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SMBS Distance Learning Program

Principles of Management

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PREFACE

Every effort has been made to provide the student with a complete and thorough study guide that covers all the major themes of management.

The following study guide should help you in this learning process.

COURSE TITLE- BBM101: Principles of Management

COURSE GOALS-

When you complete this course, you will be able to

- ✧ Define and use business terms
- ✧ Describe the four management functions
- ✧ Explain the importance of communication to management
- ✧ Identify the steps of managerial decision making
- ✧ Explain the relevance of the basic skills required by managers
- ✧ Describe major components of various management perspectives
- ✧ Define corporate culture
- ✧ Discuss teams and their growing importance to management
- ✧ Apply management functions to an entrepreneurial company
- ✧ Explain international management and how it differs from domestic business operations
- ✧ Discuss the ever-increasing employee diversity and the management activities required for the changing workforce
- ✧ Identify different types of information systems and their impact on the way companies operate
- ✧ Define organizational change and explain the forces for change
- ✧ Discuss the ever-increasing employee diversity and the management activities required for the changing workforce

- ^ Define ethics and explain various approaches for evaluating ethical behavior

Recommended reading: the textbook, *Management: A Real World Approach* by Andrew W. Ghillyer.

INTRODUCTION

Welcome to Swiss Montreux Business School. We hope you will find this course interesting and useful throughout your career.

This course was designed to meet the unique needs of students like you who are both highly motivated and capable of completing a degree program through distance learning.

In this course, basic management functions and concepts are analyzed to provide a conceptual approach to management. Students will get a broad exposure to the proven, traditional and functional approach to managing and will also explore current developments in the contingency approach, systems theory and behavioral sciences as to be able to promote efficient and effective management. Whether you are an experienced manager seeking new views or a student new to the field, we are convinced that exposure to management principles will broaden your horizons and build new skills.

The book for this course is *Management: A Real World Approach* by Andrew W. Ghillyer. Unlike the textbook with its four parts, this study guide is divided into five parts. As you finish each part, you will complete a practice quiz. The practice quiz will help you measure your progress in learning. The answers to the practice quizzes are included at the end of this study guide. **Do not submit your answers to the practice quizzes.** After you complete each practice quiz, you will take a final test that you will submit to the school for grading. The results of the tests count toward your grade in this course.

Treat this course as a critical part of your studies. The more you know about management and its requirements, the more likely it is that you will succeed in your management career.

COURSE MATERIALS

The following materials are part of this Principles of Management course:

This study guide and the recommended textbook, *Management: A Real World Approach*.

Within the study guide are:

1. Chapter summaries
2. Recommended readings from the corresponding chapters in the textbook
3. Practice quizzes and answers

**Tests for each part are provided separately.*

THE STUDY GUIDE STRUCTURE

This study guide acts as a roadmap for your course. Read it carefully. Following the steps listed below should help you receive the maximum benefit from your studies.

1. Read the summary material in this study guide.
2. Read the accompanying chapter in your textbook to get an Understanding of the content. Then, read it again, paying careful attention to definitions and main concepts.
3. As you finish each part, complete the practice quizzes provided in this study guide and check your answers. These exercises will serve as a review of the material. It is in your own best interest to seriously challenge yourself. Do not look up an answer before selecting your own. The practice quizzes are designed to help you identify weaknesses and guide you in your studies. *Do not submit the answers to the practice quizzes.*
4. After you have completed the readings and the practice quiz for Part 1, go to the first test and complete it.
5. Follow this procedure until you complete all of the chapters and parts.

Good luck with your course!

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Notes

PART 1

Foundations

CHAPTER 1: WHAT IS MANAGEMENT?

Read this chapter summary.

What Is Management?

You can define management by thinking about the primary task of managers. In a nutshell, what is management supposed to do? Here is one answer: The primary task of management is figuring out the best way to use the organization's resources to produce goods, provide services, or both. The resources that management uses include money (operating capital), employees who have the necessary skills, and equipment, such as machinery, desks, computers, trucks, and buildings.

Whether an organization is small or very large, it generally includes three levels of management. Senior management is responsible for defining the mission of an organization, setting goals, and deciding on what it takes to attain those goals. The typical roles of senior managers include the chairperson of the board, the chief executive officer (CEO), the chief financial officer (CFO), the chief operations officer (COO), and—especially in large organizations—vice presidents for different areas of operation.

Middle management is responsible for doing what it takes to further the goals set by senior management. Typically, they head up an organization's departments, such as sales, human resources, production, and so on.

Members of supervisory management are a bit like noncommissioned officers in a military organization. In fact, you may hear army officers comment that “sergeants run the army.” Taking that as an analogy, you can say that supervisory managers are a bit like “sergeants” who make sure that actual people do what is needed to carry out the goals handed down from middle managers. They are in charge of the

people who physically produce the organization's goods or provide its services. Foremen, section supervisors, crew leaders, and store managers are examples of supervisory managers. Your text discussion of supervisory managers in the J. C. Penney organization will help you sort out the different levels of management.

A managerial hierarchy is like a pyramid. Employees, who would be on the bottom of the pyramid, far outnumber supervisory management. Supervisory management outnumber middle management, who in turn outnumber senior management.

The Management Process

Managers at the different levels must perform certain tasks, play particular roles, and possess specific job-related skills.

TASKS

The five basic management tasks are *planning, organizing, staffing, leading, and controlling*.

ROLES

During the 1970s, Henry Mintzberg identified 10 key management roles. Notice that the 10 roles are divided into three categories: *interpersonal, informational, and decisional*. Within each category are important dimensions to appreciate.

Interpersonal

The figurehead, the leader, and the liaison. The *figurehead* role where the manager performs symbolic duties as head of the organization. The *leader* role where he or she establishes the work atmosphere and motivates subordinates to act. The *liaison* role where the manager develops and maintains networks of contacts outside the organization.

Informational

The monitor, the disseminator, and the spokesperson. The *monitor* role where the manager collects all types of information relevant and useful to the organization. The *disseminator* role where the manager gives other people the information they need to make decisions. The *spokesperson* role where the manager transmits information to the outside world.

Decisional

Entrepreneur and disturbance handler. The *entrepreneur* role where the manager initiates controlled change in the organization to adapt to the changing environment. The *disturbance handler* where the manager deals with unexpected changes.

A more concrete way to view these roles is through the following example. As an effective supervisor, Gladys Hamilton knows her workers by name, by their work habits, and maybe even by their personal interests (interpersonal role). At the same time, she keeps her people up-to-date on new policies and procedures (informational), even as she makes decisions about who should be selected for special training or some special assignment (decisional).

SKILLS

Management skills are not the same things as management tasks or management roles. For example, each of the three pitchers on a baseball team may know the tasks of a pitcher and understand his role on the team. But only Stanley Trout is able to consistently strike out players on the opposing team. A skill has to do with how well a person fills his or her role and performs its associated tasks. Three kinds of managerial skills are *conceptual, human relations, and technical*. You can think of these as head smarts, people smarts, and know-how. But, in fact, most managerial positions require a healthy dose of all three of these management skills.

The Management Agreement

Maybe you have heard someone say, “When one door closes, another one opens.” In the corporate world, however, it can also be said that when you go through some newly opened door—perhaps one that has “District Supervisor” printed on it—that door will close behind you. In other words, moving up the organizational ladder involves trade-offs. One of those trade-offs is that you cannot hang out with your employees once you ascend to a management position. Hanging out with a former workmate as “one of the gang” is over. So is taking your personal problems to work. For other activities that will be off limits as a manager consider such points as playing favorites with your employees and using your position to get even with your enemies.

The Changing Nature of the Manager’s Environment

The Internet and electronic telecommunications have made information more available. Progressive attitudes about the health and

safety of the workplace are leading to new ideas about flextime, workplace childcare, and equal pay for equal work—regardless of gender. Meanwhile, beyond increasing numbers of women in the workplace, other demographic changes are happening. The average age of workers is increasing. So is ethnic diversity in the workplace. One of the more significant changes in today's environment is the increasing diversity of the American population. The latest demographic data show that the United States is becoming older and more diverse. Due to a rash of horrific corporate scandals, such as the collapse of Enron and WorldCom, a new concern about business ethics has arisen. The Sarbanes-Oxley Act of 2002 requires greater transparency and accountability from senior managers. But as of 2009, the need for effective regulation of speculation and irresponsible risk taking in the financial industries has shown the need for further regulatory action.

CHAPTER 2: A BRIEF HISTORY OF MANAGEMENT

U.S. Industrial Revolution

The Industrial Revolution began in England in the eighteenth and nineteenth centuries. As the name suggests, the U.S. Industrial Revolution encompassed the period when the United States began to shift from an almost totally farming-based society to an industrialized society. America mainly remained a nation of small farmers until about 1860. By then, as the Civil War (1861–1865) loomed on the horizon, factories, railroads, roads, canals, and the telegraph were beginning to strongly differentiate the largely agrarian South from the increasingly industrialized North.

After the Civil War, especially from the 1870s onward, American industries of all kinds burgeoned, immigrants poured into North America, and the United States was busily consolidating its identity as a continental power. By 1890, the growth of powerful corporations was shaking social foundations as cities grew and captains of industry rose to prominence. John D. Rockefeller monopolized the oil industry, Andrew Carnegie's name became synonymous with U.S. Steel, James B. Duke became America's tobacco giant, and Cornelius Vanderbilt dominated in steamships and railroads.

As a reaction to the seemingly unrestrained power of the corporate interests, the Sherman Antitrust Act of 1890 marked a series of regulator battles between big business

and the federal government. The Sherman Act was aimed at breaking up the trusts (monopolies), which were seen as acting in restraint of trade. Restraint of trade refers to an action or condition that tends to prevent free competition in business. Today, as giant corporations like IBM, General Electric, and General Motors have become international entities, the battles continue.

From the late nineteenth century onward, ideas about management evolved. And it is these ideas, these concepts of efficient and effective management, that are the focus of this chapter. Roughly speaking, there are three stages in this evolutionary process. Beginning in the late nineteenth century, the emphasis was on improving productivity by improving manufacturing efficiency. This was the era of scientific management. The next stage put more emphasis on worker motivation and humane working conditions. More recently, efficiency and worker satisfaction issues have been blended into a quest for product and service excellence.

Scientific Management and Frederick Winslow Taylor

Scientific management ideas arose through the work of management pioneers. Frederick Winslow Taylor, a mechanical engineer, observed that industrial workers failed to give 100 percent performance on the job. He used the term soldiering to identify employees' tendencies to do as much work as it took to keep their jobs. To address this issue, Taylor developed his model of *scientific management* based on four principles:

1. Determining the most efficient way to perform a given task
2. Matching a worker's skills to a job through proper training
3. Designing jobs by blending scientifically selected employees and scientifically developed methods
4. Creating a division of work that encouraged the interdependence of workers and managers

Working with Taylor, Henry Lawrence Gantt developed the Gantt chart, which is still used to track expected production against actual production per unit of time. Meanwhile, concepts of scientific management were refined and advanced through the time and motion studies of Frank and Lillian Gilbreth. While Gantt argued the need for social responsibility on the part of business, the Gilbreths—especially Lillian Gilbreth—maintained that the purposes of scientific

management should be to foster rather than stifle workers. In particular, she advocated the use of psychology to understand worker motivation and create job designs that fostered the interests of workers.

Henri Fayol, a Frenchman, developed a highly influential theory of management, which began to take hold in the United States during the 1940s. In his theory he identified planning, organizing, commanding, coordinating, and controlling as elements of management. He most heavily emphasized planning and organizing because he viewed these elements as essential to the other elements.

Fayol and Taylor agreed on the need for a scientific approach to management. Indeed, their two models can be thought of as complementary. As your textbook points out, however, “Taylor stressed the management of work, whereas Fayol emphasized the management of organization.” In other words, management is a crucial factor in the success or failure of an organization.

Note: While this course is focused on business management, it can be helpful to understand that the principles of effective management apply to government agencies, nonprofit organizations, and even citizen interest groups.

The Human Relations Movement

The *human relations movement* arose with the radical changes in public awareness that attended the Great Depression of the 1930s. The effects of the Depression era evoked much greater concern for ordinary workers and workers’ rights. One major effect of these concerns was the rise of organized labor as a force to be reckoned with. To be sure, this pro-union era was marred by civil unrest and outbreaks of bloody violence. But it bore legislative fruit with four legislative acts. They were the Railway Labor Act of 1926, the Norris-La Guardia Act of 1932, the National Labor Relations Act of 1935 (Wagner Act) and the Fair Labor Standards Act of 1938.

The Hawthorne studies, major studies that informed the human relations movement, were actually conducted in 1924—before the stock market crash of 1929. The National Research Council of the National Academy of Sciences wanted to better understand the relationship between worker productivity and workplace environments. However, two findings of the Hawthorne studies (still pondered and disputed to this day) can be summarized simply:

1. Worker productivity is more strongly related to getting the attention of management than it is to specific workplace conditions, like lighting. That phenomenon is the *Hawthorne effect*.
2. Effective supervision has a major impact on both worker productivity and worker morale.

The Systems Approach

The *systems approach* gained prominence as managers and managerial theorists tried to work out schemes and models that integrated different management approaches and concepts. A basic assumption in systems thinking is that there are *open systems* that actively interact with their environment and *closed systems* that do not. For example, a hospital must interact with patients, medical practices, and the community. A widget manufacturer may interact only with customers and have no interest in relating to other kinds of community stakeholders. A systems approach is aimed at integrating open and closed approaches, basically to the end of making an organization responsive to both its internal and external environments.

Theory X and Theory Y

In 1960, social psychologist Douglas McGregor wrote *The Human Side of Enterprise* in which he argued that there are two basically opposed management styles. *Theory X* assumes that workers do not like to work and must be controlled by authoritarian managers. *Theory Y* assumes that many, if not most, employees can be trusted to work for the interests of the organization and even seek increased responsibility. Over time, however, managerial theorists have tended to think McGregor's model too simplistic.

The Contingency Approach

The *contingency approach* was all the rage in the 1970s. Basically, it proposes that different management styles fit different kinds of situations. Different kinds of contingency theories are offered elsewhere in your text.

The Japanese Management Movement and Theory Z

Japanese management practices attracted a lot of attention as brands like Toyota, Honda, and Sony were increasingly associated with high quality and rapid gains in market share. Central features of Japanese management include encouraging

employee participation and building team spirit. Managers often served more as facilitators than as top-down bosses.

Looking at Japanese management in light of McGregor's X and Y ideas, William Ouchi developed *Theory Z*. Ouchi's model aims at integrating the American ideal of individual responsibility with the Japanese ideals of collective decision making, slow evaluation and promotion, and company concern for employees' health and welfare.

The Search for Excellence

In Search of Excellence by Thomas J. Peters and Robert H. Waterman explores the art and science of management used by leading 1980s companies with records of long-term profitability and continuing innovation. In the book, the authors propose eight characteristics of excellence:

A bias for action

close to the customer

autonomy and entrepreneurship

productivity through people

hands on; value driven

stick to the knitting

simple form; lean staff

simultaneous loose-tight properties.

The Emphasis on Quality

The quality of American products reached a low point in the 1970s. To address that problem, companies shifted their attention toward measures that would assure high quality in products and services. The model that gained prominence, called *total quality maintenance* (TQM), focused on preventing problems, not simply catching them at the end of a production process. You will learn more about TQM later in this course.

Moving from Good to Great

Built to Last: Successful Habits of Visionary Companies, a 1994 book by Jim Collins and Jerry Porras, focused on figuring out how to build great organizations from good ones.

One of their conclusions was that successful companies do not count on past successes to guarantee future success. Visionary managers are always open to new ideas and new possibilities. A few years later in 2001, Jim Collins and his colleagues harvested five years of research into the operations of a number of very successful companies—to see what made them tick. In a second book, Collins came up with the hedgehog concept, which refers to companies that develop a simple core concept that guides all of their future strategies.

CHAPTER 3: COMMUNICATION SKILLS

Communication as a Management Skill

Communication is critical to an organization. Without strong communication skills, leaders cannot convey their ideas and goals, and employees cannot share their ideas and concerns. The main points are the following:

Managers must give direction to the people who work for them.

Managers must be able to motivate people.

Managers must be able to convince customers that they should do business with them.

Managers must be able to absorb the ideas of others.

Managers must be able to persuade other people.

Consider each one carefully. If you are planning to become a manager (or if you already are), you should understand why communication is vitally important to you.

Interpersonal Communication

Interpersonal communication is a process of sending and receiving verbal and nonverbal messages between individuals. To be effective, that process must be interactive. That is, the message that's sent must be correctly understood by the receiver of the message. If communication isn't interactive, it can become miscommunication. Senders must be sure that their words (and nonverbal cues) clearly communicate the intended message. Yet, even when senders are meticulous about fashioning messages, the receivers may interpret (decode) the words and nonverbal cues differently than the

senders intended.

Learning to Communicate

In addition to being able to send accurate messages, good managers must also be able to accurately receive messages. You might think you know how to listen since you have done it all your life. Two important elements in this process are semantics and perception. Semantics is the science or study of the meanings of words and symbols. Perception is the mental and sensory processes an individual uses in interpreting information received. However, often you are not truly listening—only hearing. Ask yourself, “Do I really listen when someone is speaking, or am I planning what I’m going to say next, thinking about a problem I have, or concentrating on some other concern I have?”

As we have already mentioned, communication is interactive. *Feedback*, that is, a response from the receiver, is a key element in the communication process. This response may be verbal, or it may simply be a facial expression. Feedback from the receiver to the sender can help minimize miscommunication if the sender pays close attention to whether the feedback indicates a clear understanding of the message. When it does not, the sender must clarify the message with feedback to the receiver. Instead of asking if a person understands a message, it is much better to request that the receiver explain what he or she has heard.

Nonverbal communication—that is, gestures, facial expressions, and body positions—plays a key role in communication. Many people are unaware of its importance because so much nonverbal communication is unconscious or subconscious. People have a great capacity to convey meaning through nonverbal means of expression. One form of nonverbal communication, called *paralanguage*, includes the pitch, tempo, loudness, and hesitations in verbal communication. Studies show, however, that people take anywhere from 75 to 90 percent of the meaning of a conversation from nonverbal communication. Moreover, some studies have indicated that if the message in the words and in the nonverbal communication conflict, most people will believe the nonverbal, rather than the verbal! Therefore, when you communicate something to someone, you must be sure that your nonverbal communication matches your words. Otherwise your message may fall flat.

Written and Oral Communication

As a manager, you will communicate daily information to your employees. Sometimes this communication may be presented in writing; other times, it may be given orally. Either way, you must consider your audience and make sure your message is clear and that it is understood correctly.

The last section of chapter 3 examines communicating within the organization. There exists a few venues: the grapevine, e-mail, the Internet, and intranet. As with other forms of communication, these also have their benefits and challenges. One to be careful and to underestimate its power is the grapevine. It generally has a poor reputation because it is regarded as the primary source of distorted messages and rumors. However, management must recognize that the grapevine is often accurate. Management must recognize that information in the grapevine travels more rapidly than information in the formal channels of communication.

CHAPTER 4: DECISION-MAKING SKILLS

Making Decisions

Decision making is involved in every aspect of management—planning, organizing, staffing, leading, and controlling. *Decisions* are actions that select from among a number of options. And, there are always options that require decisions—even if one of the options is to do nothing at all. Even that's a decision.

You decide to wear your blue jacket. You decide to have a cheeseburger with everything. Those are examples of everyday life choices. You could say they are non-management decisions. On the other hand, according to Nobel laureate Herbert Simon, the *managerial decision process* involves intelligence, design, and choice. In this context, *intelligence* means gathering intelligence, or gathering information. *Design* means developing, inventing, and imagining courses of action. Finally, *choice* involves taking a selected path of action.

Decision Making versus Problem Solving

Problem solving generally involves some sort of decision making, but decision making does not necessarily involve problem solving. For example, as a manager, you may have to determine the production schedule for your department.

The decisions you make to establish the schedule are just part of management. They do not involve problems. However, suppose you arrive at work one day and discover that two of the machines you need for a priority job are down and the parts needed to repair them are temporarily unavailable. That is a problem. You now have some decision making to do, but it involves problem solving. Decisions become part of the problem-solving process when they have to do with deviation from a standard or desired level of performance.

The Intuitive Approach to Decision Making

According to your textbook, the intuitive approach to decision making involves the use of hunches and intuition. In everyday life, many people make decisions based on intuition. For example, you may decide to visit a friend because your intuition tells you she may need a shoulder to cry on. And in fact, you may be correct. On the other hand, using the intuitive approach to make management decisions may create more problems that need to be solved. As your textbook states, "Problems can occur when managers ignore available facts and rely only on feelings."

Rational Approaches to Decision Making

Given that intuition has its limits, managers are encouraged to adopt one of two rational approaches to decision making: the *optimizing approach* or the *satisficing approach*.

The optimizing approach is sometimes called the *scientific approach* to decision making. Here is an example of how this method would work in a business environment:

1. Charles, a production manager, recognizes a need to improve the performance quality of the Model A-4 DC drive motor. (He recognizes the need to make a decision.)
2. He decides that the winding shaft tolerance for the A-4 must be plus or minus .002 millimeters. (He sets his criteria.)
3. He gathers all the information he can about how to assure the desired tolerance.
4. He determines two alternatives: (1) retrain the machine lathe operators who prepare the winding shaft and
(2) purchase newer model lathes.
5. Charles evaluates the alternatives with respect to cost,

likely down time for training, and so on.

6. At last, he decides to requisition the newer model lathes.
(He selects the best alternative.)

The optimizing approach may be just the ticket for technical problems like the one in the example. But most managerial decisions are fuzzy, and using the optimizing approach may be unrealistic. For example, decisions about encouraging employee participation or devising a marketing plan involve coping with all the whimsical and unpredictable things inherent in human behavior. In such cases, optimizing may fall short. It is hard to identify clear criteria for why people will purchase Brand X sun block or Brand Y running shoes. It's hard to weigh alternative approaches to encouraging employee participation in company decision making.

An alternative to the optimizing approach is the *satisficing approach*. Based on the understanding that the optimizing approach is often unrealistic, Herbert Simon proposed the *principle of bounded rationality*. Basically, it means that human rationality is limited. Based on this principle, Simon developed certain assumptions:

1. Our knowledge of alternatives and of criteria is always limited.
2. People make decisions on the basis of biased, perceptually dangerous, and foggy ideas about the world.
3. People in actual situations employ a process Simon calls *satisficing*. This basically means, they do not choose the optimal alternative; instead, they choose the first alternative that reaches the decision maker's minimum standard of satisfaction.
4. A person's level of aspiration fluctuates along with values assigned to alternatives that come to his or her attention moment by moment.

The Decision-Maker's Environment

The term *environment* generally refers to a person's surroundings. A decision-maker's environment, however, includes the expectations—real or imagined—of people or groups of people who may influence a decision-maker's choices. Needless to say, that's a broad statement. It can refer to a variety of factors like the power of a union, industry norms, a supervisor's biases, and the personalities of one's

immediate peers.

Conditions for Making Decisions

There are three different conditions under which decisions are generally made. First is *certainty*. This situation is the ideal, because a manager knows exactly what will happen when he or she selects a particular alternative.

The second condition is *risk*. In a situation of risk, a manager understands the probable outcomes of his or her decisions. Generally a situation of risk occurs when a manager has incomplete information on which to base a decision.

The third condition is *uncertainty*. Uncertainty reigns when a manager has little or no information about a situation. Your textbook uses the weather as an example for predictable and unpredictable conditions. That's an appropriate example since the specifics of either global or local weather patterns are inherently unpredictable.

When managers must make decisions in a situation of uncertainty, they have three general approaches available to them:

1. According to the *maximax approach*, managers act as if the most desirable outcome will occur.
2. In a *maximin approach*, managers assume that some least desirable outcome will occur.
3. Finally, managers may use the *risk-averting approach* and prepare for a situation that has the least amount of variation in its outcome. A risk-averting approach is a bit like a maximin approach that relies on more planning.

Timing the Decision

It is not enough just to make a good decision; your timing must be correct as well. Snap decisions may come back to bite you, and delayed decisions may be like closing the barn door after the horses have run away.

Participation in Decision Making

Asking employees or consultants to participate in decision making may be a good idea, but you should be aware of the advantages and disadvantages of this approach. Group decision making is often better than average individual performance because groups or teams can enhance a search

for innovative or creative solutions. On the other hand, groups usually take longer to reach a solution. In that light, team or group involvement in decision making may be preferable when getting it right is more important than arriving at a quick decision.

Barriers to Effective Decision Making

In the view of Daniel Wheeler and Irving Janis, the four primary barriers to effective decision making are complacency, defensive avoidance, panic, and deciding to decide.

Complacency can be thought of as sleeping at the switch. Red lights flash, but no one is paying attention. *Defensive avoidance* amounts to denial. Signals denoting danger, opportunity, or responsibility-to-act are ignored or suppressed.

Defensive avoidance is like an alcoholic's denying that he has a problem. *Panic* does not make for sound decisions. Chickens running around with their heads chopped off are unlikely to find their heads. Finally, *deciding to decide* amounts to making a decision without adequately assessing available information—"just to get it over with."

Making Creative Decisions

Creativity refers to the development of a new idea, while *innovation* relates to the implementation of that idea. In an organization, successful managers may not be the most creative people in their departments, but they understand the need for creating an environment that encourages creativity. A five-step scheme to that end:

1. *Preparation.* Investigating all parts of a problem to gather the facts.
2. *Concentration.* Concentrating on solving a problem in a timely manner.
3. *Incubation of ideas and information.* Recognizing that accepted ways of solving a problem may not be the best ways .
4. *Illumination.* Discovering the link between a proposed solution and the actual problem.
5. *Verification.* Verifying the solution by testing it to see if it works

For the most part, individual managers are responsible for establishing a creative environment. Some managers are

naturally good at creating such an environment; others need suggestions to help them to this end.

- ⤴ *Instill trust*
- ⤴ *Develop effective internal and external communication*
- ⤴ *Seek a mix of talent within the organization.*
- ⤴ *Reward useful ideas and solutions.*
- ⤴ *Allow for some flexibility in the organizational structure.*

In addition to these five suggestions, your textbook presents three tried and tested techniques for fostering creativity.

1. The technique of *brainstorming* was developed by Alex F. Osborne to generate creative ideas in ad agencies. Today, brainstorming is used anywhere people are in search of new ideas. In summary the process involves presenting an idea to a group of people and asking for any and all ideas for its solution, reviewing and evaluating these ideas, and then choosing one of the alternatives. In particular, during the first phase there is no criticism or praise of ideas. During the second phase is when the merits of each idea are reviewed. Finally, in the third phase one of the alternatives is selected.

2. The *Gordon technique* was originally designed to find creative solutions to technical problems. It differs from brainstorming in that only the one conducting the group knows what the actual problem is. For example, if the problem is reducing the frequency of customer returns in a mail-order company, group members may be presented with keywords such as “satisfaction,” “quality,” and “service.” Ideas about these topics are generated and shared as the group leader sorts out relevant and useful ideas that apply to the actual problem.

3. In *brainwriting*, panel members write down ideas about a problem—without identifying themselves. The ideas are passed around and discussed until all panel members have a chance to participate. The expectation is that fresh and innovative ideas about solutions will emerge. In addition to these three tools that foster creativity, These stages do not guarantee creative decisions, but they do provide a means for approaching any decision.

Management information systems (MISs) are techniques for providing managers with up-to-date information needed for making decisions. Today, an MIS is most often in the form of electronic data processing for collecting and classifying data on things like productivity, sales, downtime, and staffing needs. Data processing is not an MIS, however—only a helpful tool to serve an MIS. In other words, data processing provides the database of the MIS.

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Practice Quiz 1

At the end of each part of Principles of Management, you will be asked to pause and check your understanding of what you have just read by completing a practice quiz. Answering these questions will help you review what you have studied so far. Please complete practice quiz 1 now.

1. The study of the meanings of words is called

- a. semantics.
- b. interpretation.
- c. linguistics.
- d. perception.

2. Informational roles describe the activities used to maintain and develop an information network. Which one of the following is not an informational role?

- a. Disseminator
- b. Spokesperson
- c. Negotiator
- d. Monitor

3. Middle managers tend to be responsible for

- a. production of goods and services.
- b. major departments.
- c. developing concepts.
- d. determining corporate goals.

4. Theory _____ was based on management practices used by the Japanese.

- a. X
- b. M
- c. Z
- d. Y

5. The principle of bounded rationality is a formulation underlying the _____ approach.

- a. satisficing
- c. opportunistic

b. optimizing

d. organizational

6. Henri Fayol was the first person to outline the

a. importance of the Hawthorne effect.

b. principles of management.

c. systems approach.

d. importance of time and motion studies.

Questions 7–12: Match the definition in the left-hand column below to the term it describes in the right-hand column.

_____ 7. Maximax approach
method for dealing with

a. An optimistic, “gambling”

uncertainty

_____ 8. Soldiering
body language,

b. A process that includes gestures,

facial expressions, and gestures

_____ 9. Conceptual skills
includes foremen, crew leaders,
and store managers

c. Level of employment that

_____ 10. Hedgehog concept
managers focus on simple basic

d. A method in which

principles to enhance performance

_____ 11. Nonverbal communication
to restrict output

e. The tendency of employees

_____ 12. Supervisory management
understand how different

f. Factors that help managers

parts of a company relate to each other

(Continued)

Questions 13–21: Match the definition in the left-hand column below to the term it describes in the right-hand column.

_____ 13 Grapevine
age, gender, income, and ethnicity

a. Data that includes median

_____ 14. Interpersonal roles
effectively in both large and small groups

b. The ability to speak

_____ 15 Perception
expects to attain in light of
previous successes and failures

c. Degree of performance one

_____ 16. Demographics
in an organization

d. Informal paths of communication

_____ 17. Glass ceiling
which women and
have difficulty rising

e. The level in an organization above
minorities

_____ 18. . Level of aspiration
unique ways by different people

f. Viewing of a situation in

_____ 19. TQM
organization

g. A network used for and within an

_____ 20. Oral communication skills
roles that includes figureheads,
leaders, and liaisons

h. A category of management

_____ 21. Intranet
organization so as to excel in all
areas important to the customer

i. Management of an entire

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