

The Five Functions of Effective Management

SECOND EDITION

Donald Baack
Pittsburg State University

Michael Reilly
Ashford University

Charles Minnick
Ashford University

Donald Baack, Michael Reilly, Charles Minnick

The Five Functions of Effective Management, Second Edition

AVP, Editor in Chief: Steve Wainwright

Sponsoring Editor: Greer Lleud

Development Editor: Gabrielle Nabi

Assistant Editor: Jaime Anderson

Editorial Assistant: Teresa Bdzil

Research Assistant: David Baack

Production Editor: Lauren LePera

Printing Services: Bordeaux

Composition/Illustration: Hespenheide Design

Permission Editor: D'Stair Permissions Agency, Inc.

Cover Image: Gary Waters/Ikon Images/Getty Images

Cover Design: Sherry Russell

ISBN-10: 1621785602

ISBN-13: 978-1-62178-560-6

Copyright © 2014 Bridgepoint Education, Inc.

All rights reserved.

GRANT OF PERMISSION TO PRINT: The copyright owner of this material hereby grants the holder of this publication the right to print these materials for personal use. The holder of this material may print the materials herein for personal use only. Any print, reprint, reproduction or distribution of these materials for commercial use without the express written consent of the copyright owner constitutes a violation of the U.S. Copyright Act, 17 U.S.C. §§ 101-810, as amended.

Dedication

Donald Baack dedicates his efforts on this project to the memory of Charles A. "Charlie" Burns, his wonderful father-in-law.

Brief Contents

Chapter 1 Introduction to Management: Achieving Form through Function 1

Chapter 2 The Planning Function 29

Chapter 3 The Organizing Function 59

Chapter 4 The Staffing Function 87

Chapter 5 The Leading Function 123

Chapter 6 The Leading Function: Groups, Teams, and Communication 151

Chapter 7 The Controlling Function 185

Chapter 8 The Five Management Functions as a Coordinated System 217

Glossary 241

References 248

Contents

Preface and Introduction to Textbook Features xix

About the Authors xx

Acknowledgments xxii

Chapter 1 Introduction to Management: Achieving Form through Function 1

1.1 Introduction 2

Organizations 4

Organizational Origins 5

1.2 Management Roles 6

Managerial Levels 7

Front-Line Managers or Supervisors 7

Middle Managers 7

Executive Managers 8

Managerial Types 9

Line Managers 9

Staff Managers 10

Managerial Knowledge, Skills, and Abilities 10

Technical Knowledge 11

Human Relations Skills 11

Conceptual Skills 11

1.3 The Five Management Functions 11

Planning 12

Assessing the Environment 12

Determining Organizational Goals 13

Creating Plans 14

Allocating Resources 15

Organizing 15

Staffing 15

Leading 16

Control 16

1.4	The History of Management Theory	17
	The Human Relations Movement	18
	<i>Abraham Maslow and Humanism</i>	18
	<i>Douglas McGregor's Theory X and Theory Y</i>	19
	Modern Management	20
	<i>Systems Theory</i>	20
	<i>Contingency Theory</i>	21
	Summary	22
	Key Terms	23
	Critical Thinking	25
	Chapter 2 The Planning Function	29
2.1	Introduction	30
	The Value of Planning	31
	The Value of the Planning/Control Cycle	32
	Mission and Vision Statements	32
2.2	Assessing the Environment	33
	Internal Operations	33
	<i>Strategic Assessment</i>	33
	<i>Tactical/Functional Assessments</i>	33
	<i>Operational-Level Assessments</i>	34
	The External Environment	34
	<i>Semiconrollable Forces</i>	35
	<i>Noncontrollable Forces</i>	36
	Forecasting	39
	<i>Economic Forecasts</i>	39
	<i>Sales Forecasts</i>	41
	<i>Technological Forecasts</i>	41
	SWOT Analysis	42
2.3	Determining Organizational Goals	44
	Tactical Goals	46
	Operational Goals	46

2.4 Developing Quality Plans 46**Strategic Plans and the Strategic Management Process 47***Core Competencies 47**Generic Competitive Strategies 47**Specific Strategies 48**Rapid Growth Strategies 48**Slow Growth Strategies 49**Stability Strategies 49**Decline Strategies 49***Tactical Plans 50****Operational and Short-Term Plans 50***Special Short-Term Plans 50**Contingency Plans 51***2.5 Allocating Resources 51****Incremental Budgets 51****Zero-Based Budgets 51****Rolling Budgets 52****Summary 52****Key Terms 54****Critical Thinking 55****Chapter 3 The Organizing Function 59****3.1 Introduction 60****3.2 Job Design 62****3.3 Departmentalization 63**

Departmentalization by Function 63

Departmentalization by Product 64

Departmentalization by Customer 64

Departmentalization by Geographic Region 65

Departmentalization by Strategic Business Unit 66

Departmentalization by Matrix 67

Managerial Concerns 68

3.4 Completing the Organization's Structure 68

Centralization and Decentralization 70

Size and Decentralization 70

Strategies and Decentralization 71

Mechanistic and Organic Structures 72

Impact on Employees and Managers 73

Characteristics of Typical Organizations 74

An Organization in Crisis 75

3.5 Structural Configurations 76

Simple Structure 76

Machine Bureaucracy 77

Professional Bureaucracy 77

Divisional Structure 77

Adhocracy 78

The Importance of Organizational Goals in Structural Design 79

Managing Complexity 80

Differentiation and Integration 80

Managing Interdependence 80

Creating and Overseeing Boundary Spanning 81

Summary 81

Key Terms 83

Critical Thinking 84

Chapter 4 The Staffing Function 87

4.1 Introduction 88

The Nature of Staffing 89

Strategic Human Resource Management 90

Staffing Functions 90

Legal Aspects of Staffing 91

Employment at Will 91

Fair Labor Standards Act 91

The Civil Rights Act of 1964 and EEOC 91

Sexual Harassment and Sexual Discrimination 92

The Age Discrimination in Employment Act 92

The Americans with Disabilities Act of 1990 (ADA) 93
Family and Medical Leave Act 93

4.2 Job Design and Human Resource Planning 93

Job Design 93
 Job Analysis 93
 Job Description 94
 Job Specification 95
 Impact on Employees 95
 Recent Trends in Job Design 96
 Human Resource Planning 97
 Employee Inventories 97
 Skills Inventories 98
 Succession Planning 98

4.3 Employee Placement 98

Recruiting 99
 Selection 100
 Orientation 101
 Create a Favorable Impression 101
 Enhance Personal Acceptance 102
 Reduce Turnover 102
 Employee Development 102
 E-Learning 102

4.4 The Employment Environment 103

Compensation Management 103
 Base Pay 103
 Incentives 104
 Benefits 104
 Performance Assessment 105
 The Assessment System 106
 Performance Assessment Meetings 106
 Employee Discipline Systems 107
 Workplace Health and Safety 108
 Requirements of Employers 108
 Requirements of Employees 109
 Employee Health and Wellness 109
 Ergonomics 109

4.5 Employee Careers and Labor—Management Relations 110

Career Development 110

Employee Preparation 110

Company Preparation: Manager Training Programs 111

Company Preparation: Mentoring and Coaching 112

Overcoming Special Career Challenges 112

Labor–Management Relations 113

Summary 115

Key Terms 117

Critical Thinking 118

Chapter 5 The Leading Function 123

5.1 Introduction 124

Leading Versus Managing 124

Managing as Coping With Complexity 124

Leading as Coping With Change 126

Leading as Ethical Role Models 127

Leadership and Power 127

Legitimate Power 127

Reward Power 127

Coercive Power 128

Expert Power 128

Referent Power 128

Other Sources of Power 128

5.2 Leadership Theories 129

Trait Theories 129

The Big Five 130

Attribution Models 131

Behavioral Theories 133

The University of Michigan Study 133

The Ohio State Study 133

Situational Theories 134

Theory of Leader Effectiveness 134

Fiedler’s Contingency Model 135

Hersey and Blanchard’s Situational Leadership Model 136

Path–Goal Theory 137

Transformational Leadership Theory 137

5.3 Leadership and Motivation 138

Content Theories of Motivation 139

Maslow's Hierarchy of Needs 139*Herzberg's Motivation-Hygiene Theory* 140*McClelland's Acquired Needs Theory* 141

Process Theories of Motivation 142

Adams's Equity Theory 142*Vroom's Expectancy Theory* 143

Locke's Goal-Setting Theory 145

Relationships Between Theories 145

Summary 146

Key Terms 149

Critical Thinking 149

**Chapter 6 The Leading Function: Groups, Teams,
and Communication 151****6.1 Introduction 152****6.2 Groups and Teams 153**

Groups 153

Formal Groups 153*Informal Groups* 154*Group Members* 154

Teams 155

Cross-Functional Teams 155*Virtual Teams* 155*Self-Managed Teams* 156

Stages of Team Development 156

Forming 156*Storming* 156*Norming* 157*Performing* 158*Adjourning* 158**6.3 Leading and Effective Teamwork 158**

Characteristics of Effective Teams 159

Team Composition 159*Work Design* 159

Contents

Contextual Variables 159

Process Variables 160

Group Size 161

Group Cohesiveness 161

Becoming a Team Player 163

6.4 Leading and Individual Communication 164

Communication Basics 164

Barriers to Interpersonal Communication 165

Individual Differences 165

Situational Factors 166

Transmission Problems 166

Overcoming Interpersonal Communication Barriers 166

The Role of Nonverbal Communication 167

Forms of Nonverbal Communication 168

Kinesic Cues 168

Appearance 169

Artifacts 169

Touch 169

Space 170

Paralanguage 170

Time 170

Manners 171

6.5 Leading and Organizational Communication 172

Formal Communication Patterns 173

Chain 173

Wheel 174

Circle 174

All-Channel 175

Types of Messages and Communication Goals 175

Types of Formal Messages 176

Information Richness 177

Barriers to Formal Organizational Communication 178

Overcoming Barriers to Formal Communication 179

Managing the Grapevine 179

Summary 180

Key Terms 182

Critical Thinking 183

Chapter 7 The Controlling Function 185**7.1 Introduction 186****Constant Controls 187***Individual Constant Controls 187**Departmental Constant Controls 189**Company-Wide Constant Controls 190***Periodic Controls 190***Reviewing Performance Standards 191**Measuring Actual Performance 191**Comparing Performance to Standards 192**Making Decisions 192***7.2 Functional Area Controls 193****Production and Quality Control 193***Quantity Goals 194**Quality Goals 194**Cost Goals 195**Time Goals 195**Measures of Performance: Production and Quality Control 195**Making Corrections: Production and Quality Control 195***Marketing and Sales 195***Market Share 196**Sales Quotas 196**Share of Mind 196**Marketing and Sales Costs 196**Measures of Performance: Marketing and Sales 197**Making Corrections: Marketing and Sales 197***Human Resources 197***Measures of Performance: Human Resources 198**Making Corrections: Human Resources 198***Information Technology and Research and Development 198****7.3 Accounting and Financial Controls 199****Profitability Goals 199****Cost of Capital 200****Increasing Efficiencies of Company Operations 200****Ratio Analysis 201***Liquidity Ratios 201*

Contents

Activity Ratios 201
Leverage Ratios 202
Profitability Ratios 202
Analyzing Ratios 202

The Budgeting Process 203

Forms of Budgets 203
Benefits of Budgeting 204
Budgeting Problems 204
Creating Effective Budgeting Programs 205

Auditing 206

7.4 Other Forms of Control 207

Feedforward Control 207

Concurrent Control 207

Feedback Control 207

Total Quality Management 208

TQM and Organizational Change 209

Control System Challenges 209

Rigid Bureaucratic Behavior 209

Invalid Data Reporting 210

Employee Resistance 211

Characteristics of Effective Control Systems 211

Summary 212

Key Terms 214

Critical Thinking 215

Chapter 8 The Five Management Functions as a Coordinated System 217

8.1 Introduction 218

The Changing World of Business 219

Political Events 220

Social Trends 220

Economic Trends 222

The Impact of Technology 223

The Changing Nature of Competition 224

Globalization 224

8.2 The Five Management Functions Still Matter 225

- Planning Processes 225
- Organizing 226
- Staffing 226
- Leading 228
- Controlling 229
- Connecting the Five Functions 230

8.3 Managing Change 230

- Resistance to Change 230
- Lewin's Attitudinal Change Model 231
 - Unfreezing Attitudes* 231
 - Moving Attitudes* 232
 - Refreezing Attitudes* 233

8.4 Management Careers 233

- Learn a Second Language 234
- Indicate Your Willingness to Learn 234
- Improve Your Social Skills 234
- Be a Team Player 235
- Become a Real Manager, Not a Political Manager 235
- Achieving Career Success 235

Summary 236

Key Terms 237

Critical Thinking 238

Glossary 241

References 248

Preface and Introduction to Textbook Features

The Five Functions of Effective Management seeks to assist students in understanding the basic efforts and activities required of managers at every level in an organization. The processes of planning, organizing, staffing, leading, and control are explained with examples from numerous companies and industries. Students who can comprehend and apply these concepts hold the potential of becoming effective managers in their companies.

Readers are invited to explore the impact of history on the field of management. Theories and perspectives from the past help explain the nature of management in today's business world. The final element of the book involves integrating the five functions into a seamless management program.

The Five Functions of Effective Management includes a variety of features that will help readers understand key concepts and further explore the topics discussed in each chapter:

Management in Practice boxes illustrate how concepts discussed in the text are applied by real organizations and managers.

Case Study boxes present workplace scenarios that highlight and provide further analysis of key topics.

Videos embedded in the text provide enrichment and insight into the concepts discussed in the book. Interviews tap into the experience and insight of managers.

Key terms sections list and define key concepts as discussed in each chapter. Click on any term in the e-book Key Terms section to see the definition.

Interactive flash cards included in the e-book allow readers to test their knowledge of the key terms discussed in each chapter.

Critical thinking questions and analytical exercises guide readers toward critical analysis of topics explored in the chapters and will help them assess their levels of understanding.

About the Authors

Dr. Donald Baack holds the rank of University Professor of management at Pittsburg (Kansas) State University, where he has taught since 1988. He primarily teaches in the areas of organizational behavior, organization theory, and strategic management. He previously held positions at Southwest Missouri State University, Missouri Southern State College, and Dana College. Baack received his PhD from the University of Nebraska in 1987. His area of study was organization and management theory.



Professor Baack is a consulting editor for the *Journal of Managerial Issues* and has published in the journal. He also serves on the editorial review board of the *Journal of Leadership and Organizational Studies*. He has published over 100 articles in journals and proceedings of academic conferences. Dr. Baack has authored or coauthored 17 books. The titles appear in the areas of management, marketing, international business, and in popular press.

Baack has been active in the Southwest Academy of Management for many years, serving as its president in 1996. He was chosen as SWAM's Distinguished Educator for the 2014 convention. He and his wife Pamela have three children.

Dr. Michael Reilly is the Executive Dean of the Forbes School of Business at Ashford University. He previously held faculty, chair, and academic administration appointments with University of Phoenix, Art Institute of California, and Northcentral University. He also serves the local community through work with nonprofit organizations and foundations. Currently Dr. Reilly is a member of the San Diego Blood Bank board of directors.



Dr. Reilly teaches courses in management, organizational behavior, and statistical analysis at both the undergraduate and graduate levels in addition to academic administration duties. His academic interests include aligning management systems with organizational strategy and the economic function of the firm. He has published numerous scholarly and professional journal articles, written and edited college textbooks, and served as a peer-review editorial board member.

Dr. Reilly holds a PhD from Walden University, a MA from National University, and a BA from Union University.

About the Authors

Dr. Charles Minnick has served as Dean of the Forbes School of Business at Ashford University since January 2006. Before Ashford, he spent 10 years at Saint Ambrose University in Davenport, Iowa. His last position there was associate director of the Masters of Organizational Leadership program. Minnick's bachelor's degree and MBA are both from Saint Ambrose, and his PhD is in management and decision sciences with a concentration in leadership and organizational change from Walden University in Minneapolis. He has done consulting work in the areas of employee motivation, business ethics, improving team performance, strategic planning, and conflict management, and has presented at conferences across the United States. In March of 2011, he was elected to the board of directors of the International Assembly for Collegiate Business Education.



In 2009, Minnick was recognized for excellence in teaching by the Commission for Accelerated Programs. He was one of three award recipients from across the United States. In 2010, he received Bridgepoint Education's Best in Class award, which is presented to Bridgepoint Education employees who best exemplify Bridgepoint Education's commitment to quality, caring, and innovation.

Acknowledgments

From Donald Baack

Thanks to John Szilagyi for introducing me to the people at Bridgepoint. I appreciate the confidence of Steve Wainwright, who has signed me to several projects with the company. Many thanks to Jaime Anderson, Gabrielle Nabi, Teresa Bdzil, Lauren LePera, and especially to Greer Lleud for their assistance with this work. Finally, a special word of thanks to my wife Pam, who always understands when I am away at my office completing projects such as these.

From Michael Reilly and Charles Minnick

We continue to be grateful to the many fine people working at Bridgepoint for their hard work and dedication to this important project. We especially recognize Steve Wainwright for the unending support in seeing this project through to completion.

The authors also gratefully acknowledge the following reviewers for their valuable feedback and insight in shaping the first and second editions of *The Five Functions of Effective Management*:

Wayne Babish, *University of Pittsburgh*
LaKami Baker, *Auburn University*
Robert Blanchard, *Salem State University*
Suzanne Crampton, *Grand Valley State University*
Kim Hester, *Arkansas State University*
Ricki Kaplan, *East Tennessee State University*
Elizabeth Ravlin, *University of South Carolina*
Bob Waris, *University of Missouri, Kansas City*
Jongbok Byun, *Ashford University*
Brooke Davis, *Ashford University*
Ed Gehy, *Ashford University*
Mike Jones, *Ashford University*
Alex Lazo, *Ashford University*
Danette Lee, *Ashford University*
Frances Marvel, *Ashford University*
Sarif Muhammad, *Ashford University*
Georginne Parisi, *Ashford University*
Sangita Patel, *Ashford University*
Brian Polte, *Ashford University*
Donald Richie, *Ashford University*
Jonetta Thomas-Chambers, *Ashford University*
Robin Watkins, *Ashford University*
Jon Webber, *Ashford University*