they are not business leaders. A good theory will explain the causal linkage, such as large network can contribute to success, only when the people you are connected are really resourceful and are willing to provide you the access to their resources.

Move toward predictability

This is a highly risky business; only very mature theory can predict the consequences caused by a phenomenon. Social sciences can hardly predict the consequences in a very accurate way. If you heat the water for one minutes, the temperature will increase 20 degrees. But social science can only make vague predictions, such as giving other variable controlled, we can predict that when the respondents receive more education, then his income should be higher.

Theories are contingent. The same theory can helps one company will kill another under different conditions. For example, for a manufacturing company, the outsourcing strategy may improve the company's profit. But for a service company such as IBM, outsourcing the service to another country will cause the decline of customer satisfaction rate. And then negatively affect the performance.

Therefore, consumers of theories need to identify the conditions attached to the theory. And try to take their unique characteristics into consideration when applying a certain theory.

Class Outline

Samsung motor

? How many Korean branded vehicles can you name

Hyundai, Kia, Daewoo.

Did you know the Korean **Chaebol** (cheibow) Samsung was also attempted to be one of the major automakers.

a. Who is Samsung.

Samsung was founded in 1938 as a noodle making company with only 30 dollars in capital. The company then started to do trading business and later entered manufacturing and sales industry.

Like other Chaebols in Korea (Korean business conglomerate) the Samsung group expanded dramatically during the 1950s and 1960s. Just like other Chaebols, they will expand to a new sector where they see business opportunities. In the following years, the company continued to enter new markets and become a corporate leader in Korea, and eventually becoming a world leading semiconductor and electronics manufacturer.

- b. In 1987, **Kun-Hee Lee** succeeded his father as chairman of the Samsung group. The new chairman declared the “second founding” of the group and announced his intention to expand Samsung into a leading world-class corporation of the 21st century. Under his leadership, Samsung become the second largest corporation in Korea. It has 47 companies in five industries (electronics, machinery, chemicals, financial services, and service industries like hotel, department stores), with a revenue of 93 billion dollars.
- c. **The car initiative.** In 1995, Lee announced that Samsung group is going to enter the motor vehicle business.

At that time the industry was in an **oligopoly** situation in which three major carmakers, Hyundai, Daewoo, and Kia controls the market.

Although Samsung was very successful in different sectors, such as semi-conductor industries, many have questioned Lee’s decision to enter the automobile business.

It is widely known that Lee himself is a big car enthusiast. Lee is rich, his net worth is 7.4 billion dollars. He has a remarkable collection of luxury cars. He has a life-long dream to build cars. Many business leaders, the press, and even Samsung’s own managers speculated that the groups’ decision to enter the motor vehicle industry was perhaps more a result of Lee’s **personal passion** than a wise and rational business decision.

One Samsung manager said “Kun-Hee Lee has been known by his love with cars. Many believed that there were more and better investment opportunities, and that the motor business

was not a good choice at all. Of course, there were a lot of objections.

Despite all these speculations and objections, the company moved forward and unveiled its first car in 1998.

d. **The complex environment and uncertainties.**

Chairman Lee may have dominated Samsung Empire, but the gods of business were not so accommodating, or easy to please. When Samsung initiated its car businesses the business environment or landscape it faces is actually very challenging.

- a. First, the decision was made when the Asian financial crisis was unfolding. By 1997 the economic crisis had hit the entire region. As a result, Korean currency depreciated rapidly, which sharply increased the price of the raw materials. To stabilize its currency, the Korean government asked its citizens to sell their gold to the country, in fact, the Korean people respond enthusiastically, many even give their gold rings and gold necklace to the state bank.
- b. Second, the consumer's purchasing power is significantly reduced. Therefore, the domestic demand for passenger cars declined. The projected annual sales growth rates fell from 13 percent to 4 percent.
- c. Third, there is a great surplus of production capacities of vehicles. The entire Korean auto industry can build 2.4 million cars, but they can only sell 1.6 million. The market becomes saturated, and forced almost half of the existing factories to reduce production.
- d. Korean government used to be very supportive to the development and expansion of the Chaebols. In order to finance the new venture, Samsung had to borrow huge amount of money from the banks, and the banks need to ask for the government's permission to issue such huge loans. However, the government had just initiated an industry policy restricting chaebol's expansion into new businesses to prevent excess competition. Therefore, the company's decision has directly contradicted the government's industry policy and caused intense frictions with government officials.

- e. To overcome the political barrier, Samsung decided to lobby the congress to allow it enter the new industry. One of the ways is to play the “Pusan Card” during the negotiation. Pusan is the political base of the president Kim Young-Sam. Samsung agrees to locate the new factory in Pusan which is not a good factory location due to the high real estate cost. This has significantly increased the costs of the new venture.
- e. All these factors have dramatically increased the car cost. Samsung invest 21,000 dollars for each car it produced, compared to Hydai two thousand, and Daewoo 3 thousand. In addition, because Samsung does not have the core technology, it agrees to pay Nissan 1.9% of the sales revenue for using Nissan technology.
- f. Although the car eventually build was good, but the high cost make the business nonworkable. In 1999 Samsung motor went bankruptcy, and later was sold to Renalt, a Fench automaker for 560 million dollars, which is only about 10% of Samsung’s total investment in the new venture.
- g. Personal ambition overwhelmed rationality.

What have you learned from this?

1 WHY ARE MANAGERS IMPORTANT?

First, managers are important because organizations need their managerial skills and abilities. This is especially true in today’s uncertain and rapid changing business environment.

For example, managers need to identify the strategic plans and goals for the company (become a leading world class corporation in the early 2000).

They need to formulate strategies to achieve such goals, (expand to new industries)

Second, managers are important to organizations is that they’re critical to getting things done.

For example, the company need a large sum of money to start the new business, and then the manager have to find ways and negotiate with banks, play political games to get the money.

Third, managers are important because managers’ relationship with the employees will determine their productivity and loyalty. Managers’ relationship with stakeholders or regulatory agencies affects business success.

2 WHO ARE MANAGERS AND WHERE DO THEY WORK?

Managers may not always be what we expect.

Age: Today's managers range from 18 to 80,
Industry: they're found in a variety of different types of organizations, and they perform a variety of jobs from the top to the bottom of the organization. Statistics also show an increasing number of **women in management**, however, while their number is increasing it is mostly in the area of lower and middle management, **not top management**.

USE US CENSUS OCCUPATION CODE TO SHOW DIFFERENT TYPE OF MANAGERS

Who Is a Manager?

- A. How do we define a manager? **A manager is someone who coordinates and oversees the work of other people so that organizational goals can be accomplished.** However, keep in mind that managers may **have additional work duties** not related to coordinating the work of others.

The changing organizations and work often requires employees in formerly non-managerial jobs to perform managerial activities. Students who are preparing for careers on any organizational level can benefit from acquiring management skills. Today's employees need to be cross-trained and multi-skilled.

The **Universality of Management**.

Without a doubt, management is needed in all types and sizes of organizations, at all organizational levels, and in all organizational work areas throughout the world. (See **Exhibit 1-9**)

1. We interact with organizations each day of our lives. Every product we use, every action we take, is provided by or affected by organizations. Well-managed organizations develop a loyal customer base, grow, and prosper.
2. People who study management gain the ability to recognize and encourage good management practices; just as important, they learn to recognize poor management and how to correct it.

- B. Managers can be classified by their level in the organization, particularly in traditionally structured organizations—those shaped like a pyramid.

1. **First-line managers** (often called supervisors) are located on the lowest level of management.
2. **Middle managers** include all levels of management between the first level and the top level of the organization.
3. **Top managers** include managers at or near the top of the organization who are responsible for making organization-wide decisions and establishing plans and goals that affect the entire organization.

Image: A cynical view of the management levels: Birds on Utility Pole.

C. Real Examples of Company Management Hierarchy

Foxconn:

Taiwan electronics manufacturing company,
2011 sales revenue 102 billion USD
Employee number 1.2 million
Walmart 2.2 million

Huawei:

Shenzhen based telecommunication firm
2011 sales revenue 30 billion USD
Employee 140 thousand

Where Do Managers Work?

- A. An **organization** is a deliberate arrangement of people to accomplish some specific purpose. Organizations share three common characteristics:
 - (1) each has a distinct purpose;
 - (2) each is composed of people; and
 - (3) each develops some deliberate structure so members can do their work.
- B. Although these three characteristics are important in defining *what* an organization is, the concept of an organization is changing. These changes include: flexible work arrangements, employee work teams, open communication systems, and supplier alliances. Organizations are becoming more open, flexible, and responsive to changes. We will discuss these changes and their causes in later class.

3 WHAT DO MANAGERS DO?

- A. **Management** involves coordinating and overseeing the work activities of others so that their activities are completed efficiently and effectively.
1. Coordinating and overseeing the work of others is what distinguishes a managerial position from a nonmanagerial one.
 2. **Efficiency (Means)** is getting the most output from the least amount of inputs in order to minimize resource costs. Efficiency is often referred to as “doing things right” (see **Exhibit 1-3**).
 3. **Effectiveness (Ends)** is completing activities so that organizational goals are attained and is often described as “doing the right things” (see **Exhibit 1-3**).

Samsung case: Building cars effective but not efficient.

- B. **Management Functions.**
Henri Fayol proposed that managers perform five management functions: POCCC (planning, organizing, commanding, coordinating, and controlling).
1. Over time, Fayol’s five management functions have been reorganized into four functions, which provide a foundation for the organization of current management
 - a. **Planning** involves defining goals, establishing strategies for achieving those goals, and developing plans to integrate and coordinate activities.
 - b. **Organizing** involves arranging and structuring work to accomplish the organization’s goals.

E.g., determine what tasks are to be done, who is to do them, how the tasks are to be grouped, who reports to whom, where decisions are to be made.
 - c. **Leading** involves working with and through people to accomplish organizational goals. Eg. Motivate subordinates, help resolve work group conflicts, influence individuals or teams as they work, select the most effective communication channel, or deal in any way with employee behavior issues.
 - d. **Controlling** involves monitoring, comparing, and correcting work performance. Monitor and evaluate the workers’ performance.

2. In practice, managing is not always performed in a sequence as outlined above. Since these four management functions are integrated into the activities of managers throughout the workday, they should be viewed as an ongoing process.

Exercise:

Put yourself in the position of Nongyuan restaurant, a private education institute, HTC r and d lab, Goldman Sachs Beijing office, . And think about what you need to plan, organize, lead or control.

C. **Management Roles and Role Theory**

Henry Mintzberg, a management researcher, conducted a precise study of managers at work. He concluded that managers perform 10 different roles, which are highly interrelated.

1. Management roles refer to specific categories of managerial behavior (see **Exhibit 1-5**).
 - a. **Interpersonal roles** include figurehead, leadership, and liaison activities.

Figurehead with symbolic importance with no power.
 - b. **Informational roles** include monitor, disseminator, and spokesperson.
 - c. **Decisional roles** include entrepreneur, disturbance handler, resource allocator, and negotiator.
2. Follow-up studies of Mintzberg's role categories in different types of organizations and at different managerial levels within organizations generally support the idea that managers perform similar roles.
3. Although the functions approach represents the most useful way to describe the manager's job, Mintzberg's roles give additional insight into managers' work. Some of the 10 roles do not fall clearly into one of the 4 functions, since all managers do some work that is not purely managerial.

Mintzberg owes a debt to **Erving Goffman** (Canadian sociologist) for the theory of roles. In his book

"The presentation of self in everyday life"

Goffman studied face-to-face interaction.

Society is like a theatre, there is a front region, where the actors are on the stage in front of the audiences, and **there is a hidden or private place** where individuals can be themselves and get rid of their role or identity in society.

When an individual interact in the **front region** with other people, that individual will attempt to control or guide the impressions that others might make of him by **changing or fixing his or her setting, appearance, and manner**. Meanwhile, the audience or the individual that the focal person is interacting with try to form and obtain information about the individual or the actor.

According to the role theory, **human behavior is guided by expectations held both by the individual and by other people**. The **expectations correspond to different roles individuals perform or enact in their daily lives**, such as secretary, father, or friend.

For instance, most people hold pre-conceived notions of the role expectations of a secretary, which might include: answering phones, making and managing appointments, filing paperwork, and typing memos. These role expectations would not be expected of a professional soccer player.

Individuals generally have and manage many roles. Roles consist of a set of rules or norms that function as plans or blueprints to guide behavior. Roles specify what goals should be pursued, what tasks must be accomplished, and what performances are required in a given scenario or situation.

Role theory holds that a substantial proportion of observable, day-to-day social behavior is simply persons carrying out their roles, much as actors carry out their roles on the stage or ballplayers theirs on the field.

Role theory is, in fact, predictive. It implies that if we have information about the role expectations for a specified position (e.g., sister, fireman, prostitute), a significant portion of the behavior of the persons occupying that position can be predicted.

Role theory also argues that in order to change behavior it is necessary to change roles; roles correspond to behaviors and vice versa.

D. **Management Skills.**

Managers need certain skills to perform the challenging duties and activities associated with being a manager.

1. Robert L. Katz found through his research that managers need three essential skills (see **Exhibit 1-6**).
 - a. **Technical skills** are job-specific knowledge and techniques needed to proficiently perform specific tasks.
 - b. **Human skills** involve the ability to work well with other people individually and in a group.
 - c. **Conceptual skills** involve the ability to think and to conceptualize about abstract and complex situations.
 - d. **Other skills** are listed in **Exhibit 1-7**. These skills will be highlighted in a feature at the end of each chapter

4 WHAT EFFECTIVE GENERAL MANAGERS REALLY DO?

5 HOW IS THE MANAGER'S JOB CHANGING?

Security threats, corporate ethics scandals, global economic and political uncertainties, and technological advancements should be discussed.

While all managers will not have to manage under tragically demanding circumstances, *how* managers manage in today's workplace is changing.

Exhibit 1-8 highlights several important changes and how they impact a manager's job

A. Importance of Customers to the Manager's Job

With all of the technology available to managers, it is possible now more than ever to lose touch with customers. Face to face contact is being replaced by e-mails and text messages. In a service oriented economy, like the United States, the need to deliver high quality customer service is the basis for competitiveness. As a result, many managers are re-discovering that importance of a customer-responsive organization where employees are friendly, courteous, accessible, and responsive to customer needs.

B. Importance of Innovation to the Manager's Job

"Nothing is more risky than not innovating." All organizations innovate, however, a problem for organizations is working to get all employees involved in the innovation process. Managers can respond to this need by creating a "team close," a time when all employees are scheduled to close the store and leave together.

This helps create an attitude of working together and commitment.

C. Importance of Sustainability to the Manager's Job

Today's organizations agree that the time has come for managers to embrace both sustainability and green management.

Sustainability has been defined as a company's ability to achieve its business goals and increase long-term shareholder value by integrating economic, environmental, and social opportunities into its business strategies. This view widens the concept of social responsibility to include twenty-first century environmental issues (i.e. the greening of management) and global societal challenges.

6 WHY STUDY MANAGEMENT?

The importance of studying management in today's dynamic global environment can be explained by looking at the universality of management, the reality of work, and the rewards and challenges of being a manager.

- A. The Reality of Work.
After graduation, you will either manage or be managed. A course in management provides insight and understanding about behaviors of supervisors and the internal operations of organizations. An individual does not have to aspire to be a manager in order to benefit from taking a course in management.
- B. Rewards and Challenges of Being a Manager (see **Exhibit 1-10**)
 - 1. Challenges
 - a. Managers may have difficulty in effectively blending the knowledge, skills, ambitions, and experiences of a diverse group of employees.
 - b. A manager's success typically is dependent on others' work performance.
 - 2. Rewards
 - a. Managers have an opportunity to create a work environment in which organizational members can do their work to the best of their ability and help the organization achieve its goals.
 - b. Managers often receive recognition and status in the organization and in the larger community; influence organizational outcomes; and receive appropriate compensation.
 - c. Knowing that their efforts, skills, and abilities are needed by the organization gives many managers great satisfaction.