AND GENERAL TO

Structures, Functions, and Practices



Arthur Elkins

Management

Structures, Functions, and Practices

ARTHUR ELKINS .

University of Massachusetts

ADDISON-WESLEY PUBLISHING COMPANY

Reading, Massachusetts • Menlo Park, California London • Amsterdam Don Mills, Ontario • Sydney Sponsoring Editor: Janis Jackson Production Editor: Evelyn Wilde Designer: Marshall Henrichs Illustrator: F. W. Taylor Cover Design: Ann Scrimgeour

Library of Congress Cataloging in Publication Data

Elkins, Arthur.

Management: structures, functions, and practices.

Includes bibliographies and index.

1. Management. I. Title.

HD31.E55 658.4 79-5371

ISBN 0-201-01517-X

Copyright © 1980 by Addison-Wesley Publishing Company, Inc. Philippines copyright 1980 by Addison-Wesley Publishing Company, Inc.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the publisher. Printed in the United States of America. Published simultaneously in Canada. Library of Congress Catalog Card No. 79-5371.

ISBN 0-201-01517-X BCDEFGHIJ-DO-89876543210

PREFACE

The purpose of this book is to train students to be effective, efficient real-world managers. I view the essential task of the introductory management course as teaching people to manage—allowing them to sample management as a discipline and showing them how to behave or function in a managerially professional manner.

Therefore, this book is not bound to any one particular approach—classical, behavioral, or quantitative; nor does it attempt to set forth that delineation of approaches. Rather, the point of view adopted here is that anything useful for teaching managers to manage effectively and efficiently should be integrated into the text. Although the book's format is almost functional—e.g., basic functions of design, implementation, and control—it is not tied to the rest of the traditional functional format. For example, the areas of organizing and motivating—building an organizational structure and constructing motivation systems—are treated here much like planning, as design activities. Findings from the field of organizational behavior are injected into sections where they can be of help to the aspiring or functioning manager. Quantitative tools are closely wedded to decision-making and planning situations, not tacked on at the end of the book. In sum, this book is eclectic and as "real-world" as possible.

The book has five parts. The two chapters in Part I delineate a manager's role in terms of functions and skills and show the integration of managerial and technical roles. Part II (Chapters 3 and 4) explores the world of organizations and their managers—how organizations get started, how they grow, and how managers adapt to their demands, and vice-versa. Part III (Chapters 5–11) focuses on managerial design processes: setting objectives, making decisions, planning, making policies, determining organizational design, and building motivational systems. Part IV (Chapters 12–16) places the manager in the role of implementer, putting into effect the plans and systems that he or she (or other managers) previously designed. Here the manager procures resources, is a trainer, communicates, and provides leadership. Finally, managerial control activities are the focus of Part V (Chapters 17–20). We include consideration of the effect of control on human beings and some processes for overcoming the dysfunctional effects of control processes. Chapter 20, on the organizational audit, provides not only an introduction to

a valuable managerial process, but also a comprehensive review and overview of management in organizational settings.

All of the material in this book has been class-tested and refined in light of classroom use and reviewers' comments. Most of the case contexts are real. the majority gained from my own experiences as a manager, teacher, trainer, and consultant. Some cases are from the literature of business and organizations. But most organizations' and people's names have been disguised, and generally product line, location, and industry have been changed.

LEARNING AIDS

This text incorporates several learning aids for the student and teaching aids for the instructor:

- 1 "Chapter Highlights": Each chapter opens with a brief description of the chapter's main contents. This helps to establish for the student the overall framework of the chapter as he or she begins reading.
- 2 "Learning Objectives": The learning objectives listed at the beginning of each chapter are designed to alert students to the specific knowledge and skills to be acquired in the chapter.
- 3 Opening case: Most chapters begin with a case study, which sets the stage for that particular chapter. "Solutions" to the case problems are woven throughout the chapter discussion, thereby providing the student with direct and immediate application of concepts and theory.
- 4 "Summary and Conclusion": This section of each chapter synthesizes the key points presented in the chapter, thereby serving as a study aid for the student.
- 5 "Discussion Questions": Each chapter concludes with several discussion questions to aid the student in reviewing his or her mastery of the material of the chapter. Many of the questions are set in an action, or experiential, mode.
- 6 Closing cases: The end-of-chapter cases provide the instructor and student with the opportunity to analyze the problems illustrated in light of the principles, functions, and practices of management explored in the chapter. To facilitate this process, case questions direct attention to the major concerns.
- 7 "Selected Readings": Extensive suggested reading lists are included at the end of each chapter. Students who wish to read further in the particular area covered will find suggested books and articles from both the popular and scholarly press included in the references.

8 Glossary: Students can use the glossary included at the end of the book to check their knowledge of key terms (from both the learning objec-

tives and the discussion questions).

- 9 "Comprehensive Cases": The five articles in the Appendix serve to integrate the entire book. The cases illustrate the actual problems faced by a cross-section of well-known firms: a public utility (American Telephone and Telegraph), a large multiproduct manufacturer (General Motors), a retail food chain (A&P), a retail chain that went bankrupt (W. T. Grant), and a large government contractor (Electric Boat). These cases can be used to apply much of what has been learned throughout the course.
- 10 Appendixes: For more in-depth treatment of managerial tools for decision making and planning, two chapter appendixes cover linear programming and PERT.
- 11 Supplements: A comprehensive Instructor's Resource Manual includes teaching suggestions, additional lecture resources, answers to discussion questions, and analyses of all cases appearing in the text. The extensive Test Bank provides a wealth of class-tested, objective test questions as well as numerous essay-type questions.

ACKNOWLEDGMENTS

Writing and developing a project such as this depends on contributions from many people and groups. I want to thank all of them for their assistance, and I hope that I haven't inadvertently left anyone out in this listing.

Extra special appreciation goes to my good friend and colleague George S. Odiorne. Very early, Professor Odiorne expressed interest in what was a germ of an idea, encouraged me in the formulation, and gave me numerous suggestions for the book's development. For over three years, he has used the manuscript in his introductory management course, at the University of Massachusetts, providing me with the valuable evaluation that obviously helped build a better book.

Also during those years a number of Teaching Associates at the University of Massachusetts have worked with Professor Odiorne and me on the course, and they too gave me vital input and advice. Most are now earning recognition on their own as faculty members at other universities: James Lang (University of Kentucky), Aileen Cavanagh (Boston University), John Preble (SUNY—Albany), Arie Reichel (New York University), Ed McDonough (Northeastern University), Dick Pyle (University of Massachusetts—Boston), David Flynn, Hugh O'Neill, Mark Lipton, John Oni, Ken Schoen, and David Sear.

Colleagues at other institutions provided critical reviews during several stages of the book's development, helping me to improve my presentation of several topical areas and in some cases for calling my attention to some important material to be included in the text: David Gray (University of Texas at Arlington), Gus Bloomquist (Del Mar College), David Blevins (University of Mississippi), John Martin (Mount San Antonio College), William Dickson (Green River Community College), Ralph Todd (American River College), Gene Lebrenz (College of DuPage), George F. Croffort (Fullerton Junior College), Edward J. Morrison (University of Colorado), Bernard C. Reimann (Cleveland State University), John W. Newstrom (Arizona State University), Raymond T. Ruff, Jr. (Monroe Community College), H. Nicholas Windeshausen (California State University—Sacramento), and Bertrand B. Heckel (Sinclair Community College).

Richard Leifer and D. Anthony Butterfield, my colleagues at the University of Massachusetts, read some portions of the manuscript and gave me comments, suggestions, and encouragement. Dennis W. Callaghan of the University of Rhode Island, my coauthor on A Managerial Odyssey (Addison-Wesley), read several early drafts of chapters of this book and also kindly consented to my using some Odyssey material in this book. Michael J. Merenda (now at the University of New Hampshire) did some of the work on discussion questions and assisted me with the research for the text. C. N. Hetzner III, my diligent, "take-charge" Research Associate, made substantial contributions, working on questions, the index, the instructors' manual, the glossary, and footnotes. Tom Sanderson, formerly an undergraduate assistant at the University of Massachusetts, helped with questions, proofreading copy, and numerous trips to the library.

To about five thousand students who have used this book in various forms, my thanks for your patience. To those who took the time to give me their impressions of the book, my thanks for your help and your interest. To one student in particular, Ken Berman, I owe a debt for helping me to clarify some of the quantitative presentations. To all who have suffered through multilithed versions of the book—with their inevitable missing pages and blurred print—my apologies and thanks.

Judy Rose did her usual efficient typing of several of the chapters, but more importantly, carried out many of the administrative chores for the Department of Management while I closeted myself for writing. For her efficiency I am fortunate; for her patience, grateful.

The people at Addison-Wesley have been wonderful to work with. Keith Nave, a former senior editor, initiated the project with me and prodded me for several years. Janis Jackson, Keith's successor, has also been very supportive and extraordinarily creative in her approach to the market. Shirley Rieger, assistant to Keith and Janis, was always there and cheerful when I needed information or help. Carl Hesler is just the friendliest and most sup-

portive vice-president one would ever want to meet. Evelyn Wilde did a superb job in copy editing and shepherding the manuscript through the various stages of production.

Finally, to my family—Barbara, my wife (a budding manager in her own right), and my sons, Mike and Steve, my apologies for all those late nights in the office, all those lost weekends, and all those missed Red Sox games. We'll make up for them now, I hope.

Amherst, Massachusetts September 1979

A.E.

CONTENTS

| | | | PART I INTRODUCTION |
|---------|---|--|------------------------|
| Chapter | 1 | What Is Management? | 3 |
| | | Introduction | 3 |
| | | Managers: Examples of their work | 4 |
| | | An example of a manager's day | 6 |
| | | Categories of managerial activity | 8 |
| | | The standards by which managers are judged | 10 |
| | | Profit and nonprofit organizations | 10 |
| | | Do you want to be a manager? | 12 |
| | | Plan of the book | 12 |
| | | Chapter format | 13 |
| | | Cases | 13 |
| | | Discussion questions | 14 |
| Chapter | 2 | Administrative and Functional Integration | 16 |
| | | Case: Audrey Hollis | 16 |
| | | Introduction | 17 |
| | | Knowledge of subordinate functions-technical and | |
| | | administrative | 18 |
| | | Interactive skills | 19 |
| | | Administrative skills | 20 |
| | | Information processing | 21 |
| | | Decision making | 22 |
| | | Scheduling | 23 |
| | | Evaluating, promoting, and rewarding | 23 |
| | | Resource provision and training | 24 |
| | | Leading and advocating | 25 |
| | | Arbitrating and conciliating | 26 |
| | | Counseling | 26 |
| | | Coordinating | 27 |
| | | Skill transfer | 28 |

x CONTENTS

| | Discussion questions Case: Dick Hernandez | 28 28 29 | | | | |
|--------------------------------------|--|----------------|--|--|--|--|
| PART II ORGANIZATIONS AND THEIR M | PART II ORGANIZATIONS AND THEIR MANAGERS | | | | | |
| Chapter 3 | The Organizational Setting | 35 | | | | |
| | Introduction | 36 | | | | |
| | Primary and secondary functions | 37 | | | | |
| | Vertical specialization and the line organization | 37 | | | | |
| | Horizontal specialization | 38 | | | | |
| | Multiunit organization | 40 | | | | |
| | Staff units | 42 | | | | |
| | Relationship of staff to line units Line/staff conflict | 42 45 | | | | |
| | Staff in a multiunit operation | 45 46 | | | | |
| | Recognition of staff units | 48 | | | | |
| | Authority | 49 | | | | |
| | Authority related to line and staff units | 51 | | | | |
| | Span of control and levels of command | 52 | | | | |
| | Decision centers | 53 | | | | |
| | Nonbusiness organizations | 55 | | | | |
| | Summary and conclusion | 56 | | | | |
| | Discussion questions | 57 | | | | |
| | Case: Carlton Industries | 58 | | | | |
| Chapter 4 | Organizations and Individual Values | 69 | | | | |
| | Case: Sue Harrison | 69 | | | | |
| | Case: Monte Klinger | 70 | | | | |
| • | Introduction | 72 | | | | |
| | Some recent findings on managers' outlooks toward work | 73 | | | | |
| | The new managers: Are they different? | 75 | | | | |
| | Effects of economic conditions | 76 | | | | |
| | Organizational responses | 76 | | | | |
| | Decentralization Management by Objectives | 77 | | | | |
| | Management by Objectives Sensitivity training | 78 80 | | | | |
| | Team building | 80 | | | | |
| | Summary and conclusion | 81 | | | | |
| | Case: Don LaPointe | 83 | | | | |
| | | | | | | |

PART III MANAGERIAL DESIGN PROCESSES

| Chapter | 5 | Setting Goals and Objectives | 89 |
|---------|---|---|-----|
| | | Case: Terry Peters | 90 |
| | | Introduction | 90 |
| | | The hierarchy of objectives | 91 |
| | | Top-level goals—business | 93 |
| | | Traditional economic notions | 94 |
| | | Service-objective model | 95 |
| | | Sales-maximization model | 96 |
| | | Social-responsibility model | 96 |
| | | Managerial self-interest | 98 |
| | | Some processes and considerations in goal setting | 99 |
| | | Forecasting | 99 |
| | | Utilizing organizational strengths | 100 |
| | | Recognizing organizational weaknesses | 101 |
| | | Setting subunit goals | 101 |
| | | Standards of efficiency and effectiveness | 101 |
| | | Timing of goals and objectives | 102 |
| | | External constraints on goals | 104 |
| | | Other problems and factors in goal attainment | 104 |
| | | Subgoal conflict—suboptimization | 104 |
| | | Goal displacement | 105 |
| | | Other human problems | 106 |
| | | Motivating with goals | 107 |
| | | Summary and conclusion | 107 |
| | | Discussion questions | 107 |
| | | Case: Brockport Wholesalers, Inc. | 108 |
| Chapter | 6 | Making Decisions | 111 |
| | | Case: McDonald's | 111 |
| | | Introduction | 112 |
| | | Some definitions and differentiations | 113 |
| | | Decision making and goals | 113 |
| | | Decision centers | 114 |
| | | The decision-making process | 115 |
| | | Problem search and formulation | 115 |
| | | Information gathering and evaluation | 116 |
| | | Development of alternatives | 119 |
| | | Application of decision rules | 121 |
| | | Selection of alternatives | 121 |

| | | Provision for implementation | 122 |
|---------|---|--|-----|
| | | Provision for audit and control | 122 |
| | | Summary of the decision-making process | 123 |
| | | Timing in decision making | 123 |
| | | Group processes in decision making | 124 |
| | | Delphi techniques | 125 |
| | | Summary and conclusion | 126 |
| | | Discussion questions | 126 |
| | | Case: Filtco, Belgium | 127 |
| Chapter | 7 | Quantitative Tools for Decision Making | 135 |
| | | Case: Sally Turner | 135 |
| | | Introduction | 136 |
| | | Decision making under certainty | 137 |
| | | Break-even analysis | 137 |
| | | Inventory control | 141 |
| | | Linear programming | 144 |
| | | Decision making under risk | 149 |
| | | Decision making under uncertainty | 151 |
| | | Principle of insufficient reason | 152 |
| | | The maximin criterion | 152 |
| | | The maximax criterion | 153 |
| | | Weighted optimism | 153 |
| | | Minimax regret | 153 |
| | | Subjective probability | 155 |
| | | Conclusion | 155 |
| | | Discussion questions | 155 |
| | | Appendix: Algebraic linear programming | 157 |
| Chapter | 8 | Planning | 162 |
| | | Case: Jim Sherry | 162 |
| | | Introduction | 164 |
| | | Planning situations | 165 |
| | | Simple unipath planning | 165 |
| | | Multipath planning | 167 |
| | | Integrating short- and long-term planning | 169 |
| | | Planning situations: A review | 171 |
| | | Additional planning basics | 172 |
| | | Planning backwards | 172 |
| | | Planning for planning and decision making | 173 |
| | | Some additional considerations in planning | 176 |
| | | Dynamic planning | 178 |
| | | Planning tools | 178 |

| | Planning matrix Scheduling charts PERT (Program Evaluation Review Technique) Summary Discussion questions Case: Position Publications: The genesis of Voyager Magazine Appendix: PERT | 178 179 180 182 182 183 |
|------------|---|--|
| Chapter 9 | Designing Policies and Procedures | 190 |
| * | Case: Seaboard Manufacturing Company: The personnel | |
| | department | 190 |
| | Policies and procedures | 194 |
| | Definitions | 194 |
| | Rationale for policy | 195 |
| | Organizational levels and policy | 196 |
| | Policies and planning | 197 |
| | Policy and environment | 199 |
| | The process of policy formulation and implementation | 201 |
| | Problem definition | 202 |
| | Research, information gathering, alternative analysis, | |
| | and policy recommendation | 202 |
| • | Policy choice or approval of policy | 203 |
| | Explanation of policy | 203 |
| | Implementation of policy | 203 |
| | Policing policy | 204 |
| | The policy audit | 205 |
| | Discussion questions | 206 |
| | Case: Society Life Insurance Co. (C) | 207 |
| Chapter 10 | Designing Organizations to Carry Out Plans | 211 |
| | Case: State University at Pierpont Athletic Department | 211 |
| | Introduction | 214 |
| | Adapting the organization to the strategy or plan | 215 |
| | Planning for organizational growth | 215 |
| | Planning for additional services or products | 217 |
| | Functional breakaway | 219 |
| | Technology | 219 |
| | Adapting the plan to the organization | 220 |
| | Planners' tunnel vision | 221 |
| | Managers' vested interest in existing structure | 221 |
| | Personnel resistant to change | 221 |

xiv CONTENTS

| | Organization structure as a stabilizing force Organizational change as a strategy Matrix organizations Designing structure: The athletic department Summary Discussion questions Case: The People's News | 222 222 226 228 230 230 231 | | |
|-----------------------------------|--|---|--|--|
| Chapter 11 | Designing Motivating Systems and Practices | 235 | | |
| | Case: Moving the Beta assembly department Introduction Theories of individual motivation Traditional management thought | 235 238 239 240 | | |
| | Traditional management thought | 241 | | |
| | Contemporary models and impact Behavior-modification approaches | 247 | | |
| | Theories of motivation: Summary | 248 | | |
| | Group processes and individual behavior | 249 | | |
| | Group characteristics | 249 | | |
| | Groups in work situations | 251 | | |
| | Motivational theory, organizational system design, and | | | |
| | management practices | 252 | | |
| | Money-oriented systems | 253 | | |
| | Job enlargement | 254 | | |
| | Job enrichment Management by Objectives and other organization- development techniques Management practices and the Beta assembly department | 255 256 256 | | |
| | Summary and conclusion | 257 | | |
| | Discussion questions | 258 | | |
| | Case: Kingsford Motor Sales, Inc. | 259 | | |
| PART IV MANAGERIAL IMPLEMENTATION | | | | |
| Chapter 12 | Staffing: Securing Human Resources | 267 | | |
| | Case: Tony Zanotti Introduction Human resource planning Forecasting human resource needs Forecasting personnel availability Designing and implementing personnel-selection policies and procedures | 268 269 270 270 273 | | |

| | Problems in staffing and implementing the | |
|------------|---|-----|
| | personnel plan | 275 |
| | Labor-market analysis | 275 |
| | New legal considerations in staffing | 276 |
| | Affirmative action | 281 |
| | The laws and the hiring function | 284 |
| | Promoting and upgrading as sources of personnel | 285 |
| | Summary and conclusion | 286 |
| | Discussion questions | 286 |
| | Case: Stan's mail-order stamp service | 287 |
| Chapter 13 | Training and Development | 292 |
| | Case: Joan Baker | 292 |
| | Introduction | 294 |
| | Training and development | 295 |
| | Definitions | 295 |
| | Learning principles and effective training | 296 |
| | Organization for training | 300 |
| | Top-management support for training | 301 |
| | Types of training programs | 302 |
| | Separate-facility training programs | 302 |
| | On-the-job training | 303 |
| | Use of outside agencies | 303 |
| | Mentoring | 304 |
| | Determining the effectiveness of training | 305 |
| | Summary and conclusion | 306 |
| | Discussion questions | 306 |
| | Case: Oceanside State Hospital | 308 |
| Chapter 14 | Facilities and Capital-Resource Acquisition | 311 |
| | Case: Music Importers, Incorporated | 311 |
| | Introduction | 312 |
| | Facilities location | 313 |
| | Factors in facility-location decisions | 314 |
| | Making the location decision | 318 |
| | Multiplant location | 320 |
| | Capital-equipment procurement | 320 |
| | What are capital investments? | 321 |
| | Accounting concepts and investment decisions | 321 |
| | Opportunity costs | 322 |
| | Analyzing a capital-investment decision | 322 |
| | Present-value analysis | 323 |

| | Comparing two projects for investment | 326 |
|------------|--|------------|
| | Other capital-budgeting methods | 327 |
| | Summary | 327 |
| | Discussion questions | 328 |
| | Case: The telephone purchase | 329 |
| Chapter 15 | Communication | 333 |
| | Case: Gerald Ford | 333 |
| | Introduction | 334 |
| | The communication process | 335 |
| | Distortions | 335 |
| | Communication with multiple sending stations | 342 |
| | Overcoming barriers to effective communication | 344 |
| | Communication and organization design | 345 |
| | The informal communication network—the grapevine | 346 |
| | Increasing the organization's capacity for | |
| | handling information | 348 |
| | Summary and conclusion | 349 |
| | Discussion questions | 350 |
| | Case: Kitlon Export Expediters | 350 |
| | Case: Susie Waterman | 352 |
| Chapter 16 | Leadership | 355 |
| | Case: Bill Stratton replaces Sy Goldman at | |
| | Chemical Division | 356 |
| | Introduction | 357 |
| | Traditional theories of leadership | 358 |
| | Leadership related to needs and power | 360 |
| | Leadership and need satisfaction | 360 |
| | Leadership and power | 360 |
| | Contemporary approaches to leadership | 361 |
| | Fiedler's contingency theory of leadership | 361 |
| | Tannenbaum and Schmidt's continuum of | 001 |
| | leadership styles | 363 |
| | Vroom and Yetton—a problem-centered approach | 365 |
| | The Ohio State leadership studies | |
| | Blake and Mouton's Managerial Grid® | 369 370 |
| | Formal leadership: Conclusion | 370 |
| | - | 374 |
| | Informal leagerchin | |
| | Informal leadership | |
| | Summary and conclusion | 375 |
| | | |

PART V MANAGERIAL CONTROL/ADAPTATION/AUDIT

| Chapter 17 | Control | 383 |
|------------|--|------------|
| | Case: Greco-Roman Chair Company (A) | 383 |
| | Introduction | 385 |
| | The nature of control | 386 |
| | Why are controls necessary? | 388 |
| | Steps in the control process | 388 |
| | Standards | 388 |
| | Measurement and comparison | 389 |
| | Evaluation | 389 |
| | Correction Other elements in the second of t | 390 |
| | Other elements in the control process: Timing, location, and tools | ••• |
| | Timing | 391 |
| | | 391 |
| | Locating points for control application Some tools of control | 393 |
| | Organization for control units | 394 |
| | Summary and conclusion | 395 |
| | Discussion questions | 397 |
| | Case: The costly maintenance department | 398 398 |
| | | 390 |
| Chapter 18 | Adjusting Control to Human Factors | 402 |
| | Case: First National Bank of Kingsford | 402 |
| | Introduction | 404 |
| | Some human reactions to control processes | 405 |
| | Defensive behavior | 406 |
| | Ineffective achievement of goals | 406 |
| | Lower motivation | 407 |
| | Organizational and managerial bases of human | |
| | problems in controlling | 407 |
| | Inadequate information or feedback | 407 |
| | Measuring activity, not output | 409 |
| | Inflexibility in applying controls | 409 |
| | Inconsistency in applying controls | 410 |
| | Overcontrol—too many standards to fulfill | 411 |
| | Losing sight of real objectives: Substituting | |
| | procedures for end results | 412 |
| | Too little confidence in people | 412 |
| | Managerial adjustment of control systems to the human factor | 4 |
| | Feedback of results | 413 |
| | T OCCUPACK OF TERMINA | 413 |