

## CHAPTER 2 Basic Management—Functions, Theories, and Best Practices

### 2.1 LEARNING OUTCOMES

1. List and describe the four functions of management.
2. Explain the key elements and significance of three historical management theories.
3. Analyze and determine which of Fayol's principles of management are appropriate in today's environment.
4. Describe two categories of contemporary management theories.
5. Define best practices and explain why managers should keep abreast of them.

### 2.2 CHAPTER OUTLINE

#### Functions of Management

Planning

Organizing

Leading

Controlling

#### Historical Management Theories

Scientific Management

Bureaucratic Management

Administrative Management

Behavioral or Human Relations Management

#### Contemporary Management Theories

Systems Management Theory

Situational or Contingency Theories

#### Best Practices

### 2.3 CHAPTER TEACHING TIPS

To teach the material covered in Chapter 2 of the text, use the Comprehensive Lecture Outline (see section 2.4 below). Supplement the Comprehensive Lecture Outline with some of the following instructor's resources:

- **PowerPoint® slide presentation** PowerPoint slides can be used for review purposes by both instructors and students. Each presentation provides a basic framework for the chapter. Instructors can access them on the instructor's companion website and on the

Instructor's Resource CD. Students can access the slides on the CourseMate website for this book.

- **Knowledge to Action (text)** Chapter 2 includes two Knowledge to Action features that help students:

- \* Identify the importance of establishing a formal structure and an organizational chart for all organizations for long-term success. (p. 29)
- \* Ascertain the validity of Fayol's principles of management for different size companies. (p. 35)

(Note: See the Comprehensive Lecture Outline below for suggested answers to the questions.)

- **Videos (CourseMate)** The authors have selected and recommend the following video clip for Chapter 2:

- \* Boyne Resorts

- **Opening Vignette—Straight Talk from the Field (text)** Thomas E. Suggs, president and CEO of Keenan Suggs Insurance Company in Columbia, South Carolina, introduces students to the important first steps to be taken when setting up a successful company. Consider using the opener as an alternative to the icebreaker included in the Comprehensive Lecture Outline.

- **Leveraging Technology (text)** Ask students, "Have any of you ever been hacked or have you had a computer virus? How did that affect you?" Discuss with students the four steps managers can take to reduce the risks created by end users of technology.

- **Questions for Reflection (text and section 2.5 below for suggested responses)** Consider using the questions for out-of-class assignments or to start in-class discussions to assess student understanding and application of the most important concepts in the chapter. Consider also using some of the questions as part of your tests or quizzes.

- **Hands-on Activities (text and section 2.6 below for suggested responses)** This section includes two activities that may require students to do individual and/or group research beyond the text. Consider using either or both of these activities after the completion of the lecture for this chapter. For Chapter 2 the two activities are:

- \* Work with Your Team
- \* Apply Management Principles

- **You Decide Case Study (text and section 2.7 below for suggested responses)** This case covers **Responsible Blogging and Social Networking for Work** and gives students an opportunity to apply the concepts covered in the chapter through answering questions about a hypothetical, yet realistic, scenario. Students practice critical thinking, problem solving, and other skills as part of a classroom discussion or as a graded assignment. This is a helpful case to begin the study of employees' responsibility to the company on social

networking sites and the appropriate actions to take by managers when an employee crosses the line.

- **The Manager's Toolkit (text and section 2.8 below for suggested responses)** This provides students with a structured opportunity to work as a team to diagram and describe the workings of an open systems management process. Assign Manager's Toolkit activities at the end of each chapter occasionally or consider assigning all or most of them to help students create a Management Portfolio for use in the workplace or interviews.
- **Soft Skills for Success (text and section 2.9 below for suggested responses)** This activity allows students to hone their critical thinking skills. Consider assigning this as homework for the teams, followed by a discussion of how critical thinking skills contributed to the team's ability to evaluate the validity of the information in the articles they read.
- **Miscellaneous Activities (Instructor's Manual, section 2.10)** The instructor may choose to use the first activity at any time during the course of this chapter. The second activity should only be used at the end of the chapter. The activities are:
  - \* **Team Building** This in-class game helps students work together as a team.
  - \* **Reinforcing Information** This in-class game reinforces learning of the different management theories.
- **Learn It On the Web (Instructor's Manual, section 2.11)** This activity discusses the requirements of the Federal Trade Commission's best practices on Internet advertising and marketing. Consider assigning this activity during or at the completion of the lecture for this chapter.

## 2.4 COMPREHENSIVE LECTURE OUTLINE

### ICEBREAKER ACTIVITY

Ask students to discuss a project they have been a part of either as a team member or a team leader. Have students explain how they planned and organized the project as a team, and then have them discuss how the team worked—or did not work—including the effectiveness of the team leader. Discuss why the positive aspects of the teams worked and how to apply these aspects in their teams and how to improve on any negative aspects of their former team experiences.

### I. Functions of Management

- A. Planning** This is the process of determining the mission and goals of an organization and specifying what it will take to achieve those goals.
- B. Organizing** This is the process of creating the structure of an organization. Depicted in a chart, organizations have a vertical hierarchy, which shows the chain of command, and the horizontal specializations, which shows the divisions of labor.
- C. Leading** Successful managers use a wide variety of leadership skills to inspire and motivate employees to achieve organizational goals.

- D. Controlling** This ensures that performance meets the goals of the organization through setting standards, monitoring performances, and detecting and correcting any deviations.

---

## KNOWLEDGE TO ACTION

- 1. Assume you are taking over a family-owned business with 20 employees and no formal organizational structure. Would it be important to develop a formal structure? Why or why not?**

Yes, it would be important. All businesses, regardless of size, need to establish a formal organizational structure for long-term success.

- 2. Would it also be important to develop an organization chart and provide copies to all employees? Why or why not?**

Yes, it would be important. A chart helps all employees understand the organization's official positions and formal lines of authority.

- 
- II. Historical Management Theories** This discussion of key management theories acquaints students with the history of management theories on which contemporary theories are based.

**A. Scientific Management** Discussed is Frederick Taylor's theory on improving the productivity of factory workers and motion studies by Frank and Lillian Gilbreth. This theory focuses on performing work efficiently.

**B. Bureaucratic Management** Max Weber developed the bureaucratic management concept, which is the exercise of control on the basis of knowledge, expertise, or experience. This theory focuses on ensuring employees have the skills and knowledge to do the job and are promoted based on knowledge, experience, and performance.

**C. Administrative Management** This approach to management emphasizes managers' ability to lead and to use effective management practices in accomplishing the organization's goals. This theory is based on the 14 principles developed by Henri Fayol.

**D. Behavioral or Human Relations Management** Elton Mayo directed studies that showed employers that the social interaction of a group and other human relations factors greatly impact individual and group performance.

- III. Contemporary Management Theories** This section discusses theories that began in the 1960s, with research still continuing.

**A. Systems Management Theory** This approach to management focuses on managing all parts of a system to ensure that they are working together to accomplish a common goal and that synergies and the increased effectiveness that results from combined action or cooperation occur. This theory includes the open systems view to

organizations developed by theorists Daniel Katz, Robert Kahn, and James Thompson. An open system consists of the following:

- a. **Input** This is the gathering of resources to produce the product.
  - b. **Feedback** This is information that is obtained from the customers and others to help improve the product.
  - c. **Process** This involves planning, organizing, creating/developing, and controlling.
  - d. **Feedback** This is a continuation of receiving information from the customers and others to help improve the product.
  - e. **Output** This is the stage where the product is ready for the consumer.
- B. Situational or Contingency Theories** These theories hold that leaders must use different leadership styles as situations change. Situational leadership is a concept that the leader's style should match the situation. Contingent leadership means that leaders should be matched with situations that fit their personalities. The path-goal leadership theory suggests leaders can improve employee satisfaction and performance by clarifying how workers can achieve organizational goals.

---

#### KNOWLEDGE TO ACTION

- 1. Are all of Fayol's 14 principles of management still valid in the current work environment? If not, which ones are not valid and why?**

Answers will vary. All responses should mention information from Fayol's list such as division of work, discipline, or unity of direction. It should be noted that most apply in today's management environment.

- 2. Would applying Fayol's principles in a small entrepreneurial organization be different from applying them in a large, well-established company? Explain.**

Yes. Management functions are general administrative duties that need to be carried out in virtually all productive organizations.

- 
- IV. Best Practices** These are broad standards of policies, procedures, and guides used by the most successful businesses and nonprofit organizations. Following best practices is an excellent way to achieve continuous improvement in an organization. Best practices focus on role model behavior in specific areas or industries.

---

#### DISCUSSION QUESTION

Ask students, "What are the pros and cons of the systems management theory and the three types of situational or contingency theories? What real-world experience have you had with

any of these theories?”

---

## 2.5 QUESTIONS FOR REFLECTION

1. **Are the four functions of management important in very small businesses (under 25 employees)? Why or why not?**

Yes; they are administrative functions that should be carried out in all organizations for the company to be productive.

2. **Why are both dimensions of an organization chart—vertical hierarchy and horizontal specialization—important?**

Vertical hierarchy establishes the chain of command, or who reports to whom. Horizontal specialization shows the various divisions of labor across an organization. Both are needed to see the whole picture.

3. **What are some differences between Frederick Taylor’s ideas about scientific management and Max Weber’s concept of bureaucratic management?**

Responses may vary, but should show an understanding of the two theories. Taylor’s scientific management emphasizes scientifically determined jobs and management practices as the way to improve efficiency and labor productivity whereas Weber was concerned with promoting people to management based on their knowledge, expertise, or experience.

4. **What do you think are the key advantages and disadvantages of businesses using social media, such as Facebook, YouTube, LinkedIn, or Twitter?**

Responses will vary but should demonstrate knowledge of social media and an analysis of how businesses profit from the use of social media and the risks.

5. **Review the three situational or contingency theories described in the chapter. Do you think they can be applied effectively in today’s business environment? Explain.**

Answers may vary. All should show an understanding of the theories: situational leadership, contingent, and path-goal.

6. **Do you think it is important to keep up with best practices in your career field? Explain. How would you go about keeping abreast of best practices in your career field?**

Students should know it is important to keep up with the best practices in their career field. Ways to keep abreast of the best practices include observing a role model, joining professional associations, reading professional literature and surveys, participating in discussions at meetings, and years of practical experience.

## 2.6 HANDS-ON ACTIVITIES

1. **Work with Your Team** The instructor may want to bring report sample copies into class. Reports should be a team assignment.
2. **Resources** The instructor should instruct students to refer to the “Leveraging Technology” feature on page 36 to include safeguards for the company’s technology in the report.
3. **Apply Management Principles** The instructor may decide to have the team collaborate on the description or have each member of the team complete the assignment individually.

## 2.7 YOU DECIDE: CASE STUDY Responsible Blogging and Social Networking for Work

1. **If you were Mimi, how would you handle this situation?**

Responses will vary. A response might be to use company-wide policies and procedures to address Eldrick.

2. **What are the potential consequences if Mimi ignores Eldrick’s actions?**

Answers will vary, but all should show an understanding that Eldrick breached company policy and that he needs to be trained or retrained on it.

3. **How can Mimi take advantage of Eldrick’s interest in Internet resources to benefit the store?**

Mini might suggest that Eldrick use his interest to promote the store on social media sites.

4. **Does Eldrick’s blog pose any security risk to the company? Why or why not?**

Answers will vary. Students might say that Eldrick’s posting may pose risks to Mimi more than to the store. The store might benefit from Eldrick’s praise, or students might say posting on social media by a store employee, unless authorized to do so, hurts a business.

## 2.8 MANAGER’S TOOLKIT

The Chapter 2 *Manager’s Toolkit* asks students to diagram how an open systems management process would work for the sales and property management groups of a real estate company. Have students work with their teams to produce the diagram and present it in class along with an explanation of their process. Remind students to include feedback from sellers and buyers in the sales group and from clients and renters in the property management group in their diagrams.

## 2.9 SOFT SKILLS FOR SUCCESS

The Chapter 2 activity focuses on Critical Thinking. The ability to think critically is required for success in management. Students are asked to read articles, and then, as a team, develop a

report that describes how the articles helped each member to use critical thinking to evaluate the validity of the information.

## 2.10 MISCELLANEOUS ACTIVITIES

### 1. Team Building

Purpose: To help students work together as a team.

Materials: Jars with lids and objects of different sizes that will fit into the jars

Time: 10 minutes

Procedure:

- Students should assemble into their teams.
- The instructor is to give each team several objects of different sizes and a jar with a lid. The objects must all be able to fit into the jar.
- Each team's task is to put all the items into the jar and close the lid.
- The winning team is the team that completes the task first.
- To win, teams must figure out that the larger items must go in first.

### 2. Reinforcing Information

Objective: To reinforce learning of the different management theories.

Time: 20–30 minutes

Materials: Each team needs to have index cards, pen or pencil, and a buzzer or bell. The instructor is to have a timer.

Procedure:

- Appoint one member of each team to work together to write three to five statements about each of the management theories discussed in the text. Copy these statements on index cards, one statement per card, and give each member of each team at least one card.
- Set the timer for 45 seconds.
- The first team member of the first team is to read a statement aloud. (Students who participated in writing the statements should not participate in this part of the game.)
- The team to hit their buzzer first is to answer which management theory the statement represents. If the answer is correct, that team wins one point. If the answer is incorrect, the question is opened to the other teams.
- Continue the game until all members of the teams have read at least one statement.
- The team with the most points at the end of the game is the winner.



## **2.11 LEARN IT ON THE WEB**

Read the article “Best Practices in Advertising and Marketing on the Internet” at the following site: <http://www.sba.gov/content/best-practices-advertising-and-marketing-internet>

Answer the following questions:

- 1. Why must the rules that apply to other forms of advertising and marketing apply to electronic marketing?**

The rules protect businesses and consumers, and they help the Internet maintain its credibility as an advertising medium.

- 2. What are the two major guidelines of the Federal Trade Commission in reference to Internet marketing and advertising as expressed in this article?**

Advertising must tell the truth and not mislead consumers and all claims must be substantiated.