

CHAPTER 1

The contemporary workplace

LEARNING OBJECTIVES

- 1.1 What are the challenges in the contemporary workplace?
 - 1.2 What are organisations like in the contemporary workplace?
 - 1.3 Who are managers and what do they do?
 - 1.4 What is the management process?
 - 1.5 How do you learn essential managerial skills and competencies?
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Managing the fresh food people

Since being founded in Sydney in 1924, Woolworths Ltd had grown to be number two of the top 2000 companies in Australia by 2015.¹ It now dominates the hypercompetitive Australian supermarket sector (worth in total 6 per cent of the nation's gross domestic product). With its 3000 stores across Australia and New Zealand, and more than 190 000 employees, it serves over 28 million customers each week. Operating profits exceed \$60 billion.² However, Woolworths and its chief competitor Wesfarmers (owner of Coles Group Limited) now face efficient and successful rivals: the German discount supermarket Aldi and the US membership warehouse club Costco. Both Woolworths and Wesfarmers exhibit high levels of total liabilities compared to their total tangible assets, due to goodwill and intangibles making up a significant proportion of total assets. Although both have strong operational cash flows, this may mean they carry higher risk in a trade downturn if they need to rely on increasing borrowings to fund capital expenditure.³ Add to this the predictions that 2015–20 will offer challenging conditions for the retail sector generally, and the task facing the Woolworths management team is significant. For example, does it stick with its espoused mission statement: '[Woolworths is] built on a passion for retail, attention to detail, working hard, ensuring the safety of our customers and our people, and having fun. Our mission is to deliver to customers the right shopping experience — each and every time'?⁴

It sounds good, but is the customer really likely to prefer an explicit mission for the employees to 'have fun' over an option to have lower prices? What might this 'right shopping experience' be? Rivals with lower prices pose a threat. Fresh food, convenience and value for money might not be enough. How good does Woolworths have to be to attract customers from its competitors, or at least to retain those customers it still has?

What are the options available to the decision-makers? Does it offer a scheme to build customer intimacy, and thus loyalty and share of the shopping basket? Does the management team invest time and money in innovative software to extract value for the shareholders from the digital revolution? Will mobile platforms and online shopping change everything or just some things? Will flatter organisational structures improve internal communication and capitalise on implicit knowledge? In short, is there a management choice between strategies aimed at increasing customer intimacy and loyalty, those aimed at operational efficiency and those targeting organisational integrity and brand leadership?

Woolworths is not alone in confronting such challenges. What kind of workplaces are likely to be needed to support this new trend for innovation and flexibility, with improved efficiency and productivity? What can managers do to create them?



QUESTION

How has the workplace changed in the past twenty years and what are the implications of the changes? Where are the trends likely to take us in the next twenty years?

Introduction

The 21st century has brought demands for a new workplace — one in which everyone must adapt to a rapidly changing society with constantly shifting expectations and opportunities. Learning and speed are *in*; habit and complacency are *out*. Organisations are evolving, as is the nature of work itself. The global economy, is sustained by innovation and technology. Even the concept of success — personal and organisational — is changing as careers take new forms and organisations transform to serve new customer expectations. Such developments affect us all, offering both unparalleled opportunity and unprecedented uncertainty. In this age of continuous challenge, a compelling message must be heard by all of us — smart people and smart organisations create their own futures!⁵

In the quest for a better future, the best employers share an important commitment to people. Amid high performance expectations, they offer supportive work environments that allow people's talents to be fully used while providing them with both valued rewards and respect for work–life balance. In the best organisations employees benefit from flexible work schedules, onsite child care, onsite health and fitness centres and domestic partner benefits, as well as opportunities for profit sharing, cash bonuses and competitive salaries. In short, the best employers are not just extremely good at attracting and retaining talented employees. They also excel at supporting them in a high-performance culture workplace so that their talents are fully used and their contributions highly valued.

Today's dynamic new workplace also has huge implications for how individuals manage and shape their careers. Employees are increasingly committed to their own development. Their aim is continuous improvement in order to optimise their chances of employment. Fewer and fewer employees depend on an organisation for their identity and they are no longer committed to just one employer.

After studying high-performing companies, management scholars Charles O'Reilly and Jeffrey Pfeffer concluded that those companies achieve success because they are better than their competitors at getting extraordinary results from the people working for them. 'These companies have won the war for talent', they say, 'not just by being great places to work — although they are that — but by figuring out how to get the best out of all of their people, every day'.⁶ This, is what *Management* and your management course are all about. Both are designed to introduce you to the concepts, themes and directions that are consistent with the successful management of organisations in today's high-performance work settings. As you begin, consider further the challenge posed by the title of O'Reilly and Pfeffer's book: *Hidden Value: How Great Companies Achieve Extraordinary Results with Ordinary People*. Let your study of management be devoted to learning as much as you can to prepare for a career-long commitment to getting great things accomplished through working with people.

1.1 Working in today's economy

LEARNING OBJECTIVE 1.1 What are the challenges in the contemporary workplace?

As painful as the global financial crisis became, we now live and work in a post–global financial crisis economy, marked by challenging opportunities and dramatic uncertainty.⁷ It is a networked economy in which people, institutions and nations are increasingly influenced by the internet and continuing developments in information and communications technology (ICT).⁸ Where once the internet was the key to an exciting future, understood by only a few, it is now expected as a threshold technology and relied upon routinely by the many. Massive connectivity between systems and people and comprehensive automation of seemingly all our everyday processes is now simply 'business as usual'. The new economy is a global economy whose scope increases daily. The nations of the world and their economies are increasingly interdependent, and this globalisation generates great challenges as well as opportunities. The new economy is knowledge-driven. We must all accept that success must be forged in workplaces reinvented to unlock the great potential of human intelligence. The high-performance themes of the day are 'empowerment', 'respect', 'participation', 'flexibility', 'teamwork', 'creativity' and 'innovation'.

Undoubtedly, the new economy is performance driven. Expectations of organisations and their members are very high. Success is not guaranteed, but must be earned in a society that demands nothing less than the best from all its institutions. Organisations are expected to continuously excel on performance criteria that include innovation, concerns for employee development and social responsibility, as well as more traditional measures of profitability and investment value. When organisations fail, customers, investors and employees are quick to let them know. For individuals, there are no guarantees of long-term employment. Jobs are subject to constant change. Increasingly they must be earned and re-earned every day through performance and accomplishments. Careers are being redefined in terms of ‘flexibility’, ‘skill portfolios’ and ‘entrepreneurship’. Today, it takes initiative and discipline and continuous learning to navigate one’s own career path. Tomorrow’s challenges are likely to be even greater. What then are some of the challenges ahead for managers?

Intellectual capital

The dynamic pathways into the future are evident among new benchmarks being set in and by progressive organisations everywhere. Many will be introduced throughout *Management*. What will become evident is that the ultimate foundations of an organisation’s success are its people — what they know, what they learn and what they do with it. They carry not just the corporate memory, but also represent the firm’s **intellectual capital** — defined as the collective brain power or shared knowledge of a workforce that can be used to create value.⁹ Indeed, the ultimate elegance of the new workplace may well be its ability to combine the talents of many people, sometimes thousands of them, to achieve unique and significant results.

This is the age of the **knowledge worker** — someone whose mind is a critical resource for employers and who adds to the intellectual capital of the organisation.¹⁰ If you want a successful career in the new economy you must be willing to reach for the heights of personal competency and accomplishment. You must be a self-starter, willing to learn from experience continuously, even in an environment that grows daily more complex and challenging.

Globalisation

Japanese management consultant Kenichi Ohmae suggested that the national boundaries of world business have largely disappeared.¹¹ At the very least we can say that they are fast disappearing. Who can state with confidence where their favourite athletic shoes or the parts for their personal computer were manufactured? Does it matter anyway? More and more products are designed in one country, their component parts are made in others and the assembly of the final product takes place in yet another country. Top managers at Apple, Sony and other global corporations, for example, have no real need for the word ‘overseas’ in everyday business vocabulary. They operate as global businesses that view themselves as equidistant from customers and suppliers, wherever in the world they may be located. ‘Overseas’ becomes a permanent state of mind, not a nation state on a map. With their vast populations and particularly vibrant middle classes, India and China are likely to become even more significant producers and consumers. Managers in so-called ‘Western’ countries find they need to think globally, act locally, and then incorporate India and China in any strategic decision.

This is part of the force of **globalisation**, the worldwide interdependence of resource flows, product markets and business competition that characterises our new economy.¹² In a globalised world, countries and peoples are increasingly interconnected through the news, in travel and lifestyles, in labour markets and employment patterns, and in business dealings. Government leaders now worry about the competitiveness of nations just as corporate leaders worry about business competitiveness.¹³ The world is increasingly arranged in regional economic blocs, with North and Latin America, Europe and the Asia–Pacific region as key anchors, and with Africa yet to claim its economic potential. Like any informed citizen, you too must understand the forces of globalisation and be prepared to participate in it.

Australian project management goes global

In spite of a worldwide decline in the resources sector, Ausenco, a Brisbane-based engineering and project management company, has achieved global success through a careful and well-planned approach to business. The company was founded by Zimi Meka and Bob Thorpe in Brisbane in 1991. It proved remarkably successful, with a 'can do' culture built on providing superior levels of innovative professional engineering services to its clients, both large and small. Their work ranged from minor pre-feasibility studies to assessing the viability of a proposed project, to designing, constructing and commissioning complex projects in some of the world's most challenging and remote regions. It is this approach and strong business ethos that has seen their installed capital value running into the billions.



In 2008, the company expanded by purchasing US engineering companies Sandwell, Vector and PSI. The expansion provided the company with comprehensive capabilities in everything from consulting in the initial design phase to slurry transport and tailings dams. Still headquartered in Brisbane, with over 3000 staff globally and growing, Ausenco delivered major mining services projects in Canada and China, and a high-tech copper project in Laos, along with other successful projects in Africa, Australia and South America. By 2015 the 'resources boom' was all but over and the Chinese steel mills were slowing, along with the price paid for iron ore. Coal, oil and gas prices were all reduced by 30–50 per cent over the previous five years, and the outlook remained stubbornly 'subdued'. Community resistance to coal mines in pastoral regions sapped the will of governments and miners alike.

Previously, careful focus on its activities, organisational capabilities and the continuing professional development of its staff, plus the flexibility to meet client needs while still providing innovative project solutions, had meant that Ausenco survived the financial downturn in good shape, and with an optimistic forecast for its share price. However, a lack of new projects gradually took its inevitable toll, and Ausenco management had to contemplate layoffs and moving operations into new sectors such as renewable energy projects. Nowadays, providing sustainable solutions for a cleaner environment has become the company's objective. The key to Ausenco's success has certainly been the careful management of its operations and mutually productive relationships with its clients. Zimi Meka, Ausenco's CEO, was named by *Engineers Australia* magazine as one of Australia's most influential engineers in 2015 and has earned his place in the ranks of Australia's most successful managers — even through the tough times.

QUESTION

Thinking about the challenges of managing in a fast-moving technology-rich multinational environment, how will the manager of tomorrow be successful? We can and should learn from the past, but what can we learn from the future? Where is it taking us?

Technology

The global economy is not the only beneficiary of developments in new technology. Who has not been affected by the internet? Those who are not willing to become a participant in the exploding world of ICT will be left behind. It is a mandatory requirement in the contemporary workplace.

We now live in a technology-driven world dominated by interactive technologies that are compact, visually appealing and versatile — offering users conveniences such as remote internet access at the click of a button. Computers allow organisations of all types and sizes, locally and internationally, to speed transactions and improve decision-making.¹⁴ From the small retail store to the large multinational firm, technology is an indispensable part of everyday operations — whether you are managing the inventory, making a sales transaction, ordering supplies or analysing customer preferences. Recently, scanning technologies have become integral to streamlining operations for many businesses.

Local and international governments increasingly take advantage of the internet. When it comes to communication — within the many parts of an organisation or between the organisation and its suppliers, customers and external constituents — geographical distances hardly matter anymore. Computer-based networking can bring together almost anyone from anywhere in the world at the touch of a keyboard. People in remote locations can hold meetings, access common databases, share information and files in real time, and make plans and solve problems together — all without ever meeting face to face.

As the pace and complexities of technological change accelerate, the demand for knowledge workers with the skills to use technology to full advantage is increasing. The information-based economy is dramatically changing employment. The fastest growing occupations are computer-related. Workers with ICT skills are in demand — low-skill workers displaced from declining industries find it difficult to find new jobs offering adequate pay. In a world where technological change is occurring at an accelerating rate, computer literacy must be mastered and continuously developed as a foundation for career success. For example, around 90 per cent of Australia and New Zealand's population are internet users. The percentages are similarly high in Hong Kong and Singapore, with 80 and 82 per cent respectively.¹⁵

Diversity

Along with many other countries in the world, the populations of both Australia and New Zealand are ageing, due to people having fewer children and generally living longer than in past generations. Consider this fact: currently, about 1 in 10 people in both countries are aged over 65. By 2050, there will be as many people aged over 65 in both countries as there are people between 15 and 40.¹⁶ The Australian workforce consists of a large proportion of employees aged over 45 years. The global financial crisis has severely impacted superannuation funds, so much so that many pre-retirees have deferred their retirement, and many who have retired have sought to rejoin the workforce. Consequently, as increasing numbers of the workforce belong to older age groups, it could be expected that age could become an important basis for the development of diversity management initiatives. However, research on 7500 Australian companies has found that less than one in three are attempting to attract mature-age workers.¹⁷ This is surprising in view of the benefits when older workers are employed: more taxes are paid, wisdom and experience are contributed to the workplace, and productivity increases. Without an increase in the participation rate by mature-age workers, the burden of pensions and healthcare will increase steeply. At the Older Australians At Work Summit, the Age Discrimination Commissioner, Susan Ryan, stated: 'Rather than inflicting an intolerable burden on the declining proportion of taxpaying workers aged less than 60 years, we can spread the load by a straightforward change: by lengthening the working life of all Australians'.¹⁸ Furthermore, it was reported that:

Increasing employment of older people will have extraordinary benefits. An increase of 5 per cent in paid employment of Australians over the age of 55 would boost the economy by \$48 billion . . . each year. Such a change presents opportunities for businesses as well. As a cohort, older Australians are diverse, talented, energetic, and willing to work.¹⁹

The term **workforce diversity** is used to describe the composition of a workforce in terms of differences among the members.²⁰ These differences include gender, age, race, ethnicity, religion, sexual orientation and able-bodiedness. In Australasia the legal context of human resource management is very strict in prohibiting the use of demographic characteristics for staffing decisions such as hiring and promotion. Discrimination against older employees continues in some sectors. Australasian organisations have been reluctant to hire older staff in spite of evidence to indicate that beliefs in their lessened capacity are false. Similarly, other forms of discrimination persist, despite laws designed to prevent them. This is discussed in later chapters.

The issues of managing workforce diversity extend beyond legal considerations. Today's increasingly diverse and multicultural workforce offers great opportunities with respect to potential performance gains.²¹ By 'valuing diversity' organisations can tap into a rich talent pool and help people work to their full potential. But what does this really mean? It should mean 'enabling every member of your workforce to perform to his or her potential'. A vice-president at Avon once posed the challenge of managing diversity this way: 'consciously creating an environment where everyone has an equal shot at contributing, participating, and most of

all advancing'.²² Although easy to say, meeting social responsibilities to truly value diversity has proven difficult to accomplish. Even though progress in equal opportunity continues to be made, lingering inequalities remain in the workplace. Not only will the composition of the workforce change in the future, but the nature of the relationships people have with organisations will also continue to change. The past two decades have been characterised by an upward trend in all types of non-standard forms of employment. There has been an increase in casual work, temporary work, outsourcing and offshoring, the use of agencies and other labour-market intermediaries. Given the continuing need for organisations to respond quickly in the marketplace, it could be expected that these forms of flexible employment will increase. Differences in approaches to pay, conditions of employment and opportunities for development are ready examples of the inequality this can involve.²³ Diversity bias can still be a limiting factor in too many work settings. Managing a diverse workforce needs to take into account the different needs of members of different identity groups.

Prejudice, or the holding of negative, irrational opinions and attitudes regarding members of diverse populations, sets the stage for diversity bias in the workplace. This bias can take the form of **discrimination** that actively disadvantages people by treating them unfairly and denying them the full benefits of organisational membership. It can also take the form of any barrier or 'ceiling' that prevents people from rising above a certain level of organisational responsibility. Researcher Judith Rosener suggests that the organisation's loss is 'undervalued and underutilised human capital'.²⁴

DIVERSITY

The challenge of managing across cultures

Managing in an international environment is a significant challenge for organisational leaders in multinational corporations. Managing across cultures is never easy, and undertaking international leadership roles can be particularly difficult. Global supply chains, marketing strategies and human resource management approaches require constant coordination and fine-tuning. Whether you wish to lead a global corporation one day, or simply hope to develop international leadership skills, an overseas job assignment can provide an array of new skills and experiences.



A survey of 300 Australian general managers found that the traditional highly individualistic, consultative Australian leadership style is inappropriate when transferred to the hierarchical, group-oriented cultures of many Asian countries. A global mindset is required in which managers adapt their style to the cultures in which they operate. This mindset can be developed through regular exposure to the business cultures of Asia-Pacific, and an international assignment is one obvious way to achieve this. Undertaking international management and cross-cultural subjects at university is also highly recommended.

Workers in Asian countries can often be expected to show great respect to seniors and those in authority. In contrast, in Western cultures such as in Australia and New Zealand, workers may be expected to emphasise self-interests more than group loyalty. Outsiders may find that the workplace in more 'masculine' societies, such as Japan, displays more rigid gender stereotypes. Also, corporate strategies in more long-term cultures are likely to be just that — more long-term oriented. Potential reasons for these phenomena are discussed in relation to the well-known international study conducted by Geert Hofstede in the chapter on the international dimensions of management.²⁵

QUESTION

By definition, cultures are different from each other, with differing values, attitudes, feelings and behaviours. Is it possible to have an approach to management that flies over all these differences, like a one-size-fits-all theory that's infinitely adaptable?

Ethics

When a well-known business executive goes to prison for some corporate misdeed, we notice. When a major environmental catastrophe occurs because of a business misdeed, we notice. In 2015, Volkswagen famously admitted to systematic fraud by installing software in 11 million of its diesel cars to allow them to pass emissions tests. Once the cars were out of the laboratory the software deactivated their controls and the engines spewed fumes at up to 40 times the permitted level.²⁶ The Volkswagen CEO, Martin Winterkorn, resigned but the reputational and financial damage to the company was immense. It was to Volkswagen what Deepwater Horizon was to BP — at least that was an accident. Volkswagen's deception was deliberate.

Increasingly, we notice the 'moral' aspects of the everyday behaviour of organisations, their executives and employees.²⁷ Society is becoming strict in its expectation that social institutions conduct their affairs according to high moral standards. A global recession, coupled with a spate of corporate failures, poor corporate governance and the apparent indifference of some businesspeople to shareholders, employees and local communities are reasons for some businesses' poor image. Add to this a negative reaction to globalisation, cost-cutting and the gap between the wages of workers and those of senior executives, and a bleak picture emerges regarding the image of Australian big businesses.²⁸ These issues have also put the spotlight on the quality and moral standards of Australian boards and managers. Equally, the collapses of financial services organisations in and after the turmoil of the global financial crisis has raised serious questions about management incompetence, greed, corruption and CEO remuneration; indeed, about corporate ethics generally.

The pressure for ethical and socially responsible conduct is on, and justifiably so. Organisations and their managers are becoming more responsive. Quite simply, they will not be able to keep customers if they do not treat them well and act in ways that are consistent with society's values. The expectations characteristic of this new century include sustainable development and protection of the natural environment; protection of consumers through product safety and fair practices; and the protection of human rights in all aspects of society, including employment.²⁹ Workplace concerns include equal employment opportunity, equity of compensation and benefits, participation and employee involvement, privacy and due process, job security, occupational health and safety, and freedom from sexual harassment. Employees are demanding more self-determination on the job — they want to be part of everyday decisions on how and when to do their jobs, and they expect real opportunities to participate in job-related decisions. Job security is a concern at a time when many organisations are cutting back their full-time workers and hiring more part-time or casual workers.

Ethical and social responsibility issues involve all aspects of organisations, the behaviour of their members and their impact on society. You must be ready to understand the ethical context of working in the new economy and you must be prepared to perform in ways that fulfil your ethical commitments as well as those of your employer. Consider, for example, the ethical framework set by this statement from the credo of Johnson & Johnson:

We are responsible to the communities in which we live and work and to the world community as well. We must be good citizens — support good works and charities and bear our fair share of taxes. We must encourage civic improvements and better health and education.³⁰

Careers

The nature of work has changed, and the challenges of change make personal initiative and self-renewal the demands *du jour*. The career implications of the new employment patterns characteristic of this dynamic environment are extremely significant. British management scholar Charles Handy suggested the analogy of the Irish shamrock to describe and understand them.³¹

- Picture an organisation as a shamrock with three leaves. Each leaf has a different career implication.
- In one leaf are the core workers. These full-time employees pursue traditional career paths. With success and the maintenance of critical skills, core employees can advance within the organisation and may remain employed for a long time.

- In the second leaf of the shamrock organisation are contract workers (including daily or weekly hire). They perform specific tasks as needed by the organisation and are compensated on a contract or fee-for-services basis rather than by a continuing wage or salary. Contract workers sell a skill or service to employers — they are likely to work for many different employers over time and may work for several employers at the same time.
- In the third leaf are the casual and part-time workers who are hired only as needed and only for a set number of hours. Employers expand and reduce their casual staff as business needs rise and fall. Casual and part-time work can be a training ground for the full-time work of the first leaf, when openings are available. Other modes of employment include outworkers (e.g. working from home), shift workers and fly-in-fly-out workers.

People need to be prepared to work in any of the employment modes. The typical career is not uniformly full-time and limited to a single large employer. It is more likely to unfold opportunistically and involve several employment options over time. ‘Free agency’ is a term used to describe career management in the new workplace.³² What it means is that workers must be prepared to change jobs and employers over time, but their skills must be portable and of current value in the employment markets. Skills are not gained once and then forgotten — they must be carefully maintained and upgraded all the time. A career consultant suggested that careers be approached with the analogy of a surfer: ‘You’re always moving. You can expect to fall into the water any number of times, and you have to get back up to catch the next wave’.³³

Handy’s advice is to maintain a ‘portfolio of skills’ that are always up to date and valuable to potential employers, to build a portfolio that includes a professional résumé and work samples that demonstrate critical managerial skills and competencies. A well-constructed student portfolio can be an important source of advantage in competitive markets when searching for jobs.

CRITICAL ANALYSIS

1. Think back to how things have changed in the past five years, in terms of the role of the manager; at least, as you perceive it. Taking the big-picture view, what changes do you see? For example, is there greater or lesser emphasis on people against profit, or on technology against entrepreneurship? Keep these thoughts in mind as you progress through the chapter.
2. Diversity management might be seen as a necessary encumbrance — something managers do because they have to — or it may be seen as a source of competitive advantage. What do you think? Does it have your grudging acceptance, profit-oriented approval, or ethical support? What difference does this make?
3. Shareholders express resentment when corporate bosses take bonuses while their companies are appealing for government bailout funding. Are CEO packages in the many millions really justifiable? Is there an ethical dimension to executive remuneration, or should companies just pay whatever the market will bear to get the managers they want?

1.2 Organisations in today’s workplace

LEARNING OBJECTIVE 1.2 What are organisations like in the contemporary workplace?

The world of work is a ‘wired’ world, one tied to the connectivity made possible by ICT. Management consultant Tom Peters says that in coming years, companies of all sizes will have virtual teams spread across the globe who will never meet in person. He describes work in new organisations this way:

Every project will call for a new team, composed of people with specially tailored skills . . . Every player on this team will be evaluated . . . for the quality and uniqueness and timeliness and passion of her or his contribution.³⁴

Organisations in the new workplace are challenging settings, but exciting for their great opportunities and possibilities. Peters calls it a ‘wired, wild new age of work’. Whether these organisations are large or small, business or not-for-profit, each should make real and positive contributions to society. We each have a stake in making sure that they perform up to expectations. For individuals, organisations are also the main source of careers and economic livelihoods. In his article ‘The company of the future’, Harvard Professor Robert Reich says:

Everybody works for somebody or something — be it a board of directors, a pension fund, a venture capitalist or a traditional boss. Sooner or later you’re going to have to decide who you want to work for.³⁵

In order to make good employment choices and perform well in a career, a fundamental understanding of the nature of organisations in the new workplace is required. Manager’s notepad 1.1 provides a first look at some of the critical survival skills required to work well in the organisations of today... and tomorrow.³⁶

MANAGER’S NOTEPAD 1.1

Critical survival skills for the contemporary workplace

- *Mastery*. You need to be good at something; you need to be able to contribute something of value to your employer.
- *Contacts*. You need to know people; links with peers and others within and outside the organisation are essential to get things done.
- *Entrepreneurship*. You must act as if you are running your own business, spotting ideas and opportunities, and stepping out to embrace them.
- *Love of technology*. You have to embrace technology; you do not have to be a technician, but you must be willing and able to fully use IT effectively and creatively.
- *Marketing*. You need to be able to communicate your successes and progress, both yours personally and those of your work group.
- *Passion for renewal*. You need to be continuously learning and changing and updating yourself to best meet future demands.

What is an organisation?

Formally stated, an **organisation** is a collection of people working together to achieve a *common purpose*.³⁷ It is a unique social phenomenon that enables its members to perform tasks far beyond the reach of individual accomplishment. This description applies to organisations of all sizes and types, from businesses such as Harvey Norman and eBay, to not-for-profit organisations such as a government agency or community hospital. From society’s perspective they all share a broad purpose — providing useful goods or services. Each in its own way should return value to society and satisfy customers’ needs in order to justify continued existence.

Having a clear sense of purpose that is tied to ‘quality products’ and ‘customer satisfaction’ is increasingly viewed as a source of organisational strength and performance advantage. Belief in a strong and compelling organisational purpose is one of the reasons given by employees for remaining very loyal to their employers.

Organisations as systems

Organisations can be seen as systems with subsystems, composed of interrelated parts that function together to achieve a common purpose.³⁸ It is helpful to view them as **open systems** that interact with their environments in the continual process of transforming resource inputs into product outputs in the form of finished goods and/or services. As shown in figure 1.1, the external environment is a critical

element in the open-systems view of organisations. It is both a supplier of resources and the source of customers, and it has a significant impact on operations and outcomes. Both the boundaries of any organisation — the supply side and the customer side — and its internal operations must be well managed for performance success.

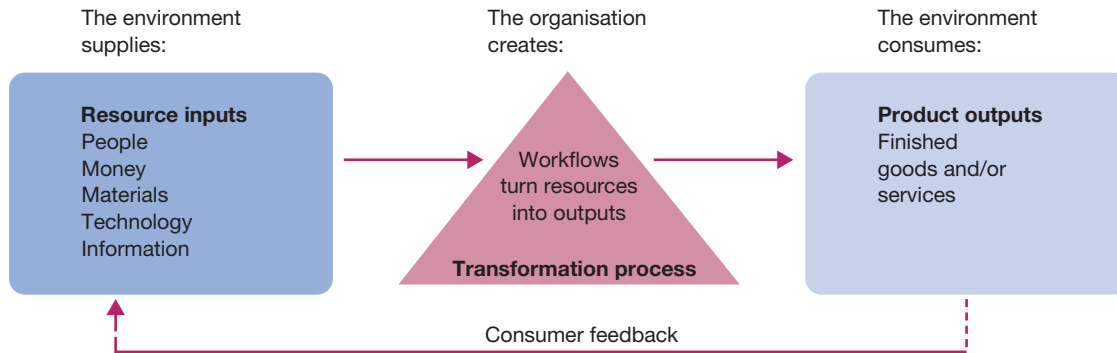


FIGURE 1.1 Organisations as open systems

The organisation is a structure in which people meet to work together for agreed purposes. As a system, the organisation has inputs (raw materials, effort, ideas, etc.), strategy and policies, transformation processes and outputs (finished goods and services), and operates with its own internal environment of culture and history. Depending on its legal status (e.g. the corporation is a ‘fictitious person’ that can own property), it can sue and be sued, and as such, the boundaries of the organisation become significant. It can even survive beyond the lifetimes of its members.

In the open-systems view of organisations feedback from the internal and external environments tells an organisation how well it is doing. Factors in the environment interact with each other and influence the manager’s intent and strategy. The overall aim is to meet and exceed customer expectations. Without customer willingness to use the organisation’s products, it is difficult to operate or stay in business over the long term. The ultimate test for any organisation rests with the marketplace — once people use a product, the question becomes: Will they do so again... and will they recommend that others do the same?

Organisational performance

Resources and customers are two critical elements in the open-systems view of organisations. For an organisation to perform well, resources must be put to good use and customers must be well served. The notion of *value creation* is very important in this context. If operations add value to the original cost of resource inputs, then a business organisation can earn a profit — that is, sell a product for more than the cost of making it. A not-for-profit organisation can add wealth to society — that is, provide a public service that is worth more than its cost (e.g. fire prevention services in a community). Value is created when an organisation’s resources are used in the right way, at the right time and at minimum cost to create high-quality goods and services.

The best organisations use a variety of performance measures. On the customer side, high-performing organisations measure customer satisfaction and loyalty, as well as market share. On the employee side, they measure retention, career development, job satisfaction and related issues.³⁹ One of the most common indicators of organisational performance overall is **productivity**, a summary measure of the quantity and quality of work performance with resource use taken into account. Productivity can be measured at the individual and group levels as well as at organisational levels.

Figure 1.2 links productivity with two terms commonly used in management — effectiveness and efficiency. **Performance effectiveness** is a measure of task output or goal accomplishment. If you are working in the manufacturing area of a computer firm, for example, performance effectiveness may mean that you meet a daily production target in terms of the quantity and quality of work done. By so doing, the company as a whole can maintain its production schedule and meet customer demands for timely delivery and high-quality products. **Performance efficiency** is a measure of the resource cost associated with goal accomplishment. Cost of labour is a common measure of efficiency. Others include equipment use, facilities maintenance and returns on capital investment. Returning to the example of computer assembly, the most efficient production is that accomplished at a minimum cost in materials and labour. If fewer completed products are made in a day than the work group is capable of, this contributes to inefficiency in organisational performance; similarly, if a lot of mistakes are made or materials wasted in the assembly process, this is also inefficient work that raises costs for the organisation.

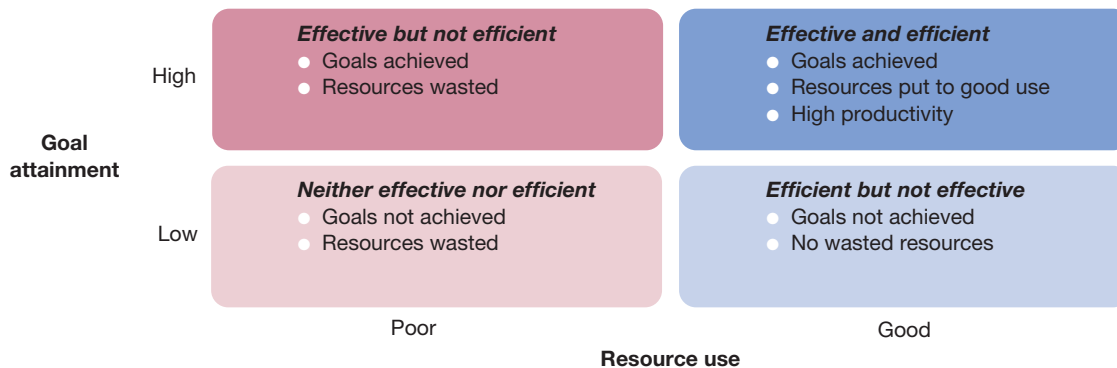


FIGURE 1.2 Productivity and the dimensions of organisational performance

The changing nature of organisations

Change is a continuing theme of this text, and organisations are certainly undergoing dramatic changes today. Among the many forces and trends in the new workplace, the following organisational transitions set an important context for the study of management.

- *Pre-eminence of technology.* New opportunities appear with each new development in ICT; they continually change the way organisations operate and how people work.
- *Demise of ‘command-and-control’.* Traditional hierarchical structures with ‘do as I say’ bosses are proving too slow, conservative and costly to do well in today’s competitive environments. Contemporary management relies on collaboration and coaching.
- *Focus on speed.* Everything moves fast today; in business those who get products to market first have an advantage, and in any organisation work is expected to be both well done and timely.
- *Adoption of networking.* Organisations are networked for intense real-time communication and coordination, internally among departments and externally with partners, contractors, suppliers and customers.
- *Belief in empowerment.* Demands of the new economy place premiums on high-involvement and participatory work settings that rally the knowledge, experience and commitment of all members.
- *Emphasis on teamwork.* Today’s organisations are less vertical and more horizontal in focus; they are increasingly driven by teamwork that pools talents for creative problem-solving.
- *New workforce expectations.* A new generation of workers brings to the workplace less tolerance for hierarchy, more informality and more attention to performance merit than to status and seniority.
- *Concern for work–life balance.* As society increases in complexity, workers are forcing organisations to pay more attention to balance in the often-conflicting demands of work and personal affairs.⁴⁰

There are many forces driving these changes in organisations. Along with the pressures of competition, globalisation and emerging technologies, there also has been a revolution of sorts among modern-day consumers. They are unrelenting in their demand for quality products and services. Organisations that fail to listen to their customers and fail to deliver quality goods and services at reasonable prices will be left struggling in a highly competitive environment. References are made throughout this text to the concept of **total quality management (TQM)** — managing with an organisation-wide commitment to continuous improvement and meeting customer needs completely.⁴¹ For the moment, the quality commitment can be recognised as a hallmark of enlightened productivity management in any organisation.

CRITICAL ANALYSIS

1. What is the benefit of seeing an organisation as a system of inputs, transformation processes and outputs? What difference would this view make to you as a manager?

1.3 Managers in today's workplace

LEARNING OBJECTIVE 1.3 Who are managers and what do they do?

In an article entitled 'Putting people first for organisational success', Jeffrey Pfeffer and John F. Veiga argued forcefully that organisations perform better when they treat their members well. However, they also point out that too many organisations fail to operate in this manner and, as a consequence, suffer performance failures. Pfeffer uses the term 'toxic workplaces' to describe organisations that treat their employees mainly as costs to be reduced. True high-performing organisations, he points out, treat people as valuable strategic assets that should be carefully nurtured.⁴² The themes and concepts set forth in *Management* support the view that high-performing organisations operate with a commitment to people as their most important assets. Importantly, in the day-to-day flow of events in any workplace, those who serve in managerial roles have a special responsibility for ensuring that this commitment is fulfilled.

The organisational environment and the manager

Managers manage organisations that exist in relation to their environments; they need to know what's in the environment, and what opportunity or threat it poses.

Specifically, managers need to know the difference between the good and the bad — the dangerous threats and the opportunities confronting the organisation in relation to what it wants to do (its mission and objectives), using its abilities and assets (its strengths), and its constraints (its weaknesses).

This section is about the relationship between the organisation and its environment. These environments are very influential for management and need to be understood and factored into decision-making. The *external* environment is made up of all those elements that are of general relevance to the organisation: the economy, political and legal factors, technology and the national culture.

Anything of specific relevance to the organisation is the specific or *task* environment. These are the forces or other organisations in the environment whose behaviour influences the organisation — typically those with whom an organisation conducts business.⁴³ These are typically outside of the direct control of the manager, so the challenge is to adapt and change according to the environment. According to Leon Megginson, a Louisiana State University business professor, whose interpretation of the central idea outlined in Darwin's *On the Origin of Species* is typically and frequently invoked:

It is not the most intellectual of the species that survives; it is not the strongest that survives; but the species that survives is the one that is able best to adapt and adjust to the changing environment in which it finds itself.⁴⁴

The point is that the ability to adapt to one's environment is crucial to success and even survival.

The process of management

In overview, management is the process of bringing resources together to produce services or products. Of course, the mere acquisition of resources is not sufficient for organisational success. It requires some expression of:

- the purpose of *why* the organisation intends to undertake some activity
- a strategy of *how* this purpose can be carried forward
- the coordinated application of *what* processes and operations are proposed
- the use of specified resources and raw materials to transform these processes
- the provision of the intended services or products to a market willing to purchase or otherwise make use of them, thereby fulfilling the purpose.

Thus, the process of management usually starts with, and depends for its direction on, some kind of *vision* about why an organisation of people is desirable or necessary. Whether a vision is essential is the subject of debate in management thinking but most scholars agree with the seminal work of Jim Collins and Jerry Porras.

Collins and Porras reported findings that while not all successful companies began with one outstanding product or idea or even charismatic visionary leader, those that enjoy enduring success are more likely than more average performers ‘to have core values and a clearly articulated purpose, while their business strategies and practices endlessly adapt to a changing world’.⁴⁵ They detailed their research in a hugely influential book called *Built to Last: Successful Habits of Visionary Companies*, the key message of which is that the character of the company is expressed in its values and purpose.⁴⁶

Usually, this *vision* is then given shape in the form of a *mission* (as in the ‘mission statement’). The organisation’s *mission* allows the creation of *goals* that, when expressed in numerical terms (such as dates, profits, results, outcomes and benefits), are known as *objectives*. These objectives are measurable and are thought to provide inherent motivation as well as a basis for evaluation and possible correction or refinement.

Whether or not the organisation succeeds in its mission also depends on its having the necessary competencies and resources to carry out its *strategy* — the specific way in which it intends to operate, coordinating its activities and making use of its capability and its resources.

The selection of an appropriate strategy is critical to good management and the implementation of the strategy brings the alignment of purpose and capability into reality as a set of objectives achieved, which bring desired *outcomes*, thus providing the expected *benefits*. This process is depicted in figure 1.3.

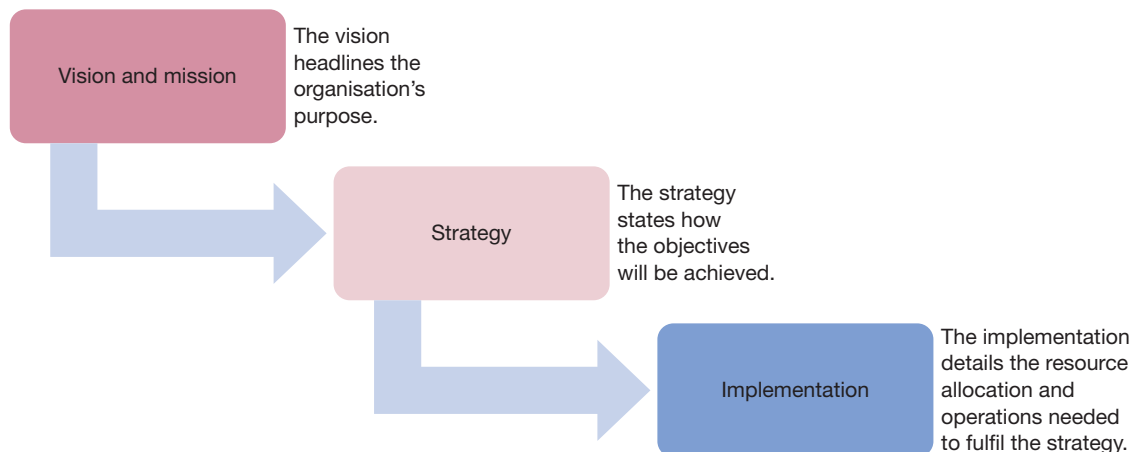


FIGURE 1.3 The process of management

Metaphors for management

Given the inherent complications and complexities of management, it is no surprise that many authors have sought to highlight one aspect or another with some powerful metaphor or simile. Some are strange indeed, pointing to paradoxes involved, but perhaps all have something to inspire reflection, along with their obvious weaknesses. The following are examples of some ‘out of left field’ metaphors listed by two Australian authors.⁴⁷

The orchestra

Typically, under the firm and expert guidance of the CEO conductor, this is a fine metaphor except when the context changes and the need for improvisation makes adherence to a script inadvisable. Another departure from the orchestra is that management often has to create a sense of purpose — something that presumably the musician already has in abundance, without the influence of a conductor. However, few doubt that the organisation relies on every member doing their best, and knowing what is expected of them, like in an orchestra.

War

A stirring metaphor reflecting the great strategists of war such as Sun Tzu, Carl von Clausewitz and Horatio Nelson. The metaphor may appeal to the hero-minded manager, but traps abound. Identifying the enemy is just one. Is it the competition? The customer? It’s true that coordinating resources and motivating trained staff are tasks common to both management and military but the greatest insights to come from the study of military engagements are usually in the category of warning the manager what not to do. This can be seen in individual incompetence displayed by military commanders as managers of people and assets throughout history⁴⁸ or by reviewing military commanders’ spectacular failure to correctly judge the situation.⁴⁹

Sport

Sport is an evergreen popular analogy for management, and celebrity sports stars metamorphose into motivational speakers on the business lecture circuit with disarming ease, regardless of actual business qualifications or experience. In business, it is thought fashionable and insightful to refer to ‘the team’ and the ‘scoreboard’, along with that mythical ‘level-playing field’ and ‘goalposts on wheels’. Caution against self-deception is needed when metaphors fail to capture organisational complexities, or when they are appealing but misleading. Fair play and impartial umpires with final whistles may occur in sport, but are not always in evidence in business. Calling a group a team doesn’t immediately create loyalty and self-sacrifice, or even engagement of its members.

Resources management

Even common expressions such as ‘knowledge management’ or ‘human resources’ carry their own inherent but questionable logic that knowledge or human activity can be ‘managed’ like any other resource such as finance. The language may confer respectability but perhaps it invites false conclusions that should be examined.

The science of management

Numbers in management may convey accuracy and reality but closer examination shows they may be nominal rather than ratio data; only a fool adds or multiplies the numbers in car registration plates. They are nominal data. To do so would be as pointless as saying a summer’s day of 24 °C was twice as hot as an autumn day of 12 °C. Yet budgets are seen to be set for a 10 per cent improvement regardless of the determinative context. The presence of a number with its illusionary power of accuracy and thus authenticity somehow drives out common sense.

In summary, management is not easily reduced to simple processes or memorable aphorisms. Metaphors may appeal and picturesque similes strike a chord but the reification of the metaphor does not create a new reality; it merely and properly throws a new light on an existing reality. Metaphors need to be examined for their power to deceive and distort.

What is a manager?

Managers exist in all organisations. They have job titles such as team leader, department head, project manager, unit supervisor, senior executive and administrator. They always work directly with other people who depend on them for critical support and assistance in their own jobs. We call them managers — the people in organisations who directly support and help activate the work efforts and performance accomplishments of others.

For those serving as managers, the responsibility is challenging and substantial. Any manager is responsible not just for his or her own work, but for the overall performance accomplishments of a team, work group, department, or even the organisation as a whole. Whether these people are called team members, work associates, subordinates or something else, they are the essential human resources whose tasks represent the real work of the organisation. Those people working with and reporting to managers are, in short, the critical human capital upon whose intellects and efforts the performance of any organisation is ultimately built. How well the manager performs in supporting them makes a critical difference in their performance and that of the organisation.

Every manager's job thus entails a key responsibility — to help other people achieve high performance. As pointed out by management theorist Henry Mintzberg, being a manager in this sense is a most important and socially responsible job:

It is the manager who determines whether our social institutions serve us well or whether they squander our talents and resources. There is every good reason to strip away the folklore about managerial work, and to study it realistically so that we can begin the difficult task of making significant improvement in its performance.⁵⁰

Levels of management

Customer-centred thinking can be applied to levels of management in an organisation. Each level has the level above and below it as its customer. Each has an implicit contract to meet the needs of the other, as shown in figure 1.4.

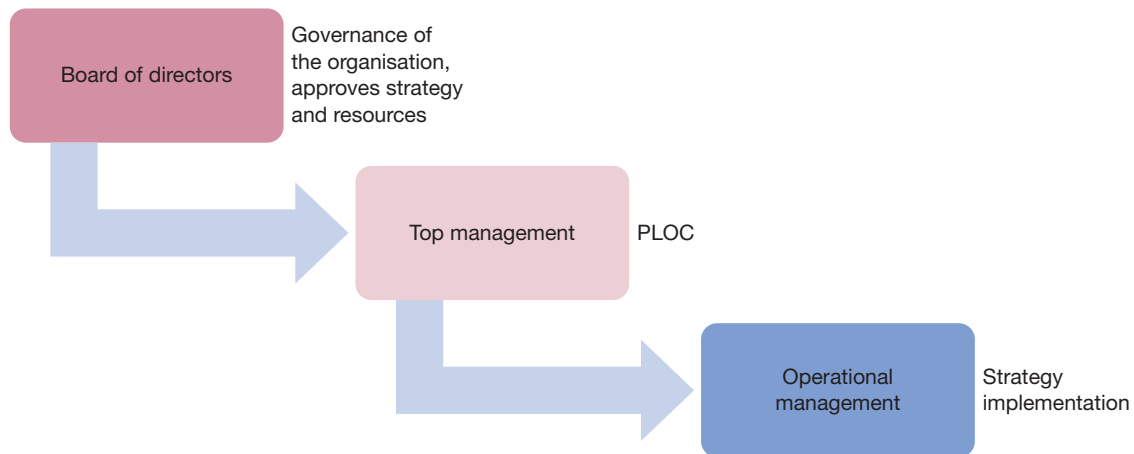


FIGURE 1.4 Levels of management

The board of directors

The decisions as to what purpose the organisation is to serve, in which environment it is to operate and how it is to undertake its mission are the responsibility of the board of directors (by whatever name) as the most senior level of management in the organisation, to whom other levels report and who are held legally responsible for the organisation's operations.⁵¹

Boards have a chairperson and a secretary who manages the board meeting minutes under the supervision of the chairperson and, on behalf of the board, undertakes the reporting to external entities (such as government departments and regulators).

A third office-bearer is the treasurer who is responsible for reporting to the board on the financial operations of the company. Boards often number 8–12 persons. Organisations vary and the CEO is usually not a member of the board but attends board meetings, which are usually held about 10–12 times per year. Typically it is this board that reports to the shareholders (the company's owners) if the organisation is a public company. The board of directors of a company is a group of elected and/or appointed people with the responsibility to protect the overall interests of the organisation.⁵²

Top management

Top management refers to the most senior appointed manager in the organisation (usually titled chief executive officer), who reports to the board, with the chairman of the board as his or her reference point. The relationship between the chairman of the board of directors and the CEO is crucial, as the CEO is entrusted with the resources approved by the board through the budget and must report on the effectiveness and efficiency of how the board's strategies are implemented.

Typically, top management undertakes its tasks through the functions of planning, leading, organising and controlling (PLOC) (see figure 1.6). This functional view of management was conceived by French industrialist Henri Fayol in about 1900 and it became very influential in the English-speaking management literature in the middle of the last century.

Top managers are responsible for the performance of an organisation as a whole, or for one of its larger parts. They pay special attention to the external environment, are alert to potential long-term problems and opportunities, and develop appropriate ways of dealing with them. The best top managers are future-oriented strategic thinkers who make many decisions under highly competitive and uncertain conditions. Top managers scan the environment, create and communicate the long-term vision, and ensure that strategies and performance objectives are consistent with the organisation's purpose and mission.

The boundaries between these levels are at times blurred, as top managers may also participate in operational activities and operational managers may propose strategy for consideration and approval. However, good management requires that board members do not become involved in day-to-day operational decisions and operations, which are the responsibility of the CEO and other managers.

Operational management

Managers who report to the CEO, and thus to the board, are responsible for implementing the board's strategies and for the efficient and effective deployment of organisational assets and resources in the service of achieving the organisation's objectives.

Middle managers are in charge of relatively large departments or divisions consisting of several smaller work units. Examples are clinic directors in hospitals; heads of departments in universities; and division managers, factory managers and branch sales managers in businesses. Middle managers work with top managers and coordinate with peers to develop and implement action plans consistent with organisational objectives. They should be team-oriented and able to work well with people from all parts of an organisation to get work accomplished. An important example is the job of **project managers** — people who coordinate complex projects with task deadlines while working with many people of different expertise, both within and outside the organisation. At GE, for example, corporate troubleshooters or 'black belts' have been organised to manage groups that solve problems and create change across divisions and geographic boundaries within the company. At one stage a cross-functional team was recruited from marketing, human resources and field operations staff to design a new compensation system.⁵³

First jobs in management typically occur as assignments as **team leaders** or **supervisors** — people in charge of small work groups composed of non-managerial workers. Even though most people enter the workforce as technical specialists, sooner or later they advance to positions of initial managerial responsibility. Job titles for these first-line managers vary greatly but include such designations as department head, group leader and unit manager. For example, the leader of an auditing team is considered a first-line manager, as is the head of an academic department in a university. Managers at this level of

responsibility ensure that their work teams or units meet performance objectives that are consistent with higher level organisational goals. Manager's notepad 1.2 offers advice on the performance responsibilities of team leaders and supervisors.⁵⁴

MANAGER'S NOTEPAD 1.2

Nine responsibilities of team leaders

1. Plan meetings and work schedules.
2. Clarify goals and tasks, and gather ideas for improvement.
3. Appraise performance and counsel team members.
4. Recommend pay increases and new assignments.
5. Recruit, train and develop team to meet performance goals.
6. Encourage high performance and teamwork.
7. Inform team members about organisational goals and expectations.
8. Inform higher levels of team needs and accomplishments.
9. Coordinate with other teams and support the rest of the organisation.



Types of managers

The nature of managerial work is evolving as organisations change and develop with time. A *Wall Street Journal* report describes the transition as follows: 'Not so long ago they may have supervised ten people sitting outside their offices. Today they must win the support of scores more — employees of different backgrounds, job titles and even cultures', perhaps they will have 'direct reports' in different countries. The report goes on to say 'these new managers are expected to be skilled at organising complex subjects, solving problems, communicating ideas and making swift decisions'.⁵⁵

In addition to serving at different levels of authority, managers work in different capacities within organisations. **Line managers** are responsible for work activities that make a direct contribution to the organisation's outputs. For example, the general manager, retail manager and department supervisors of a local department store all have line responsibilities. Their jobs in one way or another are directly related to the sales operations of the store. **Staff managers**, on the other hand, use special technical expertise to advise and support the efforts of line workers. In a department store, the director of human resources and the chief financial officer would have staff responsibilities.

In business, **functional managers** have responsibility for a single area of activity, such as finance, marketing, production, human resources, accounting or sales. **General managers** are responsible for more complex units that include many functional areas. An example is a plant manager who oversees many separate functions, including purchasing, manufacturing, warehousing, sales, personnel and accounting. It is not unusual for managers working in public or not-for-profit organisations to be called **administrators**. Examples include hospital administrator, public administrator and local government administrator.

Managerial performance

Managers everywhere face a common problem. They must all set the conditions through which others, working individually and in groups, can contribute their talents to the accomplishment of organisational goals. Furthermore, managers must do this while being held personally 'accountable' for results achieved. The team leader reports to a middle manager, the middle manager reports to a top manager, and even

the most senior top manager typically reports to a board of directors. In these reporting relationships, **accountability** exists as the requirement of one person to answer to a higher authority for performance results achieved in his or her area of work responsibility. These results are typically measured in terms of team or work unit productivity, including the accomplishment of both performance effectiveness and performance efficiency.

However, the concept of performance accountability alone does not tell the whole story. Managerial performance is multidimensional. Effective managers help others both to achieve high-performance outcomes and experience satisfaction in their work. This dual concern for performance and satisfaction is a central theme in the contemporary workplace, and it runs throughout *Management*.

The emphasis on satisfaction helps focus attention on **quality of work life (QWL)** issues as an indicator of the overall quality of human experiences in the workplace. A 'high-QWL' workplace expresses a true respect for people at work by offering such things as fair pay, safe working conditions, opportunities to learn and use new skills, room to grow and progress in a career, protection of individual rights, and pride in the work itself and in the organisation. Part of any manager's accountability is to achieve high-performance outcomes while maintaining a high-quality work environment.⁵⁶ Simply put, in the new workplace, performance, satisfaction and a high-quality work life can and should go hand in hand.

Changing nature of managerial work

Managerial work in the organisations of today is also changing. The words 'coordinator', 'coach' and 'team leader' are heard as often as 'supervisor' or 'manager'. The work managers perform is less directive and more supportive than in the past. It has to be in a world where high performance comes only to those who truly value and sustain human capital. There is little tolerance or need in today's organisations for those who simply sit back and tell others what to do. The best managers are well informed regarding the needs of those reporting to or dependent on them. They can often be found working alongside those they supervise. They will always be found providing advice and developing the support needed for others to perform to the best of their abilities. High-performing managers are good at building working relationships with others, helping others develop their skills and performance competencies, fostering teamwork, and otherwise creating a work environment that is both performance-driven and satisfying to those who do the required work.

An emphasis on customers increasingly drives managerial work in these new settings. Among the many changes taking place, the concept of the 'upside-down pyramid' is one of the most descriptive. As shown in figure 1.5, it offers an alternative way of viewing organisations and the role played by managers within them. The operating workers are at the top of the upside-down pyramid, just below the customers and clients they serve. They are supported in their work efforts by managers located at the bottom. These managers are not just order-givers, they are there to mobilise and deliver the support others require to best serve customer needs. The implications of this notion are dramatic, and they are consistent with the adage that people are an organisation's most important asset.

Each member of the upside-down pyramid is a value-adding worker — someone who creates eventual value for the organisation's customers or clients. The whole organisation is devoted to serving the customer, and this is made possible with the support of managers.

Many trends and emerging practices in organisations, such as the upside-down pyramid concept, require new thinking from people who serve as managers. As noted earlier, we are in a time when the best managers are known more for 'helping' and 'supporting' than for 'directing' and 'order-giving'. Even in an age of high technology and 'smart' machines, the human resource is indispensable. Worker involvement and empowerment are critical building blocks of organisational success. Full human resource use increasingly means changing the way work gets done in organisations by pushing decision-making authority to the point where the best information and expertise exist — with the operating workers.⁵⁷

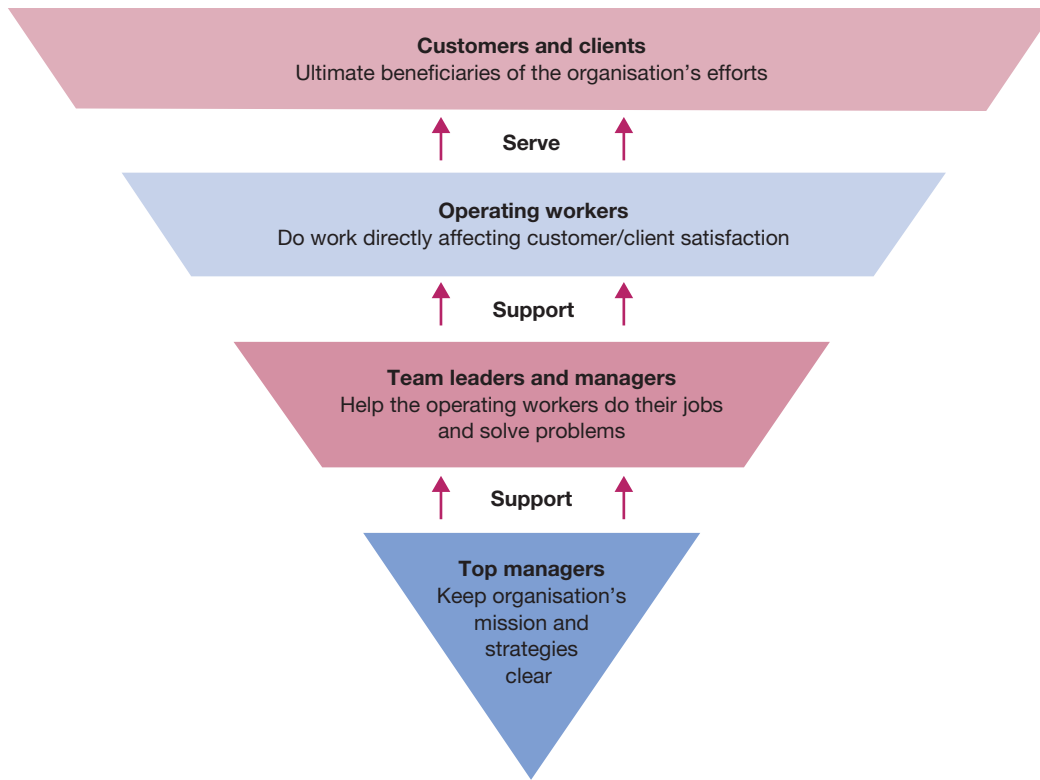


FIGURE 1.5 The organisation as an 'upside-down pyramid'

Being an effective manager in today's workplace also means managing in an 'emotionally intelligent' manner. Emotional intelligence is the 'ability to be aware of emotions, and to manage and utilise them in dealing with others and challenging situations'.⁵⁸

CRITICAL ANALYSIS

1. Is the 'core' of management just the same, irrespective of where you work, with the difference being the applications of management in particular organisations and environments? Why or why not?
2. The global financial crisis and subsequent economic downturn put so much pressure on companies to perform and survive that the niceties of HRM have been swept to one side. Is this a fair statement? Why or why not?

1.4 The management process

LEARNING OBJECTIVE 1.4 What is the management process?

The ultimate 'bottom line' in every manager's job is to succeed in helping an organisation to achieve high performance by using all of its human and material resources. If productivity in the form of high levels of performance effectiveness and efficiency is a measure of organisational success, managers are largely responsible for ensuring its achievement. It is their job to successfully mobilise technology and talent by creating work environments within which others work hard and perform to the best of their

abilities.⁵⁹ However, while the tasks of a manager may be as lofty as creating the organisation's culture or as technical as reporting on productivity, the *functional* activities of managers that French industrialist Henri Fayol famously described a century ago are still relevant to what managers do, as outlined below.

Functions of management

All managers must have the capabilities to recognise performance problems and opportunities in daily events, make good decisions and take appropriate action. They do this through the process of **management** — planning, organising, leading and controlling the use of resources to accomplish performance goals. These four classic functions of management and their interrelationships are shown in figure 1.6. All managers, regardless of title, level, type and organisational setting, are responsible for the four functions.⁶⁰ However, it is important to know that they most often do not accomplish these functions in a linear, step-by-step fashion. Rather, the reality of managerial work is that the functions are being continually engaged as a manager moves from task to task and opportunity to opportunity in the process of mobilising resources to accomplish goals.

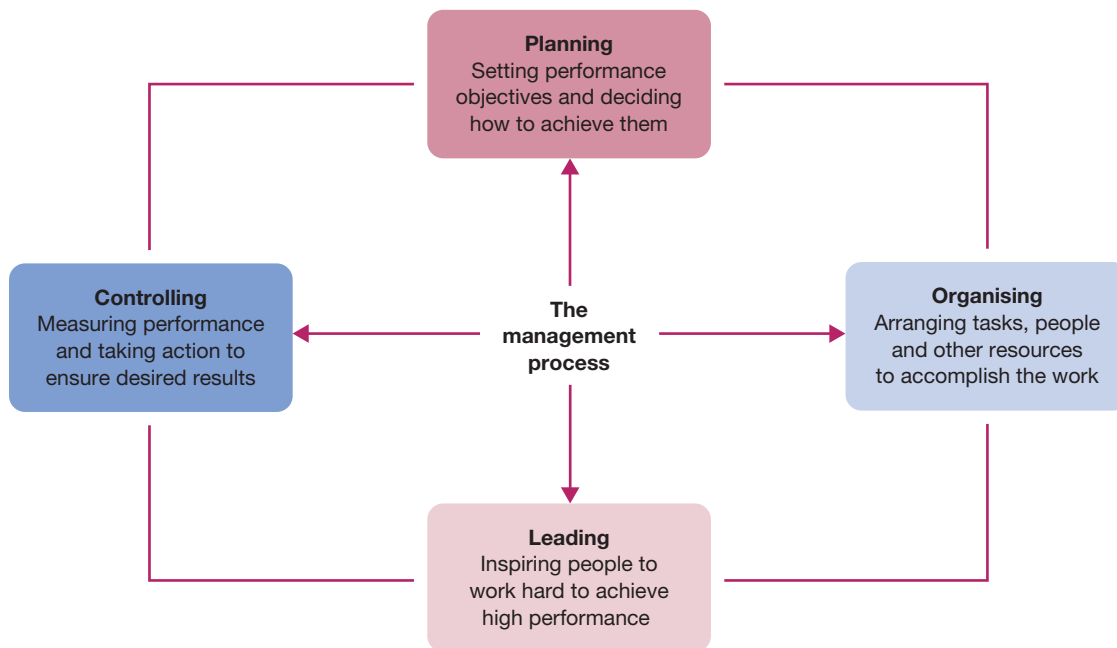


FIGURE 1.6 Four functions of management

Put simply, the task of the manager is to bring the organisation's resources into alignment with its purpose, in a way that is sustainable in the organisation's operating environment. Without resources (physical, technological, financial, and so on), change cannot happen; without clear intent, change is meaningless; and without an environment in which to operate (e.g. a market), there can be no return on investment. So management is all about alignment.

Planning

In management, **planning** is the process of setting performance objectives and determining what actions should be taken to accomplish them. Through planning, a manager identifies desired work results and the means to achieve them. For example, an organisation that views people as its most important asset may plan to ensure staff retention. This would involve the setting of a measurable objective in terms of reducing staff turnover, and determining measures to facilitate achieving this objective over time.

Controlling

A key issue in how well plans are implemented is how well the organisation adapts to rapid change. In today's dynamic times, things do not always go as expected and plans must be modified and redefined with the passage of time. The management function of **controlling** is the process of measuring work performance, comparing results with objectives, and taking corrective action as needed. Through controlling, managers maintain active contact with people in the course of their work, gather and interpret reports on performance, and use this information to plan constructive action and change. Through measurement management is able to track progress against objectives.

Organising

Even the best plans may fail without effective implementation. The implementation phase begins with **organising** — the process of assigning tasks, allocating resources and arranging the coordinated activities of individuals and groups to implement plans. Through organising, managers turn plans into actions by defining jobs, assigning staff and supporting them with technology and other resources.

Leading

In management, **leading** is the process of arousing people's enthusiasm to work hard and direct their efforts to fulfil plans and accomplish objectives. Through leading, managers build commitments to a common vision, encourage activities that support goals, and influence others to do their best work on the organisation's behalf.

COUNTERPOINT

First, let's fire all the managers

Harvard Business School professor Gary Hamel suggested this radical step in the December 2011 edition of the *Harvard Business Review*. At first glance, this seems more than a little inconsistent in a text about learning to be a manager — but he has a point. He argues that what is needed in organisations is not 'no management', but better leadership — just one of Fayol's four management functions.

Management, says Hamel, is both inefficient and expensive for organisations. In his view, management allows calamitous decisions by those at top level, yet systematically disempowers those lower in the hierarchy. It also adds layers of people in the organisational structure, thereby slowing responses. In private life, we can go out and buy an expensive car; as managers, we are not able to requisition so much as an office stapler. Managers, thus, separate the 'doers' from the 'customers', and we shrink the incentive to dream and to innovate.

Hamel notes that even though markets work best only when the needs of each party are simple, stable and easy to quantify, hierarchies are better than markets in bringing activities together productively. What is important is that we manage things and lead people — and that we do so by appealing to their natural desire to be responsible for the outcomes of their work.⁶¹

Another writer with this counter-view of managers was Ricardo Semler, whose successful Brazilian manufacturing company Semco became the famous subject of his book *Maverick!* (1994). His much-cited article in the *Harvard Business Review* (January–February 1993) outlines how he restructured his company by partnering with his employees and employing them as external contractors, leasing them his company's equipment. Rather than using the PLOC approach, he was able to cut his costs and increase revenue, while providing his workers with autonomy and flexibility.⁶²

Semler encouraged his workers to select their own bosses and to be responsible in teams for workplace output. In fact, he doesn't like the word 'boss', preferring to see the role of coordinator as the key role to organising teams and groups. Workers have access to financial records, and the company provides courses to help them learn to read balance sheets and profit and loss statements. Workers even set their own salaries and budgets, which is definitely not part of the PLOC model! Semco's workplace culture is relaxed, along with its dress code, with no secretaries or receptionists. Even the role of CEO rotates around a group of leaders, each assuming the day-to-day tasks for six months at a time.

It is interesting to note that Ricardo Semler's ideas became popular two decades ago. Some people now may dismiss them as being out of fashion, or at least not the latest management fad. However, his ideas have stood the test of time, and he has demonstrated success in an environment of withering recession, galloping inflation and market turbulence. Some of Semler's worker participation practices have even become mainstream and his methods remain a source of guidance.

QUESTION

How relevant are Fayol's four management functions — planning, leading, organising and controlling — to describing what managers do and/or should do? What does he omit? Has the workplace moved on such that these functions are no longer central to what managers do?

Managerial activities and roles

Although the management process may seem straightforward, things are more complicated than they appear at first glance. In his classic book, *The Nature of Managerial Work*, Henry Mintzberg offers this observation on the daily activities of corporate chief executives:

There was no break in the pace of activity during office hours. The mail . . . telephone calls . . . and meetings . . . accounted for almost every minute from the moment these executives entered their offices in the morning until they departed in the evenings.⁶³

Today we would have to add ever-present email to Mintzberg's list of executive preoccupations, especially with mobile devices such as smartphones and tablets capable of receiving and sending emails remotely.⁶⁴

In trying to systematically describe the nature of managerial work and the demands placed on those who do it, Mintzberg offers the set of ten roles depicted in figure 1.7. The roles involve managing information, people and action. They are interconnected, and all managers must be prepared to perform them.⁶⁵ In Mintzberg's framework, a manager's informational roles involve the giving, receiving and analysing of information. The interpersonal roles involve interactions with people inside and outside the work unit. The decisional roles involve using information to make decisions to solve problems or tackle opportunities.

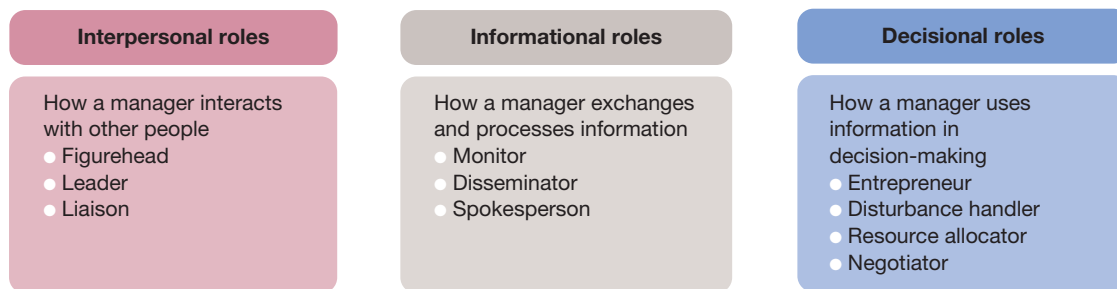


FIGURE 1.7 Mintzberg's ten managerial roles

Mintzberg is also careful to note that the manager's day is unforgiving in the intensity and pace of these role requirements. The managers he observed had little free time because unexpected problems and continuing requests for meetings consumed almost all the time that became available. Importantly, the

responsibility of executive work was all-encompassing in the pressure it placed on the executives for continuously improving performance results. Says Mintzberg:

The manager can never be free to forget the job, and never has the pleasure of knowing, even temporarily, that there is nothing else to do... Managers always carry the nagging suspicion that they might be able to contribute just a little bit more. Hence they assume an unrelenting pace in their work.⁶⁶

Managerial work is busy, demanding and stressful, not just for chief executives but for managers at all levels of responsibility in any work setting. A summary of research on the nature of managerial work offers this important reminder — managers work long hours.⁶⁷ They work at an intense pace, at fragmented and varied tasks, with many communication media, and they accomplish their work largely through interpersonal relationships.

Managerial work, by nature, is dynamic and constantly changing. Traditionally, managers are supposed to direct and lead subordinates to carry out tasks, in addition to performing other managerial functions, such as planning, organising and controlling. In order to remain competitive in today's global knowledge-based economy, organisations are increasingly moving towards management policies or practices that promote learning and knowledge sharing among organisational members. Recent studies⁶⁸ show that successful organisational learning enhances organisational effectiveness and competitiveness. These findings, to a certain extent, highlight the important role of managers as learning facilitators. In addition to the conventional managerial roles identified by Henry Mintzberg, managers are often seen as 'coaches' and 'developers' who help build the learning capability of employees. The multiple ways in which managers facilitate and develop employees' learning within organisations have already been examined and reported in research.⁶⁹ These behaviours, such as providing feedback to employees, creating and promoting a learning environment and broadening employees' perspectives, likely expand the dimensions of conventional managerial roles.

Managerial agendas and networks

It is not only the complexity and pace of managerial work that makes it challenging. There are subtle intricacies in the day-to-day flow of events and interactions that must also be mastered. Consider this description of a brief incident in the day of the general manager (GM) of a business.

On his way to a meeting, a GM bumped into a staff member who did not report to him. Using this opportunity, in a two-minute conversation he (a) asked two questions and received the information he needed, (b) reinforced their good relationship by sincerely complimenting the staff member on something he had recently done, and (c) got the staff member to agree to do something that the GM needed done.⁷⁰

The description provides a glimpse of an effective general manager in action. It portrays two activities that management consultant and scholar John Kotter considers vital to a general manager's success in mastering two important challenges — agenda setting and networking. Through *agenda setting*, good managers develop action priorities for their jobs that include goals and plans that span long and short time frames. These agendas are usually incomplete and loosely connected in the beginning, but become more specific as the manager uses information that is continually gleaned from many different sources. The agendas are kept always in mind and are 'played out' whenever an opportunity arises, as in the example.

Good managers implement their agendas by working with a variety of people inside and outside the organisation. In Kotter's example, the GM was getting things done through a staff member who did not report directly to him. This is made possible by *networking*, the process of building and maintaining positive relationships with people whose help may be needed to implement your work agendas. Since networks are indispensable to managerial success in today's complex work environments, excellent managers devote much time and effort to network development. In the case of this general manager, for example, the networks included relationships with peers, higher level executives, subordinates and members of their work teams, as well as with external customers, suppliers and community representatives.

COUNTERPOINT

Workplace motivation and culture

An issue that has received an increasing amount of research attention lately is that of Guanxi. Guanxi (pronounced *guan-shee*) refers to networks of relationships and favours that influence business activity throughout China. It is an ancient system and is based on informal relationships; as opposed to Western management practice, which is based largely on formal agreements and written contracts. With the increasing economic power of China, Western businesspeople are faced with an increasing need to be able to not only operate in non-Western systems, but also understand the perspectives and values of the millions of Chinese people currently working outside of China.⁷¹ Guanxi systems depend on reputations and trust between individuals and mean that social interactions and social needs become much more important than in Western (individualist) contexts.⁷²



QUESTION

While admitting that different cultures give different emphases to various work practices (such as the importance of seniority as counted in years of service to the company), do you see a common core of management tasks across cultures? Do you think generational differences are as important as cultural differences?

CRITICAL ANALYSIS

1. If the environment really is changing so quickly and unpredictably, is all planning a waste of time? How can we plan for an environment that we cannot predict? Is it reasonable to expect managers to produce realistic long-term plans?
2. Are all good managers also good leaders? Can you be a good leader and not a good manager? Are the functions of manager and leader fundamentally different? Keep your thoughts in mind as you progress through the chapter.
3. Why is the management of control systems so critical to good management? Are there risks in taking control beyond merely monitoring into areas of innovation? For example, does an emphasis on control act to stifle creativity? Why or why not? Use examples to justify your answer.

1.5 Managerial learning

LEARNING OBJECTIVE 1.5 How do you learn essential managerial skills and competencies?

British educator and management consultant Charles Handy called today's turbulent times 'the age of unreason'.⁷³ Above all, it is an era of high-performance expectations for organisations and their members. Change is a way of life, and it demands new organisational and individual responses. And along with all this, the quest for high performance is relentless. Everywhere new workers are expected to use new ways to achieve high productivity under new and dynamic conditions. They are expected to become involved, fully participate, demonstrate creativity, and find self-fulfilment in their work. They are expected to be team players who understand the needs and goals of the total organisation and who use new technologies to their full advantage.

All of this, of course, places a premium on your commitment to learning — not just formal learning in the classroom, but also **lifelong learning**. This is the process of continuously learning from our daily experiences and opportunities. Especially in a dynamic and ever changing environment, a commitment

to lifelong learning helps us build portfolios of skills that are always up to date and valuable in the labour markets. A vital part of job-related learning, furthermore, comes from ‘learning by doing’. This means that you must always look for good job opportunities that make such learning possible.

Essential managerial skills

A **skill** is an ability to translate knowledge into action that results in desired performance. Many skills are required to master the challenging nature of managerial work, but the most important ones are those that allow managers to help others become more productive in their work. Harvard scholar Robert L. Katz has classified the essential skills of managers into three categories: technical, human and conceptual.⁷⁴ Although all three skills are essential for managers, he suggests that their relative importance tends to vary by level of managerial responsibility, as shown in figure 1.8.

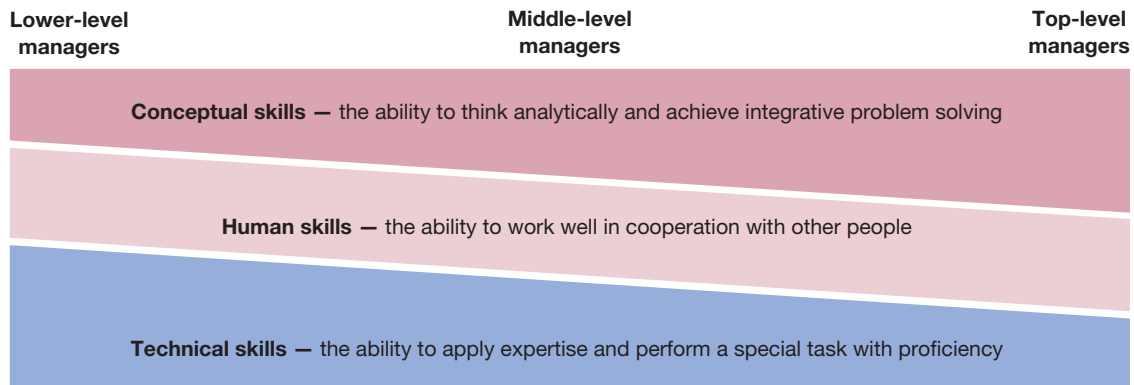


FIGURE 1.8 Essential managerial skills

A **technical skill** is the ability to use a special proficiency or expertise to perform particular tasks. Accountants, engineers, market researchers, business planners and computer scientists, for example, possess technical skills. These are initially acquired through formal education and are further developed by training and job experience. Technical skill in the new network economy is also increasingly tied to computer literacy and use of the latest information technology. Figure 1.8 shows that technical skills are very important at career entry levels. The important question to be asked and positively answered by you in this respect, and in preparation for any job interview, comes down to this simple test: what can you really do for an employer?

The ability to work well in cooperation with other people is a **human skill**. It emerges in the workplace as a spirit of trust, enthusiasm and genuine involvement in interpersonal relationships. A manager with good human skills will have a high degree of self-awareness and a capacity to understand or empathise with the feelings of others. An important component of the essential human skills is **emotional intelligence**.⁷⁵ Emotional intelligence is defined by scholar and consultant Daniel Goleman as the ‘ability to manage ourselves and our relationships effectively’.⁷⁶ Given the highly interpersonal nature of managerial work, human skills are essential for all managers. Figure 1.8 shows that they are consistently important across all the managerial levels. Again a straightforward question puts you to the test of interpersonal skills and emotional intelligence: how well do you work with others?

All good managers ultimately have the ability to view situations broadly and to solve problems to the benefit of everyone concerned. This ability to think critically and analytically is a **conceptual skill**. It involves the ability to break down problems into smaller parts, to see the relationships between the parts, and to recognise the implications of any one problem for others. As we assume ever-higher responsibilities in organisations, we are called on to deal with more ambiguous problems that have many

complications and longer term consequences. Figure 1.8 shows that conceptual skills gain in relative importance for top managers. At this point, you should ask ‘Am I developing critical-thinking and problem-solving capabilities for long-term career success?’

Skill and outcome assessment

Business and management educators are increasingly interested in helping people acquire essential skills and develop specific competencies that can help them achieve managerial success. A **managerial competency** is a skill-based capability that contributes to high performance in a management job.⁷⁷ A number of these competencies have been implied in the previous discussion of the management process, including those related to planning, organising, leading and controlling. Competencies are also implicit in the information, interpersonal and decision-making demands of managerial roles, as well as agenda setting and networking as managerial activities.

Manager’s notepad 1.3 further highlights some of the skills and personal characteristics business schools emphasise in helping students develop the foundations for continued professional development and career success. You can use this notepad as a preliminary checklist for assessing your career readiness in terms of professional skills and competencies.

MANAGER’S NOTEPAD 1.3

Managerial skill and outcome assessment template

- *Communication* — demonstrates ability to share ideas and findings clearly in written and oral expression. This includes competencies in writing, oral presentation, giving/receiving feedback and technology use.
- *Teamwork* — demonstrates ability to work effectively as a team member and team leader. This includes competencies in team contribution, team leadership, conflict management, negotiation and consensus building.
- *Self-management* — demonstrates ability to self-evaluate, modify behaviour and meet performance obligations. This includes competencies in ethical understanding/behaviour, personal flexibility, tolerance for ambiguity, and performance responsibility.
- *Leadership* — demonstrates ability to influence and support others to perform complex and sometimes ambiguous tasks. This includes competencies in diversity awareness, global awareness, project management and strategic action.
- *Critical thinking* — demonstrates ability to gather and analyse information for creative problem-solving. This includes competencies in problem-solving, judgement and decision-making, information gathering and interpretation, and creativity/innovation.
- *Professionalism* — demonstrates ability to sustain a positive impression, instil confidence and maintain career advancement. This includes competencies in personal presence, personal initiative and career management.

In summary, the manager’s top three tasks involve analysing the environment to clarify what can be done — what the market wants and will ‘bear’, establishing the intent of the organisation’s leaders, and then acquiring the resources necessary to build the products or provide the services. So, this ‘what’ of management is implemented through the ‘how’ of strategy, and by applying the personal skills of the manager — whose task it is to explain to employees the ‘why’, to make sense of the organisation’s activities.

CRITICAL ANALYSIS

1. In what proportions do you think management is about knowledge, skills and abilities? Justify your answer.

SUMMARY

1.1 What are the challenges in the contemporary workplace?

- The contemporary environment challenges everyone to understand and embrace continuous change and developments in a new information-driven and global economy.
- Work in the new economy is increasingly knowledge-based and people, with their capacity to bring valuable intellectual capital to the workplace, are the ultimate foundation of organisational performance.
- The forces of globalisation are bringing increased interdependencies among nations and economies as customer markets and resource flows create intense business competition.
- Ever present developments in information technology and the continued expansion of the internet are reshaping organisations, changing the nature of work, and increasing the value of people capable of performing as knowledge workers.
- Organisations must value the talents and capabilities of a workforce whose members are increasingly diverse with respect to gender, age, race and ethnicity, able-bodiedness and lifestyles.
- Society has high expectations for organisations and their members to perform with commitment to high ethical standards and in socially responsible ways, including protection of the natural environment and human rights.
- Careers in the new economy require great personal initiative to build and maintain skill ‘portfolios’ that are always up to date and valuable to employers challenged by intense competition and the opportunities of the information age.

1.2 What are organisations like in the contemporary workplace?

- Organisations are collections of people working together to achieve a common purpose.
- As open systems, organisations interact with their environments in the process of transforming resource inputs into product outputs.
- Productivity is a measure of the quantity and quality of work performance, with resource use taken into account.
- High-performing organisations are both effective, in terms of goal accomplishment, and efficient, in terms of resource use.
- Organisations today continue to emphasise total quality management in a context of technology use, more empowerment and teamwork, and concern for work–life balance, among other trends.

1.3 Who are managers and what do they do?

- Managers directly support and facilitate the work efforts of other people in organisations.
- Top managers scan the environment, create vision and emphasise long-term performance goals; middle managers coordinate activities in large departments or divisions; team leaders and supervisors support performance at the team or work-unit level.
- Functional managers work in specific areas such as finance or marketing; general managers are responsible for larger multifunctional units; administrators are managers in public or not-for-profit organisations.
- A key aspect of managerial work is accountability to higher levels for performance results that the manager depends on other people to accomplish.
- The upside-down pyramid view of organisations shows operating workers at the top responsible for meeting customer needs while being supported from below by various levels of management.
- A key aspect in the changing nature of managerial work is emphasis on being good at coaching and supporting others, rather than simply directing and giving orders.

1.4 What is the management process?

- The management process consists of planning, organising, leading and controlling. Planning sets the direction; organising assembles the human and material resources; leading provides the enthusiasm and direction; controlling ensures results.

- Managers implement the four functions in daily work that is intense and stressful, involving long hours and continuous performance pressures.
- Managerial success in this demanding context requires the ability to perform well in interpersonal, informational and decision-making roles.
- Managerial success in this demanding context also requires the ability to use interpersonal networks to accomplish well-selected task agendas.

1.5 How do you learn essential managerial skills and competencies?

- Career success in the new economy requires continual attention to the process of lifelong learning from all aspects of daily experience and job opportunities.
- Skills considered essential to managerial success are broadly described as technical (ability to use knowledge and technology), human (ability to work well with other people) and conceptual (ability to analyse and solve complex problems).

KEY TERMS

Accountability is the requirement to show performance results to a supervisor.

Administrators are managers who work in public or not-for-profit organisations.

A **conceptual skill** is the ability to think analytically and solve complex problems.

Controlling is the process of measuring performance and taking action to ensure desired results.

Discrimination occurs when someone is denied a job or a job assignment for reasons not job-relevant.

Emotional intelligence is the ability to manage ourselves and our relationships effectively.

Functional managers are responsible for one area of activity, such as finance, marketing, production, human resources, accounting or sales.

General managers are responsible for complex organisational units that include many areas of functional activity.

Globalisation is the worldwide interdependence of resource flows, product markets and business competition.

A **human skill** is the ability to work well in cooperation with other people.

Intellectual capital is the collective brain power or shared knowledge of a workforce.

A **knowledge worker** is someone whose knowledge is a critical resource for employers.

Leading is the process of arousing enthusiasm and directing efforts towards organisational goals.

Lifelong learning is continuous learning from daily experiences and opportunities.

Line managers directly contribute to the production of the organisation's basic goods or services.

Management is the process of planning, organising, leading and controlling the use of resources to accomplish performance goals.

A **managerial competency** is a skill-based capability for high performance in a management job.

Managers are responsible for and support the work of others.

Middle managers oversee the work of large departments or divisions.

Open systems transform resource inputs from the environment into product or service outputs.

An **organisation** is a collection of people working together with a division of labour to achieve a common purpose.

Organising is the process of assigning tasks, allocating resources and arranging activities to implement plans.

Performance effectiveness is an output measure of task or goal accomplishment.

Performance efficiency is a measure of resource cost associated with goal accomplishment.

Planning is the process of setting objectives and determining how to accomplish them.

Prejudice is the display of negative, irrational attitudes towards members of diverse populations.

Productivity is the quantity and quality of work performance, with resource use considered.

Project managers coordinate complex projects with task deadlines and people with many areas of expertise.

Quality of work life (QWL) is the overall quality of human experiences in the workplace.

A **skill** is the ability to translate knowledge into action that results in desired performance.

Staff managers use special technical expertise to advise and support line workers.

Team leaders or **supervisors** report to middle managers and directly supervise non-managerial workers.

A **technical skill** is the ability to use a special proficiency or expertise in your work.

Top managers guide the performance of the organisation as a whole, or of one of its major parts.

Total quality management (TQM) is managing with commitment to continuous improvement, product quality and customer satisfaction.

Workforce diversity describes differences among workers in gender, race, age, ethnic culture, able-bodiedness, religious affiliation and sexual orientation.

APPLIED ACTIVITIES

- 1 What are some of the opportunities an increasingly diverse and multicultural workforce offers with respect to potential performance gains in organisations? How can managers stimulate and encourage this contribution?
- 2 Why are concepts such as ethical and socially responsible conduct increasingly important?
- 3 What are some important survival skills for the new workplace? List and explain them.
- 4 What is ‘globalisation’ and how does it relate to Kenichi Ohmae’s notion of the borderless world?
- 5 You have been a very successful civil engineer for ten years and your technical skills are excellent. However, you have no management experience. You are being interviewed for a team leader position. The team consists of eight members of three different nationalities and has equal numbers of men and women. Explain what you would say to the selection panel in relation to meeting the challenge of effectively managing a diverse team.

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