Managing for Performance

Ivancevich, Donnelly, & Gibson



MANAGING FOR PERFORMANCE

1980



Business Publications, Inc.

Dallas, Texas 75243

Invin-Dorsey Limited Georgetown, Ontario L7G 4B3

Cover and part opening photos: The photography of H. Armstrong Roberts.

© BUSINESS PUBLICATIONS, INC., 1980

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.

ISBN 0-256-02274-7 Library of Congress Catalog Card No. 79–53967 Printed in the United States of America

MANAGING FOR PERFORMANCE

John M. Ivancevich

Hugh Roy and Lillie Cranz Cullen Chair and Professor of Organizational Behavior and Management University of Houston

James H. Donnelly, Jr.

Professor of Business Administration University of Kentucky

James L. Gibson

Professor of Business Administration University of Kentucky

Preface

The skill and competence of managers play major roles in the success or failure of any organization. Moreover, it is not just the skill and characteristics of top level executives or chief executive officers that determine organizational performance, but also the expertise of all levels of management from the first level supervisor to the chairperson of the board of directors. This book is about managers at all levels who are responsible for *Managing for Performance*.

There are numerous ways of teaching the first course in management to students. Some instructors use a behavioral approach, others use the functional or process approach, and still others use a schools of management approach. Each approach can be effective if materials used are interesting, understandable, and relevant to the student. In preparing Managing for Performance the authors' overall goal was to provide our colleagues with a book that would make the instructional job challenging and rewarding, and to furnish students with a realistic picture of the manager's job. We believe that the manager's job offers one of the most stimulating career opportunities available to young men and women. Future managers will confront the challenging tasks of dealing with spiraling inflation, increased international competition, decreasing supplies of natural resources, managing safely the use of nuclear energy, and changing preferences and needs of consumers and employees. We believe that managers will have many opportunities to make significant contributions to their organizations and society while growing and developing as individuals. In the authors' opinion finding a career that is more challenging, stimulating, and significant than management would be extremely difficult.

Performance objectives

The first management course usually provides students with their initial opportunity to examine formally and systematically the manager's job. In order to provide a realistic and up-to-date view of the manager's job in organizations the authors set some performance objectives before the first

word was written for the book. The performance objectives that guided the work included:

- To provide complete and relevant knowledge about managing in organizations—industrial, medical, educational, and governmental. This is a knowledge improvement objective. Increased knowledge can convert student apathy and misunderstanding into enthusiasm and understanding.
- To increase the student's understanding of the tools, procedures, and programs managers have to solve problems and make decisions. This is an *information objective*. It serves to enlighten students so that they can see that even when procedures, programs, and experience are available mistakes are made. Successes and failures are regular occurrences in the lives of managers.
- To introduce clear and concise, jargon-free definitions of the manager's vocabulary. An improved vocabulary will help students understand and interpret management decisions reported in the popular press and on radio and television. This is a vocabulary enhancement objective.
- To illustrate that managers use principles, ideas, approaches, and techniques from many different disciplines to make the best decisions possible. This is called the *interdisciplinary acknowledgment objective*. Anytime a decision is made, there is a need to use every bit of knowledge, experience, and intuition available.
- To improve the student's awareness that single, perfect answers to managerial problems do not exist. Think about this for a moment. If a perfect answer always existed that would be the way management would be taught around the world. Perfect answers just do not exist. Thus, an approach that considers the interaction of environment, the people, and the situation is more meaningful in studying management. This is called the *contingency orientation objective*.

The authors believe that these five performance objectives set the tone for the book. They served as our overall objectives in putting together the *Managing for Performance* package of materials for students and instructors. They provided the benchmarks for integrating the materials into a readable and challenging set of chapters.

The book's format

A glance at the Table of Contents will show that the book covers the main functions of management. Part I introduces the manager's job and functions and focuses on contingency management and performance. This part points out that the bottom line of management is performance. Without performance organizations cease to exist. Part II discusses planning and decision making. Organizing the system and jobs is the main topic of Part III. In Part IV, leading is covered in such chapters as motivation, groups and performance, leadership, communications, and career development. Part V

presents the important controlling function of management. Finally, Part VI covers trends, change, and perspectives with three chapters. One specifically focuses on management in nonprofit organizations, one covers organizational change and development, and the last is a preview of management in the 1980s.

The five main performance objectives guided the writing of each of the book's 21 chapters. They were also written for people who are interested in management, but who are not scientific researchers. Our other books written for Business Publications, Inc. (Fundamentals of Management and Organizations: Behavior, Structure, Processes) have been addressed to those with a specific interest in management and organizational behavior research and its application. In Managing for Performance we have focused on the skills and competences needed for the practice of management.

Distinctive features

We have provided many distinctive features that can aid in accomplishing the performance objectives. These features are as follows:

Management profiles—At the start of each of the six parts is a biographical sketch of a person who has made significant contributions to the field of management. Six profiles have been developed on Chester Barnard, Lee Ioccoca, Ralph Cordiner, Frank Borman, Robert McNamara, and Mary Kay Ash.

Chapter performance objectives—Each chapter begins with five performance objectives. These objectives are designed to point out main areas of interest in the chapter.

Management update—Each chapter includes a current event story about managing in organizations. These short news stories were gathered from such sources as Business Week, The Wall Street Journal, Forbes, Dun's Review, Management Review, and The Conference Board. They describe managers going about the managerial job.

Management interviews—Each chapter contains 6 to 12 actual statements by practicing managers about issues covered in the chapter. These statements were included to provide a first-hand view of managerial opinions, values, ideas, perceptions, and attitudes. Most of the managers provided statements while participating in training programs the authors were involved with. Only minor editing was done on the manager's statements. Unfortunately, space limitations precluded the use of many other collected statements that were interesting and worth presenting.

Figures and tables—Every chapter contains summary or descriptive figures and tables to present visually some of the topics covered. Students have continually informed us that they like to have material described in summary and graphical forms. Thus, illustrations are used when they add to the material being covered.

Points for managers—Another student-requested feature involves the

points for managers section in each chapter. Instead of summarizing the high points of the chapter, we use a managerial oriented set of statements. These are the main features covered in the chapter and what they mean to a manager.

Review and discussion questions—End-of-chapter questions that serve to guide students in accomplishing the beginning-of-chapter performance objectives are provided. The questions require the student to think about his or her own opinions, perceptions, and feelings.

Performance incidents—Each chapter has what we have designated as a Performance Incident. These cases are used to help a student work through management situations. Each of the 21 cases is real. They have recently or are currently happening in organizations. Discussions built around the end-of-case questions provide for some interesting classroom exchange of student opinions.

Additional readings—Instead of listing a stream of readings on chapter topics we have provided a handful of enjoyable articles and books. These are popular readings that managers and students seem to enjoy.

Exercises—At the end of each of the six parts of the book is a class exercise. These exercises are designed to stimulate individual thinking and group discussion. We have found them to be extremely good devices for generating class debate and analysis. They can be used in short time periods or expanded to cover entire class periods. Small or large classes can both derive the benefits of "real time" classroom discussions.

Self-assessment surveys—We have found that students enjoy learning about themselves—their behavior patterns, their leadership styles, and their attitudes about work and goals. Thus, we have included some self-assessment surveys for student use in the management course. The instructor will be able to provide feedback on the student's answers. Students can also periodically recheck themselves by completing the surveys again and again at their convenience.

Glossary—At the end of the book is a glossary of the key terms presented in the various chapters. This is a handy quick reference for students.

We believe that these are distinctive features that should benefit instructors and students. Perhaps the most distinctive feature of *Managing for Performance* is the emphasis on practical application of the functions of management. Our discussions with managers, previous work experiences, training assignments, research projects, and consulting work reinforced our belief that practicality, relevance, and clarity are important for students studying management.

Acknowledgments

As is true with the writing of any book, the authors are indebted to many people who have contributed to the final product. Those *managers* who told us about themselves, their jobs, and their lives, made this one of the

most enjoyable books ever written by the authors. The *students* at the University of Houston and the University of Kentucky who served as "sounding boards" were certainly patient and considerate. They provided a significant number of ideas which have been incorporated. The *instructors* who sent us ideas, opinions, and suggestions for this kind of book over the past six years have been most helpful. Our files kept growing until we finally were able to set up our writing schedules to finalize the book. These colleagues were interested in teaching management and we wanted to help them integrate the field as they recommended.

A special and appreciative thank you is accorded to reviewers and others who helped us form our ideas about this book. They made this a better book than what was present in the early drafts. The reviewers worked hard and are responsible for stimulating much of what you find in the book. Michael J. Etzel, Utah State University; Charles A. Gallagher, University of Central Florida; John H. Howe, Santa Ana College; Edward B. Lee, Jr., Community College of Allegheny County—Boyce Campus; Herbert L. Lyon, University of Houston; Nicholas J. Mauro, Kingsborough Community College; Jan Muczyk, Cleveland State University; and Warren J. Sprick, Kellogg Community College, each provided invaluable assistance.

The manuscript preparation and typing was a monumental task that was handled by a number of individuals. They put up with unreasonable work schedules, draft after draft, development of figures and table scripts, and other difficult requests. Without their pleasant cooperation the book would still be in early draft form. Our thanks is expressed to Regina Gibson, Judy Holiday, Candi McCrary, Beverly O'Dell, Darlas Palmer, and Cheryl Willis.

January 1980

John M. Ivancevich James H. Donnelly, Jr. James L. Gibson

Contents

part I INTRODUCTION TO MANAGING FOR PERFORMANCE

A management profile: Chester Barnard, 3

1 Management and the manager's job

The organizational system. What is management? The historical roots of management: Charles Babbage. Frederick W. Taylor. Frank Gilbreth. Henri Fayol. George Elton Mayo. The manager: Center of attention: Applied management skills. The manager's job: The manager's time. The manager's roles. Management: An art, a science, or a field? Plan for the book.

Performance incident: The Overrating of Managers, 22

2 Contingency management and performance

The management theory jungle. Three schools of management: Foundations of the classical school. Foundations of the behavioral school. Foundations of the management science school. The contingency management approach: Organizational objectives. Technology. Organizational and job design. Human resources. Environment. Managerial skills. Contingency management and performance: Measuring performance. Desired and actual performance. Making modifications. A framework: Integrating people and performance.

Performance incident:
The 1980s Contingency Manager: What Does It
Mean? 44

Learning exercise I: MANAGERIAL WORK PROFILES, 47

24

part II PLANNING AND DECISION MAKING

A management profile: Lee lacocca, 49

Strategic planning 3

The "what" and "why" of planning. The environment of the strategic planner: Economic conditions. Technological changes. Political, legal, and regulatory changes. Cultural and social changes. Competition. Resources. The organization. Client publics. A planning system. The strategic planning process: Mission. Organizational objectives. The situation analysis. Developing organizational strategies. The completed strategic plan.

Performance incident:

Strategic Planning at The Illusion, 73

Managerial planning

The relationship between the strategic plan and administrative plans. Components of administrative plans: Objectives. Forecasting. Strategies. Budgeting. Policies. The hierarchy of objectives and strategies. Understanding the need for planning: Increasing the time spans between present decisions and future results. Increasing organizational complexity. Increased external change. Planning and other management functions. Barriers to effective planning: Easy to avoid. Reward structures that emphasize short-run performance. Planning viewed as not necessary. No involvement by practicing managers. Organization too small. The wrong mental skills. Ethics in planning.

Performance incident:

Defending the Need for Planning, 96

5 Managerial decision making

Why study decision making? Types of decisions: Programmed decisions. Nonprogrammed decisions. Types of decisions and managers. The decision-making process: Identifying and defining the problem. Developing alternatives. Evaluating alternatives. Selecting an alternative. Implementing the decision. Evaluation and control. Influences on individual decision makers: The importance of the decision. Time pressures. The manager's values. The manager's propensity for risk. Group decision making: Are group decisions more effective?

Performance incident:

Managers Are Paid to Make Decisions, 119

50

74

98

Learning exercise II: PROTECTING THE ORGANIZATION BY PLANNING, 121

part III ORGANIZING

A management profile: Ralph Cordiner, 123

6 Elements of organizations

124

An overview of the organizing process. Organization structure. The four primary elements of organization structure. Dividing the task: Job specification. Combining jobs: Departmentation: Functional departmentation. Territorial departmentation. Product departmentation. Customer departmentation. Multiple bases for departmentation. Span of control: Potential relationships between manager and subordinates. Required relationships between manager and subordinates. Factors affecting the span of control. Delegation of authority: The advantages of decentralized authority. The chain of command and authority. The staff function and authority.

Performance incident: Recentralization for the 1980s? 147

7 Application of organizational design

148

Bureaucratic organizational design: Some problems. The classical school of design: The critics zero in. The behavioral school of design: Douglas McGregor: Theory X and Theory Y. Chris Argyris: Individual versus organization. Rensis Likert: System 4 organization. More critics. Contingency organizational design: Strategy. Environment. Technology. The manager's view. Selected contingency design applications: Project design. Matrix design. Free-form designs.

Performance incident: What Kind of Organizational Design Is Best? 167

8 Staffing the organization

170

The staffing process. Human resource planning. Recruitment: Sources of job information. Legal issues. Recruiting actions. Selection: Applications. Interviews. Testing. The hiring decision. Orientation. Training and development: Training. Management development. Performance evaluation. Compensation. Promotion, demotion, and discharge. A final note on staffing.

Performance incident:

A Heart Attack Victim Fights Back, 192

Learning exercise III: DESIGNING THE NEW VENTURE, 193

part IV LEADING

A management profile: Frank Borman, 195

9 Individual behavior and differences

196

Behavior. Values: The source of values. Probing for values: A Manager's job. Personality: Determinants of personality. Personality traits. Behavior types. The self-concept. Perception: Some causes of distortion. Perceptual defense mechanisms. Attitudes: Components of attitudes. The formation of attitudes. Cognitive dissonance. The manager's role.

Performance incident:

The President's Crystal Ball Was Wrong, 217

10 Motivation and performance

220

Motivation and behavior: The motivation process. Individual needs and motivation. The need hierarchy. Management's use of the need hierarchy model. Nonsatisfaction of needs: Constructive behavior. Defensive behavior. Personality and motivation. The two-factor theory of motivation: Criticisms of the Herzberg model. Comparison of Herzberg's and Maslow's models. The expectancy theory of motivation. Managerial strategies for improving motivation: Job enrichment. Pay and job performance. Behavior modification.

Performance incident:

Motivating Different Individuals, 248

11 Work groups and performance

252

Classification of groups. The formation and development of work groups: Location. Economic reasons. Sociopsychological reasons. The development of work groups. Specific types of groups in an organization: The command group. The task group. The interest group. The friendship group. Committees: Special kinds of groups. Characteristics of work groups: The emergent leader. Status in a group. Work group norms and controls. Group cohesiveness. Intergroup conflict. Group politics. End result: Member satisfaction.

Performance incident:

The Underperforming Group, 276

12 Leadership

278

The concept of leadership. Bases of leadership influence. Functions of leaders. Characteristics of effective leaders:

Physical traits. Personality. Intelligence. An example of leadership trait studies. Behavior of effective leaders: Task-oriented leadership. Person-oriented leadership. Two-dimensional theory. Managerial grid theory. The task-people (T-P) leadership questionnaire. Situational leadership: Leadership flexibility: Fit the style to the situation. Leadership inflexibility: Fit the situation to the leader's style. Thinking about leadership.

Performance incident: Changing Leadership Style, 306

13 Communications

308

A framework for understanding communications: The communicator. Encoding. The message. The medium. Decoding. The receiver. Feedback. Organizational communications: Downward communication. Upward communication. Horizontal communication. Diagonal communication. Interpersonal communications: Interpersonal styles. Exposure and feedback. Management styles and interpersonal styles. Why communications break down: Conflicting frames of reference. Selective perception. Value judgments. Source credibility. Semantic problems. Filtering. Time pressures. Communication overload. How communications can be improved: Following up. Regulating information flow. Utilizing feedback. Empathy. Simplifying language. Effective listening. Using the grapevine.

Performance incident: Get the Job Done, 332

14 Career development

334

The concept of career: Career stages. Life stages. Career development for recent hirees: Causes of early-career difficulties. Programs and practices to counteract early-career problems. Career development for midcareer managers: The midcareer plateau. Programs and practices to counteract midcareer problems. Career planning and pathing: Career planning. Career pathing. Some difficult career development issues: Integrating career development and work force planning. Managing dual careers. Dealing with EEO problems.

Performance incident: Success Has a Price, 361

Learning exercise IV-A: THE GROUP PROCESS, 363

Learning exercise IV-B: RANKING MOTIVATORS, 364

part V CONTROLLING

A management profile: Robert McNamara, 367

15 Managerial control and information

368

Necessary conditions for control. Three types of control: *Precontrol. Concurrent control. Postcontrol.* Management information for control: *Managing existing information. Utilizing the capacity of computers.* Organization structure and information needs: *The organization as an information-decision system. Types of information and organization level.* Designing a management information system (MIS): *Understanding information flows. The functions of an MIS. The information center. Information as an organizational resource*

Performance incident:

Precontrolling Purchase Decisions, 388

16 Production-operations and financial control

390

Production-operations control: Precontrol of inputs. Concurrent control of operations. Postcontrol of outputs. Financial controls: Precontrol of financial resources. Concurrent control of financial resources. Postcontrol of financial resources.

Performance incident:

Strategic Control, 414

17 Human resource performance evaluation

416

An overview of performance evaluation. Purposes of performance evaluation: Judgmental purposes. Developmental purposes. Specific purposes. Performance standards: Requirements of a performance standard. Single or multiple standards. Activities or results standards. Production standards. Personnel standards. Judgment standards. Administering performance evaluation: Who should rate? When to rate. The evaluation interview. Traditional performance evaluation methods: Graphic rating scales. Ranking methods. Weighted checklists. Descriptive essays. Rating errors. Nontraditional performance evaluation methods: Behaviorally anchored rating scales. Objectives or goal performance evaluations. A review of potential performance evaluation programs.

Performance incident:

Evaluating Managerial Performance, 442

18 Management by objectives

444

What is MBO? The basic principles of management by objectives: Objectives. Time. Participation. Motivation. The MBO process: Developing objectives. Developing action plans. Reviewing performance. Appraising MBO: Benefits of MBO. Problems with MBO.

Performance incident: *HAIR, Inc.,* 465

Learning exercise V: CONTROLLING THE APPEARANCE OF EMPLOYEES, 469

part VI

MANAGING FOR PERFORMANCE: TRENDS, CHANGE, AND PERSPECTIVES

A management profile: Mary Kay Ash, 471

19 Management in nonprofit organizations

472

Types of nonprofit organizations: Public sector organizations. Third sector organizations. The performance of nonprofit organizations. Important features of nonprofit organizations: Establishing objectives. Measuring benefits. Dual clientele. Evaluating performance and productivity. The environments of the decision maker in nonprofit organizations: The political, legal, and regulatory environments. The individual decision maker. Improving performance in nonprofit organizations: Strategic planning. Cost-effectiveness analysis. Program budgeting. Cost/benefit analysis. Zero-base budgeting.

Performance incident:

Evaluating Performance in a Social Program, 492

20 Organizational change

494

Resistance to change. A model for managing change. Forces for change: External forces. Internal forces. Recognition of the need for change. Diagnosis of the problem. Alternative change techniques: Structural change. Behavioral change. Technological change. Recognition of limiting conditions. The strategy for change. Implementing and monitoring the change process.

Performance incident: Resisting Better Working Conditions, 521

21 Managing for performance: Challenges and responses

522

The manager's world in the 1980s: *The evidence. Competences.* Changes in the manager's world. The environment