FUNDAMENTALS OF MANAGEMENT

GRIFFIN

6TH EDITION

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1 2 3 4 5 6 7 13 12 11 10

BRIEF CONTENTS

CONTENTS

PART 2 PLANNING

PART 4 LEADING

APPENDIX

PREFACE

Over the last five decades, hundreds of books have been written for introductory management courses. As the body of material comprising the theory, research, and practice of management has grown and expanded, textbook authors have continued to mirror this expansion of material in their books. Writers have understood the importance of adding new material pertinent to traditional topics, such as planning and organizing, while simultaneously adding coverage of emerging new topics, such as diversity and information technology. As a by-product of this trend, our general survey textbooks have grown longer and longer, making it increasingly difficult to cover all the material in one course.

Another emerging trend in management education is a new focus on teaching in a broader context. That is, introductory management courses are increasingly being taught with less emphasis on theory alone and more emphasis on application of concepts. Teaching students how to apply management concepts successfully often involves focusing more on skills development and the human side of the organization. This trend requires that textbooks cover theoretical concepts within a flexible framework that enables instructors to make use of interactive tools such as case studies, exercises, and projects. It also dictates that a text be as relevant to students as possible. Hence, while this book draws examples and cases from older large firms like Ford, IBM, and Nestle, it also makes extensive use of newer firms such as Google, Abercrombie & Fitch, Facebook, Starbucks, Urban Outfitters, and others.

This textbook represents a synthesis of these trends toward a more manageable and practical approach. By combining concise text discussion, standard pedagogical tools, lively and current content, an emphasis on organizational behavior, and exciting skills-development materials, *Fundamentals of Management* answers the need for a new approach to management education. This book provides almost limitless flexibility, a solid foundation of knowledge-based material, and an action-oriented learning dimension unique in the field. Indeed, almost a half million students were introduced to the field of management using the first five editions of this book. This sixth edition builds solidly on the successes of the earlier editions.

ORGANIZATION OF THE BOOK

Most management instructors today organize their course around the traditional management functions of planning, organizing, leading, and controlling. *Fundamentals of Management* uses these functions as its organizing framework. The book consists of five parts, with fifteen chapters.

Part One introduces management through two chapters. Chapter 1 provides a basic overview of the management process in organizations, and Chapter 2 introduces students to the environment of management. Part Two covers the first basic management function, planning. Chapter 3 introduces the fundamental concepts of planning and discusses strategic management. Managerial decision making is the topic of Chapter 4. Finally, Chapter 5 covers entrepreneurship and the management of new ventures.

The second basic management function, organizing, is the subject of Part Three. In Chapter 6 the fundamental concepts of organization structure and design are introduced and discussed. Chapter 7 explores organization change and organizational innovation. Chapter 8 is devoted to the management of human resources.

Many instructors and managers believe that the third basic management function, leading, is especially important in contemporary organizations. Thus Part Four consists of five chapters devoted to this management function. Basic concepts and processes associated with individual behavior are introduced and discussed in Chapter 9. Employee motivation is the subject of Chapter 10. Chapter 11 examines leadership and influence processes in organizations. Communication in organizations is the topic of Chapter 12. The management of groups and teams is covered in Chapter 13.

The fourth management function, controlling, is the subject of Part Five. Chapter 14 introduces the fundamental concepts and issues associated with management of the control process. A special area of control today, managing for total quality, is discussed in Chapter 15.

SKILLS-FOCUSED PEDAGOGICAL FEATURES

With this text, it has been possible to address new dimensions of management education without creating a book so long that it is unwieldy. Specifically, each chapter is followed by an exciting set of skills-based exercises. These resources have been created to bring an active and a behavioral orientation to management education by requiring students to solve problems, make decisions, respond to situations, and work in groups. In short, these materials simulate many of the day-to-day challenges and opportunities that real managers face.

Among these skills-based exercises are two different *Building Effective Skills* organized around the set of basic management skills introduced in Chapter 1. The *Skills Self-Assessment Instrument* exercise helps readers learn something about their own approach to management. Finally, an *Experiential Exercise* provides additional action-oriented learning opportunities, usually in a group setting.

New to the sixth edition, each chapter also contains a boxed feature entitled *Tough Times, Tough Choices* or *Ethics in Action*. These features are intended to depart briefly from the flow of the chapter to highlight or extend especially interesting or emerging points and issues related to the tough decisions managers must make in today's business climate or to ethical questions that confront managers today.

In addition to the end-of-the-chapter exercises, every chapter includes important standard pedagogy: learning objectives, a chapter outline, an opening incident, key terms, a summary of key points, questions for review, questions for analysis, and an end-of-chapter case with questions.

CHANGES TO THE SIXTH EDITION

The sixth edition of *Fundamentals of Management* retains the same basic structure and format as the previous edition. However, within that framework the content of the book has been thoroughly revised and updated. The following changes are illustrative of the new material that has been added:

(1) New topical coverage includes details and references to both domestic and global economic conditions. When the previous edition was published, the

global economic climate was still favorable. But as everyone now knows, the economy began to decline in 2008 and by 2009 was in full recession. By 2010 the economy had begun to stabilize but was still both sluggish and erratic. The implications and impact of these economic fluctuations are now integrated throughout the book.

(2) Since the last edition several new management techniques have been introduced. One of these, for example, is the tiered work force where existing workers are paid at a higher rate than newly hired ones. These new techniques are discussed in several locations in the book.

(3) The latest research findings regarding globalization, strategic management, organizing, motivation, leadership, and control have been incorporated into the text and referenced at the end of the book.

(4) All of the cases and boxed inserts are new to this edition of *Fundamentals of Management*. They reflect a wide variety of organizations and illustrate both successful and less successful practices and decisions.

(5) As noted earlier, this book features a rich and diverse array of end-of-chapter materials to facilitate both learning and skill development. For this edition over two-thirds of this material have been replaced or substantially revised.

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Many reviewers have played a critical role in the continuous evolution and improvement of this project. They examined my work in detail and with a critical eye. I would like to tip my hat to the following reviewers, whose imprint can be found throughout this text:

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My wife, Glenda, and our children, Dustin, Ashley, and Matt, are, of course, due the greatest thanks. Their love, care, interest, and enthusiasm help sustain me in all that I do. I also enthusiastically invite your feedback on this book. If you have any questions, suggestions, or issues to discuss, please feel free to contact me. The most efficient way to reach me is through e-mail. My address is rgriffin@tamu.edu.

R.W.G.

however, the duo seems to excel in several managerial areas. First, Brin and Page remain in the forefront of Google's search for technological innovations. They believe in the power of mathematics and have developed unique algorithms for just about every form of activity in the firm. One of the most successful is an algorithm for auctioning advertising placements that ensures the highest possible prices.

Brin and Page have also been remarkably successful in attracting talented and creative employees and then providing them with a work environment and culture that foster the kind of productivity and innovation for which they were hired. At least half of all Google employees are scientists and engineers. Many are recruited from the country's top engineering schools, while others "win" jobs by performing well in online programming contests. Googlers work in small, flexible, self-directed teams, and the company's website reinforces the casual atmosphere: "Work and play," according to Google, "are not mutually exclusive. It is possible to code and pass the puck at the same time." Employees are free to devote 20 percent of the workday to pursuing personal projects, and many of Google's most innovative ideas have sprung from this policy of enlightened self-interest. Pay for performance is standard, and compensation is relatively high. (Brin and Page reward themselves with $1 a year in salary, with no bonuses, stock, or options.)

Finally, although the founders avoid formal strategic planning, they've managed to diversify extensively through acquisitions and key alliances. Typically, Google absorbs an acquired firm and then improves on its technology, thereby adding variety to its own online offerings. Recent acquisitions include YouTube, a leader in online video sharing (2006); Postini, a leader in communications security products (2007); and DoubleClick, a leader in online advertising services (2008). Strategic alliances include those with foreign online service providers that offer Google searches on their sites.

For the future, Google plans on doing more of the same, competing head to head with financial service providers for stock information and with iTunes for music and videos. Also committed to the in-house development of new features and services, Google spent $2.1 billion on research and development (R&D) in 2007 (up from $1.2 billion in 2006) and another $1 billion to acquire new information technology (IT) assets. Innovations in the works include an automated universal language translator for translating documents from any language into any other language and personalized home pages for allowing users to design automatic searches and display the results in personal "newspapers."

If there's anything else on the drawing board, nobody knows for sure. In fact, outsiders—notably potential investors—often criticize Google for being a "black box" when they want a few more details about topics of investor interest such as long-range strategy. "We don't talk about our strategy," explains Page, ". . . because it's strategic. I would rather have people think we're confused than let our competitors know what we're going to do."[1]

This book is about managers like Sergey Brin and Larry Page and the work they do. In this chapter, we examine the general nature of management, its dimensions, and its challenges. We explain the basic concepts of management and managers, discuss the management process, and summarize the origins of contemporary management thought. We conclude this chapter by introducing critical challenges and issues that managers are facing now and will continue to encounter in the future.

AN INTRODUCTION TO MANAGEMENT

An **organization** is a group of people working together in a structured and coordinated fashion to achieve a set of goals, which may include profit (Starbucks Corporation), the discovery of knowledge (University of Missouri), national defense (the U.S. Army), the coordination of various local charities (United Way of America), or social satisfaction (a sorority).

organization
A group of people working together in a structured and coordinated fashion to achieve a set of goals

Managers are responsible for using the organization's resources to help achieve its goals. More precisely, **management** can be defined as a set of activities (including planning and decision making, organizing, leading, and controlling) directed at an organization's resources (human, financial, physical, and information), with the aim of achieving organizational goals in an efficient and effective manner. A **manager**, then, is someone whose primary responsibility is to carry out the management process. By **efficient**, we mean using resources wisely, in a cost-effective way. By **effective**, we mean making the right decisions and successfully implementing them. In general, successful organizations are both efficient and effective.[2]

management
A set of activities (including planning and decision making, organizing, leading, and controlling) directed at an organization's resources (human, financial, physical, and information), with the aim of achieving organizational goals in an efficient and effective manner

manager
Someone whose primary responsibility is to carry out the management process

efficient
Using resources wisely in a cost-effective way

effective
Making the right decisions and successfully implementing them

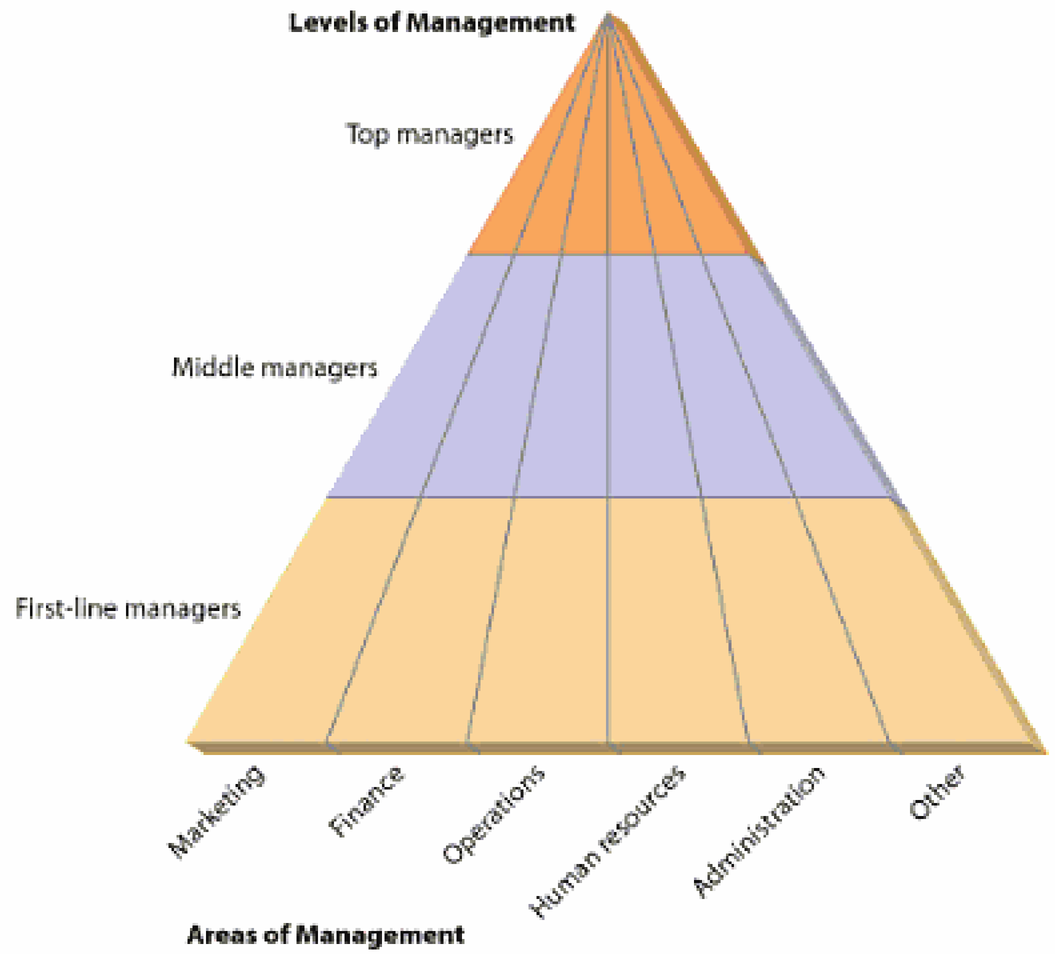
Today's managers face various interesting and challenging situations. The average executive works 60 hours a week; has enormous demands placed on his or her time; and faces increased complexities posed by globalization, domestic competition, government regulation, shareholder pressure, and Internet-related uncertainties. Their job is complicated even more by rapid changes, unexpected disruptions, and both minor and major crises. The manager's job is unpredictable and fraught with challenges, but it is also filled with opportunities to make a difference. Good managers can propel an organization into unprecedented realms of success, whereas poor managers can devastate even the strongest of organizations.[3]

Kinds of Managers

Many different kinds of managers work in organizations today. Figure 1.1 shows how various kinds of managers within an organization can be differentiated by level and by area.

Figure 1.1
Kinds of Managers by Level and Area

Organizations generally have three levels of management, represented by top managers, middle managers, and first-line managers. Regardless of level, managers are also usually associated with a specific area within the organization, such as marketing, finance, operations, human resources, administration, or some other area.



Levels of Management One way to classify managers is in terms of their level in the organization. *Top managers* make up the relatively small group of executives who manage the overall organization. Titles found in this group include president, vice president, and chief executive officer (CEO). Top managers create the organization's goals, overall strategy, and operating policies. They also officially represent the organization to the external environment by meeting with government officials, executives of other organizations, and so forth.

Howard Schultz, CEO of Starbucks, is a top manager, as is Deidra Wager, the firm's executive vice president. Likewise, Sergey Brin, Larry Page, and Alan Mulally are also top managers. The job of a top manager is likely to be complex and varied. Top managers make decisions about activities such as acquiring other companies, investing in R&D, entering or abandoning various markets, and building new plants and office facilities. They often work long hours and spend much of their time in meetings or on the telephone. In most cases, top managers are also very well paid. In fact, the elite top managers of very large firms sometimes make several million dollars a year in salary, bonuses, and stock.[4] In 2009 Ford paid its CEO, Alan Mulally, $2,000,000 in salary. He also earned $1,046,390 in other compensation and $14,641,851 in stock and option awards.[5]

Middle management is probably the largest group of managers in most organizations. Common middle-management titles include plant manager, operations manager, and division head. *Middle managers* are primarily responsible for implementing the policies and plans developed by top managers and for supervising and coordinating the activities of lower-level managers.[6] Jason Hernandez, a regional manager at Starbucks responsible for the firm's operations in three eastern states, is a middle manager.

First-line managers supervise and coordinate the activities of operating employees. Common titles for first-line managers are supervisor, coordinator, and office manager. Positions like these are often the first held by employees who enter management from the ranks of operating personnel. Wayne Maxwell and Jenny Wagner, managers of Starbucks coffee shops in Texas, are first-line managers. They oversee the day-to-day operations of their respective stores, hire operating employees to staff them, and handle other routine administrative duties required of them by the parent corporation. In contrast to top and middle managers, first-line managers typically spend a large proportion of their time supervising the work of their subordinates.

Managing in Different Areas of the Organization Regardless of their level, managers may work in various areas within an organization. In any given firm, for example, these areas may include marketing, financial, operations, human resources, administrative, and others.

Marketing managers work in areas related to the marketing function—getting consumers and clients to buy the organization's products or services (be they Nokia cell phones, Ford automobiles, *Newsweek* magazines, Associated Press news reports, flights on Southwest Airlines, or cups of latte at Starbucks). These areas include new-product development, promotion, and distribution. Given the importance of marketing for virtually all organizations, developing good managers in this area is critical.

Financial managers deal primarily with an organization's financial resources. They are responsible for activities such as accounting, cash management, and investments. In some businesses, especially banking and insurance, financial managers are found in large numbers.

Operations managers are concerned with creating and managing the systems that create an organization's products and services. Typical responsibilities of operations managers include production control, inventory control, quality control, plant layout, and site selection.

Human resources managers are responsible for hiring and developing employees. They are typically involved in human resource planning, recruiting and selecting employees, training and development, designing compensation and benefit systems, formulating performance appraisal systems, and discharging low-performing and problem employees.

Administrative, or general, managers are not associated with any particular management specialty. Probably the best example of an administrative management position is that of a hospital or clinic administrator. Administrative managers tend to be generalists; they have some basic familiarity with all functional areas of management rather than specialized training in any one area.[7]

Many organizations have specialized management positions in addition to those already described. Public relations managers, for example, deal with the public and media for firms such as Philip Morris and the Dow Chemical Company to protect and enhance the image of their organizations. R&D managers coordinate the activities of scientists and engineers working on scientific projects in organizations such as Monsanto Company, NASA, and Merck & Company. Internal consultants are used in organizations such as Prudential Insurance to provide specialized expert advice to operating managers. International operations are often coordinated by specialized managers in organizations like Eli Lilly and Rockwell International. The number, nature, and importance of these specialized managers vary tremendously from one organization to another. As contemporary organizations continue to grow in complexity and size, the number and importance of such managers are also likely to increase.

Basic Management Functions

Regardless of level or area, management involves the four basic functions of planning and decision making, organizing, leading, and controlling. This book is organized around these basic functions, as shown in Figure 1.2.

Figure 1.2
The Management Process

Management involves four basic activities—planning and decision making, organizing, leading, and controlling. Although there is a basic logic for describing these activities in this sequence (as indicated by the solid arrows), most managers engage in more than one activity at a time and often move back and forth between the activities in unpredictable ways (as shown by the dotted arrows).

Planning and Decision Making In its simplest form, planning means setting an organization's goals and deciding how best to achieve them. Decision making, a part of the planning process, involves selecting a course of action from a set of alternatives. Planning and decision making help maintain managerial effectiveness by serving as guides for future activities. In other words, the organization's goals and plans clearly help managers know how to allocate their time and resources. Part Two of this text is devoted to planning and decision-making activities and concepts.

Organizing Once a manager has set goals and developed a workable plan, the next management function is to organize people and the other resources necessary to carry out the plan. Specifically, organizing involves determining how activities and resources are to be grouped. Although some people equate this function with the creation of an organization chart, we will see in Part Three that it is actually much more.

Leading The third basic managerial function is leading. Some people consider leading to be both the most important and the most challenging of all managerial activities. Leading is the set of processes used to get members of the organization to work together to further the interests of the organization. We cover the leading function in detail in Part Four.

Controlling The final phase of the management process is controlling, or monitoring the organization's progress toward its goals. As the organization moves toward its goals, managers must monitor progress to ensure that it is performing in such a way as to arrive at its "destination" at the appointed time. Part Five explores the control function.

Fundamental Management Skills

To carry out these management functions most effectively, managers rely on a number of different fundamental management skills of which the most important are technical, interpersonal, conceptual, diagnostic, communication, decision-making, and time management skills.[8]

Technical Skills Technical skills are necessary to accomplish or understand the specific kind of work done in an organization. Technical skills are especially important for first-line managers. These managers spend much of their time training their subordinates and answering questions about work-related problems. They must know how to perform the tasks assigned to those they supervise if they are to be effective managers. While Sergey Brin and Larry Page spend most of their time now dealing with strategic and management issues, they also keep abreast of new and emerging technologies that may affect Google.

Interpersonal Skills Managers spend considerable time interacting with people both inside and outside the organization. For obvious reasons, then, they also need interpersonal skills—the ability to communicate with, understand, and motivate both individuals and groups. As a manager climbs the organizational ladder, he or she must be able to get along with subordinates, peers, and those at higher levels of the organization. Because of the multitude of roles that managers must fulfill, a manager must also be able to work with suppliers, customers, investors, and others outside the organization.

Conceptual Skills Conceptual skills depend on the manager's ability to think in the abstract. Managers need the mental capacity to understand the overall workings of the organization and its environment, to grasp how all the parts of the organization fit together, and to view the organization in a holistic manner. This ability allows them to think strategically, to

planning
Setting an organization's goals and deciding how best to achieve them

decision making
Part of the planning process that involves selecting a course of action from a set of alternatives

organizing
Determining how activities and resources are to be grouped

leading
The set of processes used to get members of the organization to work together to further the interests of the organization

controlling
Monitoring organizational progress toward goal attainment

technical skills
The skills necessary to accomplish or understand the specific kind of work done in an organization

interpersonal skills
The ability to communicate with, understand, and motivate both individuals and groups

conceptual skills
The manager's ability to think in the abstract

ALEX WONG/GETTY IMAGES

Management involves both art and science. For example, Starbucks managers relied heavily on scientific data when they planned their first stores in New York. But these data actually led the firm to misjudge the coffee drinking tastes of New Yorkers. As a result, Starbucks had to hastily alter its menus and install new equipment. Clearly, then, hard data and facts must be tempered with intuition and personal insight.

The Art of Management

Even though managers may try to be scientific as often as possible, they must frequently make decisions and solve problems on the basis of intuition, experience, instinct, and personal insights. Relying heavily on conceptual, communication, interpersonal, and time management skills, for example, a manager may have to decide among multiple courses of action that look equally attractive. And even "objective facts" may prove to be wrong. When Starbucks was planning its first store in New York City, market research clearly showed that New Yorkers preferred drip coffee to more exotic espresso-style coffees. After first installing more drip coffee makers and fewer espresso makers than in their other stores, managers had to backtrack when the New Yorkers lined up clamoring for espresso. Starbucks now introduces a standard menu and layout in all its stores, regardless of presumed market differences, and then makes necessary adjustments later. Thus, managers must blend an element of intuition and personal insight with hard data and objective facts.[13]

THE EVOLUTION OF MANAGEMENT

Most managers today recognize the importance of history and theory in their work. For instance, knowing the origins of their organization and the kinds of practices that have led to success—or failure—can be an indispensable tool in managing the contemporary organization. Thus, in our next section, we briefly trace the history of management thought. Then we move forward to the present day by introducing contemporary management issues and challenges.

The Importance of Theory and History

Some people question the value of history and theory. Their arguments are usually based on the assumptions that history is not relevant to contemporary society and that theory is abstract and of no practical use. In reality, however, both theory and history are important to all managers today.

theory
A conceptual framework for organizing knowledge and providing a blueprint for action

Why Theory? A **theory** is simply a conceptual framework for organizing knowledge and providing a blueprint for action.[14] Although some theories seem abstract and irrelevant, others appear very simple and practical. Management theories, used to build organizations and guide them toward their goals, are grounded in reality.[15] Practically any organization that uses assembly lines (such as Daimler AG and Maytag) is drawing on what we describe later in this chapter as *scientific management*. Many organizations, including Best Buy and Texas Instruments, use the behavioral perspective (also introduced later) to improve employee satisfaction and motivation. And naming a large company that does not use one or more techniques from the quantitative management perspective would be difficult. For example, retailers such as Kroger and Target routinely use operations management to determine how many checkout lines they need to have open at any given time. In addition, most managers develop and refine their own theories of how they should run their organizations and manage the behavior of their employees. James Sinegal, founder and CEO of Costco Wholesale, believes that paying his employees well while keeping prices as low as possible are the key ingredients in success for his business. This belief is based essentially on his personal theory of competition in the warehouse retailing industry.

Why History? Awareness and understanding of important historical developments are also important to contemporary managers.[16] Understanding the historical context of management provides a sense of heritage and can help managers avoid the mistakes of others. Most courses in U.S. history devote time to business and economic developments in this country, including the Industrial Revolution, the early labor movement, and the Great Depression, and to captains of U.S. industry such as Cornelius Vanderbilt (railroads), John D. Rockefeller (oil), and Andrew Carnegie (steel). The contributions of those and other industrialists left a profound imprint on contemporary culture.[17]

Many managers are also realizing that they can benefit from a greater understanding of history in general. For example, Ian M. Ross of AT&T's Bell Laboratories cites *The Second World War* by Winston Churchill as a major influence on his approach to leadership. Other books often mentioned by managers for their relevance to today's business problems include such classics as Plato's *Republic*, Homer's *Iliad*, Sun Tzu's *The Art of War*, and Machiavelli's *The Prince*.[18] And new business history books have also been directed at women managers and the lessons they can learn from the past.[19]

Managers at Wells Fargo clearly recognize the value of history. For example, the company maintains an extensive archival library of its old banking documents and records, and even employs a full-time corporate historian. As part of their orientation and training, new managers at Wells Fargo take courses to become acquainted with the bank's history.[20] Similarly, Shell Oil, Levi Strauss, Halliburton, Lloyd's of London, Disney, Honda, and Unilever all maintain significant archives about their pasts and frequently evoke images from those pasts in their orientation and training programs, advertising campaigns, and other public relations activities.

The Historical Context of Management

The practice of management can be traced back thousands of years. The Egyptians used the management functions of planning, organizing, and controlling when they constructed the pyramids. Alexander the Great employed a staff organization to coordinate activities during his military campaigns. The Roman Empire developed a well-defined organizational structure that greatly facilitated communication and control. Socrates discussed management practices and concepts in 400 B.C., Plato described job specialization in 350 B.C., and the Persian scientist and philosopher al-Farabi listed several leadership traits in A.D. 900.[21]

In spite of this history, the serious study of management did not begin until the nineteenth century. Two of its first pioneers were Robert Owen and Charles Babbage. Owen (1771–1858), a British industrialist and reformer, was one of the first managers to recognize the importance of an organization's human resources and to express concern for the personal welfare of his workers. Babbage (1792–1871), an English mathematician, focused his attention on efficiencies of production. He placed great faith in the division of labor and advocated the application of mathematics to such problems as the efficient use of facilities and materials.

The Classical Management Perspective

Early in the twentieth century, the preliminary ideas and writings of these and other managers and theorists converged with the emergence and evolution of large-scale businesses and management practices to create interest and focus attention on how businesses should be operated. The first important ideas to emerge are now called the **classical management perspective**, which actually includes two different viewpoints: scientific management and administrative management.

Scientific Management Productivity emerged as a serious business problem during the first few years of this century. Business was expanding and capital was readily available, but labor was in short supply. Hence, managers began to search for ways to use existing labor more efficiently. In response to this need, experts began to focus on ways to improve the performance of individual workers. Their work led to the development of **scientific management**. Some of the earliest advocates of scientific management included Frederick W. Taylor (1856–1915), Frank Gilbreth (1868–1924), and Lillian Gilbreth (1878–1972).[22] Taylor played the dominant role.

One of Taylor's first jobs was as a foreman at the Midvale Steel Company in Philadelphia. There he observed what he called **soldiering**—employees deliberately working at a pace slower than their capabilities. Taylor studied and timed each element of the steelworkers' jobs. He determined what each worker should be producing, and then he designed the most efficient way of doing each part of the overall task. Next he implemented a piecework pay system. Rather than paying all employees the same wage, he began increasing the pay of each worker who met and exceeded the target level of output set for his or her job.

After Taylor left Midvale, he worked as a consultant for several companies, including Simonds Rolling Machine Company and Bethlehem Steel. At Simonds he studied and redesigned jobs, introduced rest periods to reduce fatigue, and implemented a piecework pay system. The results were higher quality and quantity of output, and improved morale. At Bethlehem Steel, Taylor studied efficient ways of loading and unloading railcars and applied his conclusions with equally impressive results. During these experiences, he formulated the basic ideas that he called *scientific management*. Figure 1.3 illustrates the basic steps Taylor suggested. He believed that managers who followed his guidelines would improve the efficiency of their workers.[23]

Taylor's work had a major impact on U.S. industry. By applying his principles, many organizations achieved major gains in efficiency. Taylor was not without his detractors, however. Labor argued that scientific management was just a device to get more work from each employee and to reduce the total number of workers needed by a firm. There was a congressional investigation into Taylor's ideas, and evidence suggests that he falsified some of his findings.[24] Nevertheless, Taylor's work left a lasting imprint on business.[25]

Frank and Lillian Gilbreth, contemporaries of Taylor, were a husband-and-wife team of industrial engineers. One of Frank Gilbreth's most interesting contributions was to the craft of bricklaying. After studying bricklayers at work, he developed several procedures

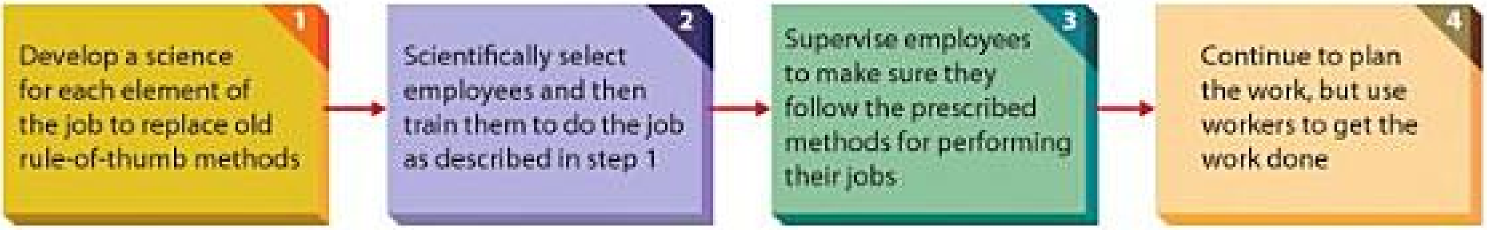
classical management perspective
Consists of two distinct branches—scientific management and administrative management

scientific management
Concerned with improving the performance of individual workers

soldiering
Employees deliberately working at a slow pace

Figure 1.3 Steps in Scientific Management

Frederick Taylor developed this system of scientific management, which he believed would lead to a more efficient and productive workforce. Bethlehem Steel was among the first organizations to profit from scientific management and still practices some parts of it today.



for doing the job more efficiently. For example, he specified standard materials and techniques, including the positioning of the bricklayer, the bricks, and the mortar at different levels. The results of these changes were a reduction from 18 separate physical movements to 5 and an increase in the output of about 200 percent. Lillian Gilbreth made equally important contributions to several different areas of work, helped shape the field of industrial psychology, and made substantive contributions to the field of personnel management. Working individually and together, the Gilbreths developed numerous techniques and strategies for eliminating inefficiency. They applied many of their ideas to their family and documented their experiences raising 12 children in the book and original 1950 movie *Cheaper by the Dozen*.

Administrative Management Whereas scientific management deals with the jobs of individual employees, **administrative management** focuses on managing the total organization. The primary contributors to administrative management were Henri Fayol (1841–1925), Lyndall Urwick (1891–1983), and Max Weber (1864–1920).

Henri Fayol was administrative management's most articulate spokesperson. A French industrialist, Fayol was unknown to U.S. managers and scholars until his most important work, *General and Industrial Management*, was translated into English in 1930.[26] Drawing on his own managerial experience, he attempted to systematize the practice of management to provide guidance and direction to other managers. Fayol was also the first to identify the specific managerial functions of planning, organizing, leading, and controlling. He believed that these functions accurately reflect the core of the management process. Most contemporary management books (including this one) still use this framework, and practicing managers agree that these functions are a critical part of their jobs.

After a career as a British army officer, Lyndall Urwick became a noted management theorist and consultant. He integrated scientific management with the work of Fayol and other administrative management theorists. He also advanced modern thinking about the functions of planning, organizing, and controlling. Like Fayol, he developed a list of guidelines for improving managerial effectiveness. Urwick is noted not so much for his own contributions as for his synthesis and integration of the work of others.

Although Max Weber lived and worked at the same time as Fayol and Taylor, his contributions were not recognized until some years had passed. Weber was a German sociologist, and his most important work was not translated into English until 1947.[27]

administrative management
Focuses on managing the total organization

Table 1.1
Theory X and Theory Y

Douglas McGregor developed Theory X and Theory Y. He argued that Theory X best represented the views of scientific management and Theory Y represented the human relations approach. McGregor believed that Theory Y was the best philosophy for all managers.

Source: D. McGregor and W. Bennis, *The Human Side Enterprise: 25th Anniversary Printing*, 1960, Copyright © 1960 The McGraw-Hill Companies, Inc. Reprinted with permission.

Theory X Assumptions	1. People do not like work and try to avoid it.
	2. People do not like work, so managers have to control, direct, coerce, and threaten employees to get them to work toward organizational goals.
	3. People prefer to be directed, to avoid responsibility, and to want security; they have little ambition.
Theory Y Assumptions	1. People do not naturally dislike work; work is a natural part of their lives.
	2. People are internally motivated to reach objectives to which they are committed.
	3. People are committed to goals to the degree that they receive personal rewards when they reach their objectives.
	4. People will both seek and accept responsibility under favorable conditions.
	5. People have the capacity to be innovative in solving organizational problems.
	6. People are bright, but under most organizational conditions their potential is underutilized.

more positive and represents the assumptions that human relations advocates make. In McGregor's view, Theory Y was a more appropriate philosophy for managers to adhere to. Both Maslow and McGregor notably influenced the thinking of many practicing managers.

Contemporary Behavioral Science in Management Munsterberg, Mayo, Maslow, McGregor, and others have made valuable contributions to management. Contemporary theorists, however, have noted that many assertions of the human relationists were simplistic and provided inadequate descriptions of work behavior. Current behavioral perspectives on management, known as organizational behavior, acknowledge that human behavior in organizations is much more complex than the human relationists realized. The field of organizational behavior draws from a broad, interdisciplinary base of psychology, sociology, anthropology, economics, and medicine. Organizational behavior takes a holistic view of behavior and addresses individual, group, and organization processes. These processes are major elements in contemporary management theory.[34] Important topics in this field include job satisfaction, stress, motivation, leadership, group dynamics, organizational politics, interpersonal conflict, and the structure and design of organizations.[35] A contingency orientation also characterizes the field (discussed more fully later in this chapter). Our discussions of organizing (Chapters 6–8) and leading (Chapters 9–13) are heavily influenced by organizational behavior. And, finally, managers need a solid understanding of human behavior as they address diversity-related issues such as ethnicity and religion in the workplace. Indeed, all these topics are useful to help managers better deal with fallout from the consequences of layoffs and job cuts and to motivate today's workers.

organizational behavior
Contemporary field focusing on behavioral perspectives on management

The Behavioral Management Perspective Today The primary contributions of this approach are related to ways in which it has changed managerial thinking. Managers are now more likely to recognize the importance of behavioral processes and to view employees as valuable resources instead of mere tools. On the other hand, organizational behavior is still relatively imprecise in its ability to predict behavior, especially the behavior of a specific individual. It is not always accepted or understood by practicing managers. Hence the contributions of the behavioral school are just beginning to be fully realized.

The Quantitative Management Perspective

The third major school of management thought began to emerge during World War II. During the war, government officials and scientists in England and the United States worked to help the military deploy its resources more efficiently and effectively. These groups took some of the mathematical approaches to management developed decades earlier by Taylor and Gantt and applied these approaches to logistical problems during the war.[36] They learned that problems regarding troop, equipment, and submarine deployment, for example, could all be solved through mathematical analysis. After the war, companies such as DuPont and General Electric began to use the same techniques for deploying employees, choosing plant locations, and planning warehouses. Basically, then, this perspective is concerned with applying quantitative techniques to management. More specifically, the **quantitative management perspective** focuses on decision making, cost effectiveness, mathematical models, and the use of computers. There are two branches of the quantitative approach: management science and operations management.

Management Science Unfortunately, the term *management science* appears to be related to scientific management, the approach developed by Taylor and others early in the twentieth century. But the two have little in common and should not be confused. **Management science** focuses specifically on the development of mathematical models. A mathematical model is a simplified representation of a system, process, or relationship.

At its most basic level, management science focuses on models, equations, and similar representations of reality. For example, managers at Detroit Edison use mathematical models to determine how best to route repair crews during blackouts. Citizens Bank of New England uses models to figure out how many tellers need to be on duty at each location at various times throughout the day. In recent years, paralleling the advent of the personal computer, management science techniques have become increasingly sophisticated. For example, automobile manufacturers Daimler AG and General Motors use realistic computer simulations to study collision damage to cars. These simulations help them avoid the costs of crashing so many test cars.

Operations Management Operations management is somewhat less mathematical and statistically sophisticated than management science and can be applied more directly to managerial situations. Indeed, we can think of **operations management** as a form of applied management science. Operations management techniques are generally concerned with helping the organization produce its products or services more efficiently and can be applied to a wide range of problems.

For example, Rubbermaid and Home Depot each use operations management techniques to manage their inventories. (Inventory management is concerned with specific inventory problems, such as balancing carrying costs and ordering costs, and determining the optimal order quantity.) Linear programming (which involves computing simultaneous solutions to a set of linear equations) helps Delta Airlines plan its flight schedules, Consolidated Freightways develop its shipping routes, and General Instrument Corporation plan what instruments to produce at various times. Other operations management techniques include queuing theory, break-even analysis, and simulation. All these techniques and procedures apply directly to operations, but they are also helpful in areas such as finance, marketing, and human resource management.[37]

quantitative management perspective
Applies quantitative techniques to management

management science
Focuses specifically on the development of mathematical models

operations management
Concerned with helping the organization more efficiently produce its products or services

The Quantitative Management Perspective Today Like the other management perspectives, the quantitative management perspective has made important contributions and has certain limitations. It has provided managers with an abundance of decision-making tools and techniques and has increased understanding of overall organizational processes. This perspective has been particularly useful in the areas of planning and controlling. Relatively new management concepts such as supply chain management and new techniques such as enterprise resource planning, both discussed later in this book, also evolved from the quantitative management perspective. Even more recently, mathematicians are using tools and techniques from the quantitative perspective to develop models that might be helpful in the war against terrorism.[38] On the other hand, mathematical models cannot fully account for individual behaviors and attitudes. Some believe that the time needed to develop competence in quantitative techniques retards the development of other managerial skills. Finally, mathematical models typically require a set of assumptions that may not be realistic.

CONTEMPORARY MANAGEMENT PERSPECTIVES

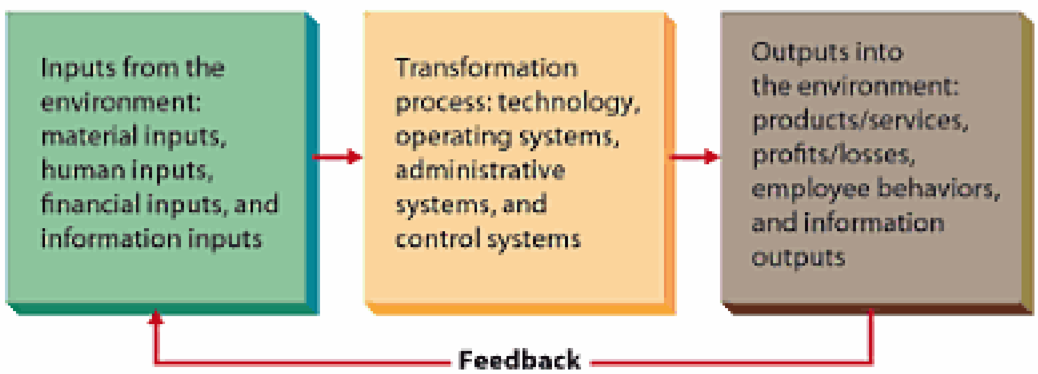
It is important to recognize that the classical, behavioral, and quantitative approaches to management are not necessarily contradictory or mutually exclusive. Even though each of the three perspectives makes very different assumptions and predictions, each can also complement the others. Indeed, a complete understanding of management requires an appreciation of all three perspectives. The systems and contingency perspectives can help us integrate the earlier approaches and enlarge our understanding of all three.

The Systems Perspective

The systems perspective is one important contemporary management perspective. A **system** is an interrelated set of elements functioning as a whole.[39] As shown in Figure 1.4, by viewing an organization as a system, we can identify four basic elements: inputs,

Figure 1.4 The Systems Perspective of Organizations

By viewing organizations as systems, managers can better understand the importance of their environment and the level of interdependence among subsystems within the organization. Managers must also understand how their decisions affect and are affected by other subsystems within the organization.



system
An interrelated set of elements functioning as a whole

transformation processes, outputs, and feedback. First, inputs are the material, human, financial, and information resources an organization gets from its environment. Next, through technological and managerial processes, inputs are transformed into outputs. Outputs include products, services, or both (tangible and intangible); profits, losses, or both (even not-for-profit organizations must operate within their budgets); employee behaviors; and information. Finally, the environment reacts to these outputs and provides feedback to the system.

Thinking of organizations as systems provides us with a variety of important viewpoints on organizations, such as the concepts of open systems, subsystems, synergy, and entropy. **Open systems** are systems that interact with their environment, whereas **closed systems** do not interact with their environment. Although organizations are open systems, some make the mistake of ignoring their environment and behaving as though their environment is not important.

The systems perspective also stresses the importance of **subsystems**—systems within a broader system. For example, the marketing, production, and finance functions within Mattel are systems in their own right but are also subsystems within the overall organization. Because they are interdependent, a change in one subsystem can affect other subsystems as well. If the production department at Mattel lowers the quality of the toys being made (by buying lower-quality materials, for example), the effects are felt in finance (improved cash flow in the short run owing to lower costs) and marketing (decreased sales in the long run because of customer dissatisfaction). Managers must therefore remember that although organizational subsystems can be managed with some degree of autonomy, their interdependence should not be overlooked. For instance, recent research has underscored the interdependence of strategy and operations in businesses.[40]

Synergy suggests that organizational units (or subsystems) may often be more successful working together than working alone. The Walt Disney Company, for example, benefits greatly from synergy. The company's movies, theme parks, television programs, and merchandise-licensing programs all benefit one another. Children who enjoy Disney movies like *Up* and *Toy Story 3* want to go to Disney World to see the attractions and shows based on the movies and their favorite characters; and when they shop at Target, they see and want to buy stuffed toys and action figures of the same characters. Music from the films generates additional revenues for the firm, as do computer games and other licensing arrangements for lunchboxes, clothing, and so forth. Synergy was also the major objective of Procter & Gamble's acquisition of Gillette—the firm decided it could use its own retailing presence and international distribution networks to substantially increase Gillette's sales. And Gillette's products are natural complements to P&G's existing line of grooming products.[41] Synergy is an important concept for managers because it emphasizes the importance of working together in a cooperative and coordinated fashion.[42]

Finally, **entropy** is a normal process that leads to system decline. When an organization does not monitor feedback from its environment and make appropriate adjustments, it may fail. For example, witness the problems and eventual demise of Studebaker (an automobile manufacturer) and Circuit City (a major retailer). Each of these organizations went bankrupt because it failed to revitalize itself and keep pace with changes in its environment. A primary objective of management, from a systems perspective, is to continually reenergize the organization to avoid entropy.

open system
A system that interacts with its environment

closed system
A system that does not interact with its environment

subsystem
A system within another system

synergy
Two or more subsystems working together to produce more than the total of what they might produce working alone

entropy
A normal process leading to system decline

universal perspective
An attempt to identify the one best way to do something

The Contingency Perspective

Another noteworthy recent addition to management thinking is the contingency perspective. The classical, behavioral, and quantitative approaches are considered **universal perspectives** because they try to identify the "one best way" to manage organizations. The contingency perspective, in contrast, suggests that universal theories cannot be applied to organizations because each organization is unique. Instead, the contingency perspective suggests that appropriate managerial behavior in a given situation depends on, or is contingent on, unique elements in that situation.[43]

Stated differently, effective managerial behavior in one situation cannot always be generalized to other situations. Recall, for example, that Frederick Taylor assumed that all workers would generate the highest possible level of output to maximize their own personal economic gain. We can imagine some people being motivated primarily by money—but we can just as easily imagine other people being motivated by the desire for leisure time, status, social acceptance, or any combination of these (as Mayo found at the Hawthorne plant). In 2000 Cisco Systems had the largest market cap in the world and was growing at a rate of 50 percent per year. A recession and the terrorist attacks in September 2001, however, caused the technology sector to crash, and Cisco's stock dropped in value by 86 percent. Cisco's CEO, John Chambers, had to downsize the company through layoffs and divestitures and transform it into a smaller company. As he went through this process, he also changed his management style. He had previously been an autocratic manager and led Cisco using a command-and-control hierarchy. As a result of the transformation at Cisco, however, Chambers also decided he needed to change his own management style as well. So, he began to adopt a much more democratic approach and to run Cisco using a more democratic organizational structure.[44]

Contemporary Management Issues and Challenges

Interest in management theory and practice has heightened in recent years as new issues and challenges have emerged. No new paradigm has been formulated that replaces the traditional views, but managers continue to strive toward a better understanding of how they can better compete and lead their organizations toward improved effectiveness.

Contemporary Applied Perspectives Several applied authors have significant influence on modern management theory and practice. Among the most popular applied authors today are Peter Senge, Stephen Covey, Tom Peters, Jim Collins, Michael Porter, John Kotter, and Gary Hamel.[45] Their books highlight the management practices of successful firms such as Shell Oil, Ford, IBM, and others, or outline conceptual or theoretical models or frameworks to guide managers as they formulate strategies or motivate their employees. Malcolm Gladwell's books *The Tipping Point*, *Blink*, and *Outliers* have all caught the attention of many contemporary managers. Scott Adams, creator of the popular comic strip *Dilbert*, is also immensely popular today. Adams is a former communications industry worker who developed his strip to illustrate some of the absurdities that occasionally afflict contemporary organizational life. The daily strip is routinely posted outside office doors, above copy machines, and beside water coolers in hundreds of offices.

contingency perspective
Suggests that appropriate managerial behavior in a given situation depends on, or is contingent on, unique elements in a given situation

Contemporary Management Challenges Managers today also face an imposing set of challenges as they guide and direct the fortunes of their companies. Coverage of each of these is thoroughly integrated throughout this book. In addition, many of them are highlighted or given focused coverage in one or more special ways.

One significant challenge is globalization. Managing in a global economy poses many different challenges and opportunities. For example, at a macro level, property

Managers must also be prepared to address organization change.[51] This has always been a concern, but the rapid, constant environmental change faced by businesses today has made change management even more critical. Simply put, an organization that fails to monitor its environment and to change to keep pace with that environment is doomed to failure. But more and more managers are seeing change as an opportunity, not a cause for alarm. Indeed, some managers think that if things get too calm in an organization and people start to become complacent, they should shake things up to get everyone energized.

New technology, especially as it relates to information, also poses an increasingly important challenge for managers. Communications advances such as smart phones and other wireless communication networks have made it easier than ever for managers to communicate with one another. At the same time, these innovations have increased the work pace for managers, cut into their time for thoughtful contemplation of decisions, and increased the amount of information they must process. Issues associated with employee privacy have also emerged. For instance, controversies have arisen when businesses have taken action against people for things they do in their personal lives—posting negative comments about their employer on Facebook, for example.

SUMMARY OF LEARNING OBJECTIVES AND KEY POINTS

1. Define management, describe the kinds of managers found in organizations, identify and explain the four basic management functions, describe the fundamental management skills, and comment on management as science and art.
   - Management is a set of activities (planning and decision making, organizing, leading, and controlling) directed at using an organization's resources (human, financial, physical, and information) to achieve organizational goals in an efficient and effective manner.
   - A manager is someone whose primary responsibility is to carry out the management process within an organization.
   - Managers can be classified in terms of level: top managers, middle managers, and first-line managers.
   - Managers can also be classified in terms of area: marketing, finances, operations, human resources, administration, and specialized.
   - The basic activities of the management process include planning and decision making (determining courses of action), organizing (coordinating activities and resources), leading (motivating and managing people), and controlling (monitoring and evaluating activities).
   - Effective managers also tend to have the following skills: technical, interpersonal, conceptual, diagnostic, communication, decision-making, and time management.
   - The effective practice of management requires a synthesis of science and art; that is, it calls for a blend of rational objectivity and intuitive insight.
2. Justify the importance of history and theory to managers and explain the evolution of management thought through the classical, behavioral, and quantitative perspectives.
   - Understanding the historical context and precursors of management and organizations provides a sense of heritage and can also help managers avoid repeating the mistakes of others.
   - The classical management perspective, which paid little attention to the role of workers, had two major branches: scientific management (concerned with improving efficiency and work methods for individual workers) and administrative management (concerned with how organizations themselves should be structured and arranged for efficient operations).
   - The behavioral management perspective, characterized by a concern for individual and

group behavior, emerged primarily as a result of the Hawthorne studies. The human relations movement recognized the importance and potential of behavioral processes in organizations but made many overly simplistic assumptions about those processes. Organizational behavior, a more realistic outgrowth of the behavioral perspective, is of interest to many contemporary managers.

- The quantitative management perspective, which attempts to apply quantitative techniques to decision making and problem solving, has two components: management science and operations management. These areas are also of considerable importance to contemporary managers. Their contributions have been facilitated by the tremendous increase in the use of personal computers and integrated information networks.

3. Identify and discuss key contemporary management perspectives represented by the systems and contingency perspectives and identify the major challenges and opportunities faced by managers today.
   - There are two relatively recent additions to management theory that can serve as frameworks for integrating the other perspectives: the systems perspective and the contingency perspective.
   - The important issues and challenges that contemporary managers face include globalization, ethics and social responsibility, product and service quality, the service economy, the economic recession of 2008–2010, the new workplace, workforce diversity, organization change, and technology.

DISCUSSION QUESTIONS

Questions for Review

1. What are the four basic functions that make up the management process? How are they related to one another?
2. What are the four basic activities that make up the management process? How are they related to one another?
3. Identify several of the important skills that help managers succeed. Give an example of each.
4. Briefly describe the principles of scientific management and administrative management. What assumptions do these perspectives make about workers?
5. Describe the systems perspective. Why is a business organization considered an open system?

Questions for Analysis

1. Recall a recent group project or task in which you have participated. Explain how members of the group displayed each of the managerial skills.
2. The text notes that management is both a science and an art. Recall an interaction you have had with a superior (manager, teacher, group leader, or the like). In that interaction, how did the superior use science? If he or she did not use science, what could have been done to use science? In that interaction, how did the superior use art? If she or he did not use art, what could have been done to use art?
3. Watch a movie that involves an organization of some type. *Harry Potter*, *Avatar*, *Star Trek*, and *Up in the Air* would all be good choices. Identify as many management activities and skills as you can.
4. Young, innovative, or high-tech firms often adopt the strategy of ignoring history or attempting to do something radically new. In what ways might this strategy help them? In what ways might this strategy hinder their efforts?
5. Can a manager use tools and techniques from several different perspectives at the same time? For example, can a manager use both classical and behavioral perspectives? Give an example of a time when a manager did this and explain how it enabled him or her to be effective.

BUILDING EFFECTIVE TIME MANAGEMENT SKILLS

Exercise Overview

Time management skills refer to the ability to prioritize tasks, to work efficiently, and to delegate appropriately. This exercise allows you to assess your own current time management skills and to gather some suggestions for how you can improve in this area.

Exercise Background

As we saw in this chapter, effective managers must be prepared to switch back and forth among the four basic activities in the management process. They must also be able to fulfill a number of different roles in their organizations, and they must exercise various managerial skills in doing so. On top of everything else, their schedules are busy and full of tasks—personal and job-related activities that require them to "switch gears" frequently throughout the workday.

Stephen Covey, a management consultant and author of *The 7 Habits of Highly Effective People*, has developed a system for prioritizing tasks. First, he divides them into two categories—*urgent* and *critical*. *Urgent* tasks, such as those with approaching deadlines, must be performed right away. *Critical* tasks are tasks of high importance—say, those that will affect significant areas of one's life or work. Next, Covey plots both types of tasks on a grid with four quadrants: A task may be *urgent*, *critical*, *urgent and critical*, or *not urgent and not critical*.

Most managers, says Covey, spend too much time on tasks that are *urgent* when in fact they should be focused on tasks that are *critical*. He observes, for example, that managers who concentrate on urgent tasks meet their deadlines but tend to neglect critical areas such as long-term planning. (Unfortunately, the same people are also prone to neglect critical areas of their personal lives.) In short, effective managers must learn to balance the demands of urgent tasks with those of critical tasks by redistributing the amount of time devoted to each type.

Exercise Task

1. Visit the website of FranklinCovey (the firm cofounded by Stephen Covey) at www.franklincovey.com. Click on the tab marked *Effectiveness Zone*, and then select *Assessment Sector*. Now take the "Urgency Analysis Profile," a brief online survey that should take about 10 minutes.
2. Now look over your profile and examine the assessment of your current use of time and the suggestions for how you can improve your time management. In what ways do you agree and disagree with your personal assessment? Explain your reasons for agreeing or disagreeing.
3. Think of a task that you regularly perform and that, if you were being perfectly honest, you could label *not urgent and not critical*. How much time do you spend on this task? What might be a more appropriate amount of time? To what other tasks could you give some of the time that you spend on this *not urgent and not critical* task?
4. What one thing can you do today to make better use of your time? Try it to see if your time management improves.

BUILDING EFFECTIVE DECISION-MAKING SKILLS

Exercise Overview

Decision-making skills include the ability to recognize and define problems or opportunities and then select the appropriate course of action. This exercise will help you develop your own decision-making skills while also underscoring the importance of subsystem interdependencies in organizations.

Exercise Background

You're the vice president of a large company that makes outdoor furniture for decks, patios, and pools. Each product line and the firm itself have grown substantially in recent years. Unfortunately, your success has attracted the attention of competitors, and several have entered the market in the last two years. Your CEO wants you to determine how to cut costs by 10 percent so that prices can be cut by the same amount. She's convinced that the move is necessary to retain market share in the face of new competition.

You've examined the situation and decided that you have three options for cutting costs:

- Begin buying slightly lower-grade materials, including hardwood, aluminum, vinyl, and nylon.
- Lay off a portion of your workforce and then try to motivate everyone who's left to work harder; this option also means selecting future hires from a lower-skill labor pool and paying lower wages.
- Replace existing equipment with newer, more efficient equipment; although this option entails substantial up-front investment, you're sure that you can more than make up the difference in lower production costs.

Exercise Task

With this background in mind, respond to the following questions:

1. Carefully examine each of your three options. In what ways might each option affect other parts of the organization?
2. Which is the most costly option in terms of impact on other parts of the organization, not in terms of absolute dollars? Which is the least costly?
3. What are the primary obstacles that you might face in trying to implement each of your three options?
4. Are there any other options for accomplishing your goal of reducing costs?

SKILLS SELF-ASSESSMENT INSTRUMENT

Self-Awareness

Introduction: Self-awareness is an important skill for effective management. This assessment is designed to help you evaluate your level of self-awareness.

Instructions: Please respond to the following statements by writing a number from the following rating scale in the column. Your answers should reflect your attitudes and behavior as they are now, not as you would like them to be. Be honest. This instrument is designed to help you discover how self-aware you are so that you can tailor your learning to your specific needs.

Rating Scale

6 Strongly agree
5 Agree
4 Slightly agree
3 Slightly disagree
2 Disagree
1 Strongly disagree

____ 1. I seek information about my strengths and weaknesses from others as a basis for self-improvement.

____ 2. When I receive negative feedback about myself from others, I do not get angry or defensive.

____ 3. In order to improve, I am willing to be self-disclosing to others (that is, to share my beliefs and feelings).

____ 4. I am very much aware of my personal style of gathering information and making decisions about it.

____ 5. I am very much aware of my own interpersonal needs when it comes to forming relationships with other people.

____ 6. I have a good sense of how I cope with situations that are ambiguous and uncertain.

____ 7. I have a well-developed set of personal standards and principles that guide my behavior.

____ 8. I feel very much in charge of what happens to me, good and bad.

____ 9. I seldom, if ever, feel angry, depressed, or anxious without knowing why.

____ 10. I am conscious of the areas in which conflict and friction most frequently arise in my interactions with others.

____ 11. I have a close relationship with at least one other person with whom I can share personal information and personal feelings.

Source: Developing Management Skills, 2nd ed. by Whetten, Cameron, © 1991. Reprinted with permission of Pearson Education, Inc Upper Saddle River, NJ.

EXPERIENTIAL EXERCISE

Johari Window

Purpose: This exercise has two purposes: to encourage you to analyze yourself more accurately and to start you working on small-group cohesiveness. This exercise encourages you to share data about yourself and then to assimilate and process feedback. Small groups are typically more trusting and work better together, as you will be able to see after this exercise has been completed. The Johari Window is a particularly good model for understanding the perceptual process in interpersonal relationships.

CHAPTER 2

THE ENVIRONMENTS OF ORGANIZATIONS AND MANAGERS

LEARNING OBJECTIVES

After studying this chapter you should be able to:

1 Discuss the nature of an organization's environments and identify the components of its general, task, and internal environments.

2 Describe the ethical and social environment of management, including individual ethics, the concept of social responsibility, and how organizations can manage social responsibility.

3 Discuss the international environment of management, including trends in international business, levels of international business activities, and the context of international business.

4 Describe the importance and determinants of an organization's culture, as well as how organization culture can be managed.

FIRST THINGS FIRST

Competition Can Hurt….or Help!

> "Starbucks helped our business, but I don't want to give them any credit for it."
>
> —JON CATES, CO-OWNER OF THE BROADWAY CAFE IN KANSAS CITY

When Starbucks opened a store near It's A Grind, a Long Beach-based independent coffeehouse, locals feared that the giant retailer would put their neighborhood favorite out of business. Natives of San Diego turned out to protest a Starbucks' opening so close to their locally owned coffeehouses. But owners and customers have since found out something surprising about Starbucks stores—sales often increase for all coffeehouses wherever the international chain opens an outlet nearby!

At first glance, customers' qualms appear to be justified. After all, it only makes sense that a huge multinational firm like Starbucks would enjoy advantages in pricing, new-product development, and other areas that would tend to give it an edge. Using size as a competitive weapon has been a common tactic for decades, used by firms ranging from Standard Oil, Sears, and General Motors to the most contemporary example—Wal-Mart. "A big company like Starbucks can come in and lose money for two years until they wipe everybody else out," editorializes the Indianapolis Star, reporting the closing of a local coffeehouse. "It's the old Wal-Mart thing."

Fear of the power of Starbucks has even caused owners to take some extraordinary measures to reduce the possibility of head-to-head competition. One owner, Courtney Bates of Kansas City's City Market Coffee Company, required her landlord to sign a clause preventing rental to any other coffeehouse. Another owner was approached by Starbucks about a possible buyout but was too suspicious of the firm to share any store information with it. "I don't think they really wanted to buy it. They just wanted a peek inside my business," claims Jeff Schmidt, owner of Latte Land in Kansas City. One thousand customers in Kansas City signed a petition asking the city to ban Starbucks. Katerina Carson, owner of Katerina's in Chicago, sums up this view when she says tersely, "Starbucks is a corporate monster."

DANIEL ACKER/BLOOMBERG/GETTY IMAGES

Some observers see Starbucks as a threat to independent coffee shops. In reality, though, Starbucks has helped increase awareness of high-quality coffees. This awareness, in turn, often increases sales of other coffeehouses near Starbucks' locations.

Exporting and Importing Importing or exporting (or both) is usually the first type of international business in which a firm gets involved. **Exporting**, or making a product in the firm's domestic marketplace and selling it in another country, can involve both merchandise and services. **Importing** is bringing a good, service, or capital into the home country from abroad. For example, automobiles (Mazda, Ford, Volkswagen, Mercedes-Benz, Ferrari) and stereo equipment (Sony, Bang & Olufsen, Sanyo) are routinely exported by their manufacturers to other countries. Likewise, many wine distributors buy products from vineyards in France, Italy, or the United States and import them into their own country for resale. U.S. sports brands, such as team jerseys and logo caps, have become one of the latest hot exports.[35]

Licensing A company may prefer to arrange for a foreign company to manufacture or market its products under a licensing agreement. Factors that may lead to this decision include excessive transportation costs, government regulations, and home production costs. **Licensing** is an arrangement whereby a firm allows another company to use its brand name, trademark, technology, patent, copyright, or other assets. In return, the licensee pays a royalty, usually based on sales. Franchising, a special form of licensing, is also widely used in international business. Kirin Brewery, Japan's largest producer of beer, wanted to expand its international operations but feared that the time involved in shipping it from Japan would cause the beer to lose its freshness. Thus it has entered into a number of licensing arrangements with breweries in other markets. These brewers make beer according to strict guidelines provided by the Japanese firm and then package and market it as Kirin Beer. They pay a royalty to Kirin for each case sold. Molson produces Kirin in Canada under such an agreement, and the Charles Wells Brewery does the same in England.[36]

Strategic Alliances In a **strategic alliance**, two or more firms jointly cooperate for mutual gain.[37] For example, Kodak and Fuji, along with three other major Japanese camera manufacturers, collaborated on the development of a new film cartridge. This collaboration allowed Kodak and Fuji to share development costs, prevented the advertising war that might have raged if they had developed different cartridges, and made it easier for new cameras to be introduced at the same time as the new film cartridges. A **joint venture** is special type of strategic alliance in which the partners actually share ownership of a new enterprise. Strategic alliances have enjoyed a tremendous upsurge in the past few years.

Direct Investment Another level of commitment to internationalization is direct investment. **Direct investment** occurs when a firm headquartered in one country builds or purchases operating facilities or subsidiaries in a foreign country. The foreign operations then become wholly owned subsidiaries of the firm. Examples include British Petroleum's acquisition of Amoco, Dell Computer's new factory in China, and the new Disney theme park in Hong Kong. And Coca-Cola recently invested $150 million to build a new bottling and distribution network in India. Many U.S. firms are using maquiladoras for the same purpose. **Maquiladoras** are light assembly plants built in northern Mexico close to the U.S. border. The plants are given special tax breaks by the Mexican government, and the area is populated with workers willing to work for very low wages.

exporting
Making a product in the firm's domestic marketplace and selling it in another country

importing
Bringing a good, service, or capital into the home country from abroad

licensing
An arrangement whereby one company allows another company to use its brand name, trademark, technology, patent, copyright, or other assets in exchange for a royalty based on sales

strategic alliance
A cooperative arrangement between two or more firms for mutual gain

joint venture
A special type of strategic alliance in which the partners share in the ownership of an operation on an equity basis

direct investment
A firm's building or purchasing operating facilities or subsidiaries in a different country from the one where it has its headquarters

maquiladoras
Light assembly plants that are built in northern Mexico close to the U.S. border and are given special tax breaks by the Mexican government

The Context of International Business

Managers involved in international business should also be aware of the cultural environment, controls on international trade, the importance of economic communities, and the role of the GATT and WTO.

The Cultural Environment One significant contextual challenge for the international manager is the cultural environment and how it affects business. A country's culture includes all the values, symbols, beliefs, and language that guide behavior. Cultural values and beliefs are often unspoken; they may even be taken for granted by those who live in a particular country. Cultural factors do not necessarily cause problems for managers when the cultures of two countries are similar. Difficulties can arise, however, when there is little overlap between the home culture of a manager and the culture of the country in which business is to be conducted. For example, most U.S. managers find the culture and traditions of England relatively familiar. The people of both countries speak the same language and share strong historical roots, and there is a history of strong commerce between the two countries. When U.S. managers begin operations in Vietnam, the People's Republic of China, or the Middle East, however, many of those commonalities disappear.

Cultural differences between countries can have a direct impact on business practice. For example, the religion of Islam teaches that people should not make a living by exploiting the misfortune of others; as a result, charging interest is seen as immoral. This means that in Saudi Arabia, few businesses provide auto-wrecking services to tow-stalled cars to the garage (doing so would be capitalizing on misfortune), and in the Sudan, banks cannot pay or charge interest. Given these cultural and religious constraints, those two businesses—automobile towing and banking—seem to hold little promise for international managers in those particular countries!

Some cultural differences between countries can be even more subtle and yet have a major impact on business activities. For example, in the United States most managers clearly agree about the value of time. Most U.S. managers schedule their activities very tightly and then try hard to adhere to their schedules. Other cultures do not put such a premium on time. In the Middle East, managers do not like to set appointments, and they rarely keep appointments set too far into the future. U.S. managers interacting with managers from the Middle East might misinterpret the late arrival of a potential business partner as a negotiation ploy or an insult, when it is merely a simple reflection of different views of time and its value.[35]

Language itself can be an important factor. Beyond the obvious and clear barriers posed when people speak different languages, subtle differences in meaning can also play a major role. For example, Imperial Oil of Canada markets gasoline under the brand name Esso. When the firm tried to sell its gasoline in Japan, it learned that Esso means "stalled car" in Japanese. Likewise, when Chevrolet first introduced a U.S. model called the Nova in Latin America, General Motors executives could not understand why the car sold poorly. They eventually

ERIC O'CONNELL/TAXI/GETTY IMAGES

Virtually all business activity today has international overtones. Cultural differences are among the many elements that affect international business. For instance, a U.S. or Asian manager interacting with an Arab manager has to contend with differences in time zones, work hours, and languages. Cultural differences regarding the importance of time and the values of work schedules and appointments can also come into play.

learned, though, that, in Spanish, no va means "it doesn't go." The color green is used extensively in Muslim countries, but it signifies death in some other lands. The color associated with femininity in the United States is pink, but in many other countries yellow is the most feminine color. And when Disney was initially promoting its new theme park in Hong Kong, its print ads featured a family consisting of two parents and two children, failing to consider that the Chinese government limits most families to a single child. As a result, people who saw the ad were confused until Disney relaunched the campaign to show parents and a single child visiting the park.[30]

Controls on International Trade Another element of the international context that managers need to consider is the extent to which there are controls on international trade. These controls include tariffs, quotas, export restraint agreements, and "buy national" laws. A **tariff** is a tax collected on goods shipped across national boundaries. Tariffs can be collected by the exporting country, by countries through which goods pass, or by the importing country. Import tariffs, which are the most common, can be levied to protect domestic companies by increasing the cost of foreign goods. Japan charges U.S. tobacco producers a tariff on cigarettes imported into Japan as a way to keep their prices higher than the prices charged by domestic firms. Tariffs can also be levied, usually by less-developed countries, to raise money for the government.

Quotas are the most common form of trade restriction. A **quota** is a limit on the number or value of goods that can be traded. The quota amount is typically designed to ensure that domestic competitors will be able to maintain a certain market share. Honda is allowed to import 425,000 autos each year into the United States. This quota is one reason why Honda opened manufacturing facilities here. The quota applies to cars imported into the United States, but the company can produce as many other cars within U.S. borders as it wants; such cars are not considered imports. **Export restraint agreements** are designed to convince other governments to limit voluntarily the volume or value of goods exported to or imported from a particular country. They are, in effect, export quotas. Japanese steel producers voluntarily limit the amount of steel they send to the United States each year.

"Buy national" legislation gives preference to domestic producers through content or price restrictions. Several countries have this type of legislation. Brazil requires that Brazilian companies purchase only Brazilian-made computers. The United States requires that the Department of Defense purchase military uniforms manufactured only in the United States, even though the price of foreign uniforms would be only half as much. Mexico requires that 50 percent of the parts of cars sold in Mexico be manufactured inside its own borders.

Economic Communities Just as government policies can either increase or decrease the political risk that international managers face, trade relations between countries can either help or hinder international business. Relations dictated by quotas, tariffs, and so forth can hurt international trade. There is currently a strong movement around the world to reduce many of these barriers. This movement takes its most obvious form in international economic communities.

An international **economic community** is a set of countries that agree to markedly reduce or eliminate trade barriers among member nations. The first (and in many ways still the most important) of these economic communities is the European Union. The **European Union** (or **EU**, as it is often called) can be traced to 1957 when Belgium,

tariff
A tax collected on goods shipped across national boundaries

quota
A limit on the number or value of goods that can be traded

export restraint agreements
Accords reached by governments in which countries voluntarily limit the volume or value of goods they export to or import from one another

economic community
A set of countries that agree to markedly reduce or eliminate trade barriers among member nations (a formalized market system)

European Union (EU)
The first and most important international market system

France, Luxembourg, Germany, Italy, and the Netherlands signed the Treaty of Rome to promote economic integration. Between 1973 and 1986 these countries were joined by Denmark, Ireland, the United Kingdom, Greece, Spain, and Portugal, and the group became known first as the European Committee and then as the European Union. Austria, Finland, and Sweden joined the EU in 1995; twelve additional countries (mostly from the formerly Communist-controlled eastern European region) joined between 2004 and 2007, bringing the EU's membership to 27 countries. For years these countries have followed a basic plan that led to the systematic elimination of most trade barriers. The new market system achieved significantly more potential when most of the EU members eliminated their home currencies (such as French francs and Italian lira) beginning on January 1, 2002, and adopted a new common currency call the euro.

Another important economic community encompasses the United States, Canada, and Mexico. These countries have long been major trading partners with one another; more than 70 percent of Mexico's exports go to the United States, and more than 65 percent of Mexico's imports come from the United States. During the last several years, these countries have negotiated a variety of agreements to make trade even easier. The most important of these, the **North American Free Trade Agreement**, or **NAFTA**, eliminates many of the trade barriers—quotas and tariffs, for example—that existed previously.[40]

The Role of the GATT and WTO The context of international business is also increasingly being influenced by the **General Agreement on Tariffs and Trade (GATT)** and the World Trade Organization (WTO). The GATT was first negotiated following World War II in an effort to avoid trade wars that would benefit rich nations and harm poorer ones. Essentially, the GATT is a trade agreement intended to promote international trade by reducing trade barriers and making it easier for all nations to compete in international markets. The GATT was a major stimulus to international trade after it was first ratified in 1948 by 23 countries; by 1994 a total of 117 countries had signed the agreement.

One key component of the GATT was the identification of the so-called *most favored national* (MFN) principle. This provision stipulates that if a country extends preferential treatment to any other nation that has signed the agreement, then that preferential treatment must be extended to all signatories to the agreement. Members can extend such treatment to non-signatories as well, but they are not required to do so.

The **World Trade Organization**, or **WTO**, came into existence on January 1, 1995. The WTO replaced the GATT and absorbed its mission. The WTO is headquartered in Geneva, Switzerland, and currently includes 140 member nations and 32 observer countries. Members are required to open their markets to international trade and to follow WTO rules. The WTO has three basic goals:

1. To promote trade flows by encouraging nations to adopt nondiscriminatory and predictable trade policies
2. To reduce remaining trade barriers through multilateral negotiations
3. To establish impartial procedures for resolving trade disputes among its members

The WTO is certain to continue to play a major role in the evolution of the global economy. At the same time, it has also become a lightning rod for protesters and other activists, who argue that the WTO focuses too narrowly on globalization issues to the detriment of human rights and the environment.

North American Free Trade Agreement (NAFTA)
An agreement between the United States, Canada, and Mexico to promote trade with one another

General Agreement on Tariffs and Trade (GATT)
A trade agreement intended to promote international trade by reducing trade barriers and making it easier for all nations to compete in international markets

World Trade Organization (WTO)
An organization, which currently includes 140 member nations and 32 observer countries, that requires members to open their markets to international trade and to follow WTO rules

THE ORGANIZATION'S CULTURE

As we noted earlier, an especially important part of the internal environment of an organization is its culture. **Organization culture** is the set of values, beliefs, behaviors, customs, and attitudes that helps the members of the organization understand what it stands for, how it does things, and what it considers important.[41]

The Importance of Organization Culture

Culture determines the "feel" of the organization. A strong and clear culture can play an important role in the competitiveness of a business. At the same time, though, there is no universal culture that will help all organizations. The stereotypic image of Microsoft, for example, is that of a workplace where people dress very casually and work very long hours. In contrast, the image of Bank of America for some observers is that of a formal setting with rigid work rules and people dressed in conservative business attire. And Texas Instruments likes to talk about its "shirtsleeve" culture, in which ties are avoided and few managers even wear jackets. Southwest Airlines maintains a culture that stresses fun and excitement.

Of course, the same culture is not necessarily found throughout an entire organization. For example, the sales and marketing department may have a culture quite different from that of the operations and manufacturing department. Regardless of its nature, however, culture is a powerful force in organizations, one that can shape the firm's overall effectiveness and long-term success. Companies that can develop and maintain a strong culture, such as Starbucks and Procter & Gamble, tend to be more effective than companies that have trouble developing and maintaining a strong culture, such as Kmart.[42]

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Organization culture plays a big role in the success of any business. A strong and well-understood culture can play an even bigger role. Many newer businesses have developed cultures based on informality, believing that such a culture helps attract and retain better workers. These employees, for example, are engaged in an important product development meeting. The lack of a conference table promotes equality and collegiality and their informal attire helps maintain a laid-back and casual atmosphere.

Determinants of Organization Culture

organization culture
The set of values, beliefs, behaviors, customs, and attitudes that helps the members of the organization understand what it stands for, how it does things, and what it considers important

Where does an organization's culture come from? Typically, it develops and blossoms over a long period of time. Its starting point is often the organization's founder. For example, James Cash Penney believed in treating employees and customers with respect and dignity. Employees at J.C. Penney are still called "associates" rather than "employees" (to reflect partnership), and customer satisfaction is of paramount importance. The impact of Sam Walton, Ross Perot, and Walt Disney is still felt in the organizations they founded.[43] As an organization grows, its culture is modified, shaped, and refined by symbols, stories, heroes, slogans, and ceremonies. And many decisions at Walt Disney Company today are still framed by asking, "What would Walt have done?"

BUILDING EFFECTIVE INTERPERSONAL SKILLS

Exercise Overview

Interpersonal skills reflect the manager's ability to communicate with, understand, and motivate individuals and groups. Managers in international organizations must understand how cultural manners and norms affect communication with people in different areas of the world. This exercise will help you evaluate your current level of cultural awareness and develop insights into areas where you can improve.

Exercise Background

As firms become increasingly globalized, they look for managers with international experience or skills. Yet many American college graduates do not have strong skills in foreign languages, global history, or international cultures.

Exercise Task

Take the International Culture Quiz that follows. Then, on the basis of your score, answer the question at the end. In order to make the quiz more relevant, choose your answers from one or more of the ten largest countries in the world. In order, these are China, India, the United States, Indonesia, Brazil, Pakistan, Russia, Bangladesh, Nigeria, and Japan.

Text not available due to copyright restrictions

BUILDING EFFECTIVE COMMUNICATION SKILLS

Exercise Overview

Communication skills consist of a manager's ability to receive information and ideas from others effectively and to convey information and ideas effectively to others. This exercise will help you develop your communication skills, while also helping you to understand the importance of knowing the customer segments in an organization's task environment.

Exercise Background

Assume that you are a newly hired middle manager in the marketing department of a large food manufacturer. You have just completed your formal study of management and are excited about the opportunity to apply some of those theories to the real-life problems of your firm. One problem in particular intrigues you. Your boss, the marketing vice president, recently developed a consumer survey to solicit feedback about products from customers. The feedback the firm has received varies considerably, ranging from a 2 to a 5 on a scale of 1 to 5, which gives your firm no helpful data. In addition, sales of your company's products have been slowly but steadily declining over time, and the marketing department is under some pressure from upper management to determine why.

You have an idea that the survey is not an accurate reflection of consumer preferences, so you make a suggestion to your boss: "Why don't we gather some information about our customers, in order to understand their needs better? For example, our products are purchased by individual consumers, schools, restaurants, and other organizations. Maybe each type of consumer wants something different from our product." Your boss's response is to stare at you, perplexed, and say, "No. We're not changing anything about the survey." When you ask, "Why?" the boss responds that the product has been a best-seller for years, that "good quality is good quality," and thus that all customers must want the same thing. He then says, "I'll spare you the embarrassment of failure by refusing your request."

Exercise Task

1. With this background in mind, compose a written proposal for your boss, outlining your position. Be sure to emphasize your fundamental concern—that the marketing department must understand the needs of each customer segment better in order to provide products that meet those needs. Consider ways to persuade your boss to change his mind. (Hint: Telling him bluntly that he is wrong is unlikely to be effective.)
2. On the basis of what you wrote in response to Exercise Task 1, do you think your boss will change his mind? If yes, exactly what will persuade him to change his mind? If no, what other actions could you take in a further effort to have your ideas adopted by the firm?

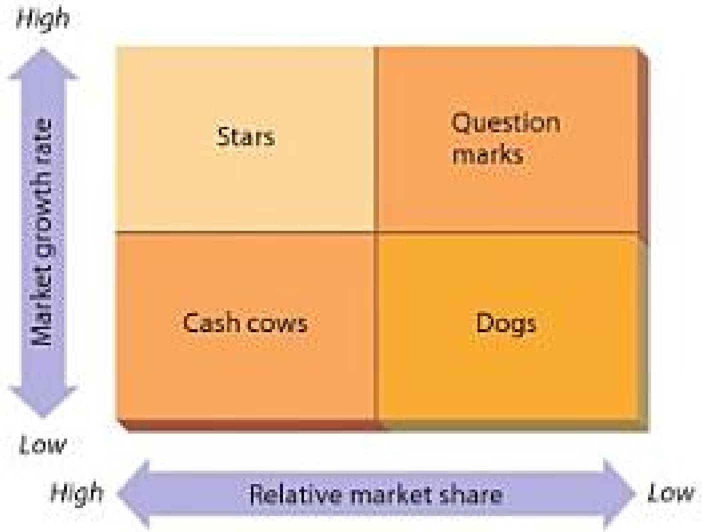
SKILLS SELF-ASSESSMENT INSTRUMENT

Global Awareness

Introduction: As we have noted, the environment of business is becoming more global. The following assessment is designed to help you assess your readiness to respond to managing in a global context.

Instructions: You will agree with some of the following statements and disagree with others. In some cases you may find it difficult to make a decision, but you should force yourself to make a choice. Record your answers next to each statement according to the following scale:

4 Strongly agree
3 Somewhat agree
2 Somewhat disagree
1 Strongly disagree



Source: *Perspectives*, No. 66, "The Product Portfolio." Adapted by permission from The Boston Consulting Group, Inc., 1970.

Figure 3.4

The BCG Matrix

The BCG matrix helps managers develop a better understanding of how different strategic business units contribute to the overall organization. By assessing each SBU on the basis of its market growth rate and relative market share, managers can make decisions about whether to commit further financial resources to the SBU or to sell or liquidate it.

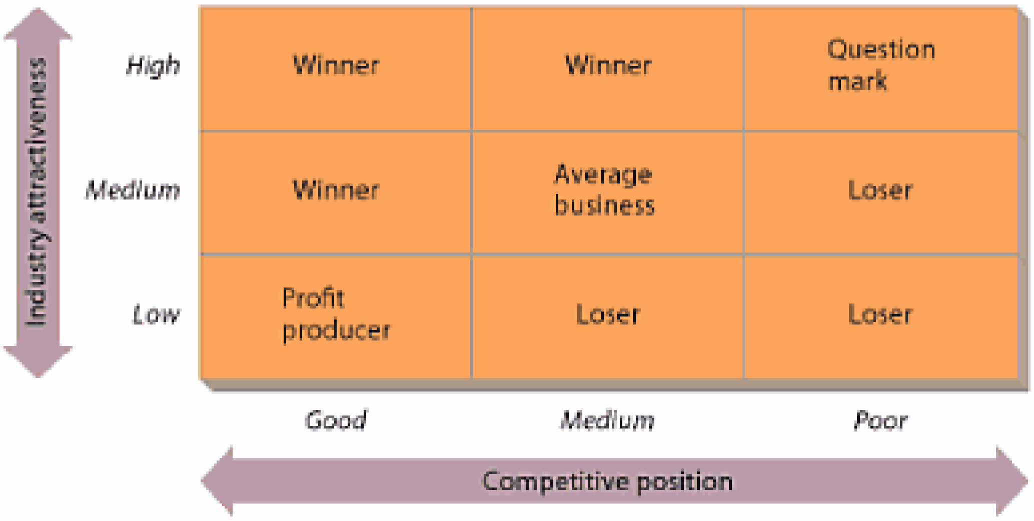
The matrix classifies the types of businesses in which a diversified organization can engage as dogs, cash cows, question marks, and stars. *Dogs* are businesses that have a very small share of a market that is not expected to grow. Because these businesses do not hold much economic promise, the BCG matrix suggests that organizations either should not invest in them or should consider selling them as soon as possible. *Cash cows* are businesses that have a large share of a market that is not expected to grow substantially. These businesses characteristically generate high profits that the organization should use to support question marks and stars. (Cash cows are "milked" for cash to support businesses in markets that have greater growth potential.) *Question marks* are businesses that have only a small share of a quickly growing market. The future performance of these businesses is uncertain. A question mark that is able to capture increasing amounts of this growing market may be very profitable. On the other hand, a question mark unable to keep up with market growth is likely to have low profits. The BCG matrix suggests that organizations should invest carefully in question marks. If their performance does not live up to expectations, question marks should be reclassified as dogs and divested. *Stars* are businesses that have the largest share of a rapidly growing market. Cash generated by cash cows should be invested in stars to ensure their preeminent position. For example, BMW bought Rover a few years ago, thinking that its products would help the German automaker reach new consumers. But the company was not able to capitalize on this opportunity, so it ended up selling Rover's car business to a British firm and Land Rover to Ford. Ford couldn't get leverage out of Rover either and ended up selling it (along with Jaguar) to India's Tata Motors.

GE Business Screen Because the BCG matrix is relatively narrow and overly simplistic, GE developed the **GE Business Screen**, a more sophisticated approach to managing diversified business units. The GE Business Screen is a portfolio management technique that can also be represented in the form of a matrix. Rather than focusing solely on market growth and market share, however, the GE Business Screen considers industry attractiveness and competitive position. These two factors are divided into three categories, to make the nine-cell matrix shown in Figure 3.5.[29] These cells, in turn, classify business units as winners, losers, question marks, average businesses, or profit producers.

GE Business Screen
A method of evaluating businesses along two dimensions: (1) industry attractiveness and (2) competitive position; in general, the more attractive the industry and the more competitive the position, the more an organization should invest in a business

Figure 3.5 The GE Business Screen

The GE Business Screen is a more sophisticated approach to portfolio management than the BCG matrix. As shown here, several factors combine to determine a business's competitive position and the attractiveness of its industry. These two dimensions, in turn, can be used to classify businesses as winners, question marks, average businesses, losers, or profit producers. Such a classification enables managers to allocate the organization's resources more effectively across various business opportunities.



Competitive position
1. Market share
2. Technological know-how
3. Product quality
4. Service network
5. Price competitiveness
6. Operating costs

Industry attractiveness
1. Market growth
2. Market size
3. Capital requirements
4. Competitive intensity

Source: From *Strategy Formulation: Analytical Concepts*, 1st edition, by Charles W. Hofer and Dan Schendel. Copyright © 1978. Reprinted with permission of South-Western, a division of Thomson Learning: www.thomsonrights.com.

As Figure 3.5 shows, both market growth and market share appear in a broad list of factors that determine the overall attractiveness of an industry and the overall quality of a firm's competitive position. Other determinants of an industry's attractiveness (in addition to market growth) include market size, capital requirements, and competitive intensity. In general, the greater the market growth, the larger the market, the smaller the capital requirements, and the less the competitive intensity, the more attractive an industry will be. Other determinants of an organization's competitive position in an industry (besides market share) include technological know-how, product quality, service network, price competitiveness, and operating costs. In general, businesses with large market share, technological know-how, high product quality, a quality service network, competitive prices, and low operating costs are in a favorable competitive position.

Think of the GE Business Screen as a way of applying SWOT analysis to the implementation and management of a diversification strategy. The determinants of industry attractiveness are similar to the environmental opportunities and threats in SWOT analysis, and the determinants of competitive position are similar to organizational strengths and weaknesses. By conducting this type of SWOT analysis across several businesses, a diversified organization can decide how to invest its resources to maximize corporate performance. In general, organizations should invest in winners and question marks (where industry attractiveness and competitive position are both favorable), should maintain the market position of average businesses and profit producers (where industry attractiveness and competitive position are average), and should sell losers. For example, Unilever recently assessed its business portfolio using a similar framework and, as a result, decided to sell off several specialty chemical units that were not contributing to the firm's profitability as much as other businesses. The firm then used the revenues from these divestitures and bought more related businesses such as Ben & Jerry's Homemade and Slim-Fast.[30] During the economic recession that started in 2008, many diversified businesses took an especially aggressive approach to selling or closing underperforming businesses. For instance, Japan's Pioneer electronics business sold its television business, Home Depot shut down its Expo home-design stores, and Textron closed a business unit that financed real estate deals.[31]

TACTICAL PLANNING

As we noted earlier, tactical plans are developed to implement specific parts of a strategic plan. You have probably heard the saying about winning the battle but losing the war. Tactical plans are to battles what strategy is to a war: an organized sequence of steps designed to execute strategic plans. Strategy focuses on resources, environment, and mission, whereas tactics focus primarily on people and action.[32]

Developing Tactical Plans

Although effective tactical planning depends on many factors, which vary from one situation to another, we can identify some basic guidelines. First, the manager needs to recognize that tactical planning must address a number of tactical goals derived from a broader strategic goal.[33] An occasional situation may call for a stand-alone tactical plan, but most of the time tactical plans flow from and must be consistent with a strategic plan.

For example, top managers at Coca-Cola developed a strategic plan for cementing the firm's dominance of the soft-drink industry. As part of developing the plan, they identified a critical environmental threat—considerable unrest and uncertainty among the independent bottlers that packaged and distributed Coca-Cola's products. To simultaneously counter this threat and strengthen the company's position, Coca-Cola bought several large independent bottlers and combined them into one new organization called "Coca-Cola Enterprises." Selling half of the new company's stock reaped millions in profits while effectively keeping control of the enterprise in Coca-Cola's hands. Thus the creation of the new business was a tactical plan developed to contribute to the achievement of an overarching strategic goal.[34]

Second, although strategies are often stated in general terms, tactics must specify resources and time frames. A strategy can call for being number one in a particular market or industry, but a tactical plan must specify precisely what activities will be undertaken to achieve that goal. Consider the Coca-Cola example again. Another element of its strategic plan involves increased worldwide market share. To facilitate additional sales in Europe, managers developed tactical plans for building a new plant in the south of France to make soft-drink concentrate and for building another canning plant in Dunkirk. The firm

tactical plan
A plan aimed at achieving tactical goals and developed to implement parts of a strategic plan; an organized sequence of steps designed to execute strategic plans

Follow-up Questions

1. Did doing both Step 1 and Step 2 in advance help or hinder your negotiations?
2. Can a franchising agreement be so one-sided as to damage the interests of both parties? How so?

CHAPTER CLOSING CASE

JetBlue Capitalizes on the Entrepreneurial Spirit

In the challenging environment of the modern airline industry, JetBlue is a notable example of entrepreneurial success. From the start, it was conceived as a low-cost carrier to be differentiated by attention to customer service and a bundle of passenger amenities unusual at the low-cost end of the air travel market. Founded by industry veteran David Neeleman in February 1999, JetBlue began small, with just a few planes and one city pair. By the end of 2000, the new airline was flying 11 planes to 11 cities around the country and preparing to add more destinations each year. Today, JetBlue flies to 53 cities in more than 20 states and several Caribbean destinations. Routes to Latin American destinations such as Colombia and Costa Rica were added in 2009.

Meanwhile, competitors in its segment have come and gone—notably United's Ted and Delta's Song, both of which took off in 2003 and both of which were grounded by 2008. Why has JetBlue been successful where competitors have failed? Obviously, the JetBlue *idea*—a low-cost carrier differentiated by attention to service and passenger comfort—can't be patented, but as the fate of Ted and Song indicate, a good idea isn't enough to make a business work. JetBlue has succeeded, in the first place, because it boasts a number of *distinctive competencies*—organizational strengths that can't be copied quite as readily as a basic entrepreneurial idea. For one thing, JetBlue has benefited from the talent and experience of Neeleman, a crossover from big business, and a team of top managers. A one-time travel agent, Neeleman started a Utah-based discount airline, Morris Air, in 1984, when he was just 24 years old. Ten years later, he sold Morris Air to Southwest Airlines for $129 million and, after a brief executive stint at Southwest itself, left to help found Canadian-based WestJet Airlines. When he came up with the idea for JetBlue, he recruited industry veterans such as COO Dave Barger and CFO John Owen, vice presidents at Continental and Southwest Airlines, respectively.

In addition, Neeleman and his team set out from the beginning to take every advantage offered by their position as a "second mover" in a new market segment of the airline industry. Traditionally, the airline industry consisted of large international carriers and a few smaller regional airlines. Competitors in both groups differentiated themselves primarily according to routes served and charged the highest prices they could command. Southwest Airlines came along in 1971, positioning itself as a discount carrier specializing in short trips to the secondary airports of large cities, and achieved significant cost advantages by radically reducing the number of activities necessary to deliver its basic air travel service. The strategy was an immediate success (and a durable one—Southwest has posted 36 consecutive years of profitability) and spawned many imitators (including Morris Air). JetBlue is the most successful of the Southwest imitators—the airline best able to duplicate the key elements of Southwest's strategy, including reduced airport and labor costs, a single type of aircraft, and a single class of service.

JetBlue, however, is more than a mere imitator: It's a *second mover* in the market segment created by Southwest because its presence in that segment is significant. Rather than merely imitating those aspects of the first mover's strategy that met its needs, JetBlue has introduced its own innovations. Like Southwest, JetBlue is a low-cost carrier, but it has positioned itself as the low-fare airline that offers high-quality passenger service. All JetBlue aircraft, for example, feature luxurious leather seats and individual seat-back TVs. Entertainment options include 36 channels of DirecTV and 100 channels of XM satellite radio. Flyers are pampered with a selection of fine wines, a Bliss Spa kit, and Dunkin' Donuts coffee.

Such passenger amenities, of course, cost a little more, but JetBlue's success depends in part on its expertise in controlling costs. In 2006, for example, JetBlue announced that it was removing one row of seats from its A320 aircraft. Removing the seats, explained officials, not only lightened the plane by nearly 1,000 pounds (thus saving fuel) but also reduced the in-flight crew from four to three (thus offsetting any revenue lost from the missing seats). JetBlue doesn't offer expensive comforts such as lounges, full meals, or first-class seating. Its workforce is nonunionized, and many employees, such as reservation agents, work from home. JetBlue has proved equally effective on the revenue-generating side of the ledger as well: It uses its differentiation advantage to attract customers from other low-fare carriers and its own low fares to attract nonfliers, and it's also found a profitable market in underserved, high-cost routes. From 1.4 million passengers in 2000, JetBlue carried 22 million travelers in 2008. It's now the country's ninth-largest airline, with nearly 11,000 employees and nearly 150 aircraft.

"I always talk about the tripod," says Neeleman, "—low costs, a great product, and capitalization." He founded JetBlue with his own fortune (amassed from the sale of Morris Air to Southwest and the sale of an electronic ticketing system to Hewlett Packard) and $160 million in venture capital. The company went public in 2002 to raise another $158 million in capital, and in addition to being the best-funded start-up in aviation history, it's become one of the most popular stocks in aviation history.

When Neeleman started JetBlue, however, most observers didn't consider launching an airline a particularly good idea: Between 1998 and 2002, the major U.S. airlines had lost more than $7 billion. Obviously, early capitalization was crucial, not only to Neeleman's strategy of building a fast-growing airline but also to any hope he had of surviving long enough to build anything at all. He certainly wanted to avoid the fate of People Express, a no-frills British-owned carrier that started up in 1981. By 1985, it was the fifth-largest airline in the United States, but its strategy of expanding through acquisitions saddled it with an immense debt burden, and it was out of business by 1987. Chris Collins, a former People Express manager who's now a JetBlue executive, remembers what happened at People Express: "We were the best thing going. A year later, we're gone because we couldn't sustain growth. You know what keeps me up at night [now]? Figuring out what we're going to need, not next year but five years from now."

Growth at JetBlue accounted for record profits from 2000 through 2004 (it was one of the few U.S. airlines to turn a profit during the industrywide downswing following 9/11). The number of passengers carried grew by more than 25 percent annually between 2001 and 2006, and average sector length—the distance flown between two airports—increased from 825 miles in 2000 to 1,358 miles in 2005 as the airline added more routes and more distant destinations.

In October 2005, however, profit for the third quarter dropped to $2.7 million from $81 million the previous year—the result of rising fuel prices, low fares, and operational inefficiencies. Fourth-quarter losses made 2005 JetBlue's first unprofitable year since its IPO in 2002, and when losses were again projected for 2006, Neeleman, Barger, and Owen announced a "Return to Profitability" plan calling for $50 million in reduced costs and $30 million in increased revenues. When the dust had cleared, JetBlue had declared a net profit of $14 million for the second quarter of 2006 (doubling Wall Street forecasts of $7 million), and by the end of the year, the airline had announced a return to profitability.

And then came 2007—the year of what's known at JetBlue as "2/14." The inside reference is to Valentine's Day, when a massive winter storm paralyzed all activity at New York's John F. Kennedy (JFK) International Airport, home to JetBlue's busiest hub. Amid forecasts of the imminent storm, other airlines began canceling flights, but JetBlue—which boasted a goal of completing every flight no matter how long the delay—held off. "They shut it down [and] we should have," lamented Neeleman in retrospect. Passengers on no fewer than nine JetBlue planes were stranded on the tarmac at JFK for more than six hours each, and the airline's operations were snarled all across the country for days, forcing it to cancel 279 of 503 flights the next day and 217 of 562 flights the day after that. "We love our customers," affirmed Neeleman, "and we're horrified by this. There's going to be a lot of apologies." Apologies were indeed profuse, but they ended up costing JetBlue $30 million in compensation to stranded passengers and did little to prevent observers from wondering whether the airline hadn't squandered years of industry-leading customer satisfaction ratings in one very bad week.

In May, JetBlue's board of directors asked its founder to step down as CEO. (Neeleman left the company to concentrate on starting up an airline in Brazil.) David Barger, who'd been serving as both president and COO since 1998, took over. To fill his old job, Barger hired a former Federal Aviation Administration official named Russell G. Chew. Chew dumped the policy of completing every scheduled flight, but more importantly, he took a closer look at the company's cash flow. Eight quarters of declining performance had taken their toll, and in December, Chew announced the sale of a 19 percent stake in JetBlue to the German airline Lufthansa for $300 million. Later in the year, he raised another $165 million by selling convertible debt (bonds that can be converted into stock ownership).

The move to raise capital turned out to be especially forward looking when oil prices spiked in January 2008, precipitating the most recent crisis in the airline industry. Its new leadership has given JetBlue some stability, at least temporarily, although it could do little to shield it from the economic damage inflicted first by soaring fuel prices and then by a withering global economy. Worldwide, the airline industry lost $5 billion in 2008; JetBlue announced a loss of $23 million.

And times promise to remain difficult for the industry. According to the head of the International Air Transport Association, "2009 is shaping up to be one of the toughest years ever for international aviation." Barger, who's working to replace Neeleman's emphasis on aggressive growth with a more conservative strategic approach, has cut back on plans to add more aircraft to the fleet and more destinations to the schedule. He also intends to reduce flights by about 2 percent but will follow through on plans to start service from New York to Los Angeles.

Case Questions

1. How did being a second mover contribute to JetBlue's success? What difficulties did it face in entering its market with a second-mover strategy?
2. Consider the factors that generally contribute to the success of an entrepreneurial firm. Which of those factors were present in JetBlue's case?
3. Is JetBlue still an *entrepreneurial* firm? Why or why not?
4. In your opinion, what will David Barger and his management team have to do if JetBlue is to survive the most recent crisis in the airline industry?

Case References

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YOU MAKE THE CALL

Facebook Faces the Problem of Booking Revenues

1. If you use Facebook (or any other social-networking site), which of its features are most attractive to you? If you don't use any social-networking site, what features are most likely to cause you to try one out?
2. Identify the primary factors in Facebook's success in attracting users over the course of its brief lifetime.
3. Why is Facebook's user base so valuable an asset? In what ways has Facebook tried to turn that asset into a profitable resource? What strategy would you recommend that Facebook use to generate more revenue, whether from advertising or some other source?
4. What do you see as the most serious threats to Facebook?
5. Would you be willing to invest in Facebook? Why or why not?

CHAPTER 6

ORGANIZATION STRUCTURE AND DESIGN

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

1. Identify the basic elements of organizations.
2. Describe the bureaucratic perspective on organization design.
3. Identify and explain key situational influences on organization design.
4. Describe the basic forms of organization design that characterize many organizations.
5. Identify and describe emerging issues in organization design.

Figure 7.4 The Innovation Process

Organizations actively seek to manage the innovation process. These steps illustrate the general life cycle that characterizes most innovations. Of course, as with creativity, the innovation process will suffer if it is approached too mechanically and rigidly.

the Nerf ball and numerous related products generated millions of dollars in revenues for it.

Innovation Application Innovation application is the stage in which an organization takes a developed idea and uses it in the design, manufacturing, or delivery of new products, services, or processes. At this point, the innovation emerges from the laboratory and is transformed into tangible goods or services. One example of innovation application is the use of radar-based focusing systems in Polaroid's instant cameras. The idea of using radio waves to discover the location, speed, and direction of moving objects was first applied extensively by Allied forces during World War II. As radar technology developed during the following years, the electrical components needed became smaller and more streamlined. Researchers at Polaroid applied this well-developed technology in a new way.[44]

Application Launch Application launch is the stage at which an organization introduces new products or services to the marketplace. The important question is not "Does the innovation work?" but "Will customers want to purchase the innovative product and service?" History is full of creative ideas that did not generate enough interest among customers to be successful. Some notable innovation failures include a portable seat warmer from Sony, "New" Coke, and Polaroid's SX-70 instant camera (which cost $3 billion to develop, but never sold more than 100,000 units in a year).[45] Thus, despite development and application, new products and services can still fail at the launch phase.

Application Growth Once an innovation has been successfully launched, it then enters the stage of application growth. This is a period of high economic performance for an organization because demand for the product or service is often greater than supply. Organizations that fail to anticipate this stage may unintentionally limit their growth, as Apple did by not anticipating demand for its iMac computer.[46] At the same time, overestimating demand for a new product can be just as detrimental to performance. Unsold products can sit in warehouses for years.

Innovation Maturity After a period of growing demand, an innovative product or service often enters a period of maturity. Innovation maturity is the stage at which most organizations in an industry have access to an innovation and are applying it in approximately the same way. The technological application of an innovation during this stage of the innovation process can be very sophisticated. Because most firms have access to the innovation, however, as a result of either their developing the innovation on their own or copying the innovation of others, it does not provide competitive advantage to any one of them. The time that elapses between innovation development and innovation maturity varies notably depending on the particular product or service. Whenever an innovation involves the use of complex skills (such as a complicated manufacturing process or highly sophisticated teamwork), moving from the growth phase to the maturity phase will take longer. In addition, if the skills needed to implement these innovations are rare and difficult to imitate, then strategic imitation may be delayed, and the organization may enjoy a period of sustained competitive advantage.

Innovation Decline Every successful innovation bears its own seeds of decline. Because an organization does not gain a competitive advantage from an innovation at maturity, it must encourage its creative scientists, engineers, and managers to begin looking for new innovations. This continued search for competitive advantage usually leads new products and services to move from the creative process through innovation maturity, and finally to innovation decline. Innovation decline is the stage during which demand for an innovation decreases and substitute innovations are developed and applied.

Forms of Innovation

Each creative idea that an organization develops poses a different challenge for the innovation process. Innovations can be radical or incremental, technical or managerial, and product or process.

Radical versus Incremental Innovations Radical innovations are new products, services, or technologies developed by an organization that completely replace the existing products, services, or technologies in an industry.[47] Incremental innovations are new products, services, or processes that modify existing ones. Firms that implement radical innovations fundamentally shift the nature of competition and the interaction of firms within their environments. Firms that implement incremental innovations alter, but do not fundamentally change, competitive interaction in an industry.

Over the last several years, organizations have introduced many radical innovations. For example, compact disk technology replaced long-playing vinyl records in the recording industry and now digital downloading is replacing CDs, DVDs have replaced videocassettes but are now being supplanted by Blu-ray DVDs and online downloading, and high-definition television is replacing regular television technology. Whereas radical innovations like these tend to be very visible and public, incremental innovations actually are more numerous. For instance, each new generation of the iPhone and the iPod represents relatively minor changes over previous versions.

Technical versus Managerial Innovations Technical innovations are changes in the physical appearance or performance of a product or service or of the physical processes through which a product or service is manufactured. Many of the most important innovations over the last 50 years have been technical. For example, the serial replacement of the vacuum tube with the transistor, the transistor with the integrated circuit, and the

radical innovation
A new product, service, or technology that completely replaces an existing one

incremental innovation
A new product, service, or technology that modifies an existing one

technical innovation
A change in the appearance or performance of a product or service or of the physical processes through which a product or service is manufactured

NEWSCOM

Many products today are the result of incremental innovations—new products, services, or processes that modify existing ones. Take the iPhone, for example. The first iPhone, one of the most successful new products in history, was a radical innovation. But each successive version of the iPhone has taken the existing product and made various improvements to it.

integrated circuit with the microchip has greatly enhanced the power, ease of use, and speed of operation of a wide variety of electronic products. Not all innovations developed by organizations are technical, however. **Managerial innovations** are changes in the management process by which products and services are conceived, built, and delivered to customers.[48] They do not necessarily affect the physical appearance or performance of products or services directly. In effect, reengineering, as we discussed earlier, represents a managerial innovation.

Product versus Process Innovations

Perhaps the two most important types of technical innovations are **product innovations** and process innovations. Product innovations are changes in the physical characteristics or performance of existing products or services or the creation of brand-new products or services. **Process innovations** are changes in the way products or services are manufactured, created, or distributed. Whereas managerial innovations generally affect the broader context of development, process innovations directly affect manufacturing.

The implementation of robotics is a process innovation. The effect of product and process innovations on economic return depends on the stage of the innovation process that a new product or service occupies. At first, during development, application, and launch, the physical attributes and capabilities of an innovation mostly affect organizational performance. Thus product innovations are particularly important during these beginning phases. Later, as an innovation enters the phases of growth, maturity, and decline, an organization's ability to develop process innovations, such as fine-tuning manufacturing, increasing product quality, and improving product distribution, becomes important to maintaining economic return.

Japanese organizations have often excelled at process innovation. The market for 35 mm cameras was dominated by German and other European manufacturers when, in the early 1960s, Japanese organizations such as Canon and Nikon began making cameras. Some of these early Japanese products were not very successful, but these companies continued to invest in their process technology and eventually were able to increase quality and decrease manufacturing costs.[49] The Japanese organizations came to dominate the worldwide market for 35 mm cameras, and the German companies, because they were not able to maintain the same pace of process innovation, struggled to maintain market share and profitability. And as film technology gave way to digital photography, the same Japanese firms effectively transitioned to leadership in this market as well.

managerial innovation
A change in the management process in an organization

product innovation
A change in the physical characteristics or performance of an existing product or service or the creation of a new one

process innovation
A change in the way a product or service is manufactured, created, or distributed

The Failure to Innovate

To remain competitive in today's economy, organizations must be innovative. And yet many organizations that should be innovative are not successful at bringing out new products or services or do so only after innovations created by others are very mature. Organizations may fail to innovate for at least three reasons.

has been a title in name only, and that their employers use this title to discriminate against them in various ways. For instance, FedEx relies on over 13,000 "contract" drivers. These individuals wear FedEx uniforms, drive FedEx trucks, and must follow FedEx rules and procedures. However, because the firm has hired them under a different employment agreement than its "regular" employees, it does not provide them with benefits. Some of those individuals are currently suing FedEx on the grounds that, for all practical purposes, they are employees and should enjoy the same benefits as other drivers.[49]

SUMMARY OF LEARNING OBJECTIVES AND KEY POINTS

1. Describe the environmental context of HRM, including its strategic importance and its relationship with legal and social factors.
   - HRM is concerned with attracting, developing, and maintaining the human resources an organization needs.
   - Its environmental context consists of its strategic importance and the legal and social environments that affect HRM.
2. Discuss how organizations attract human resources, including human resource planning, recruiting, and selecting.
   - Attracting human resources is an important part of the HRM function.
   - Human resource planning starts with job analysis and then focuses on forecasting the organization's future need for employees, forecasting the availability of employees both within and outside the organization, and planning programs to ensure that the proper number and type of employees will be available when needed.
   - Recruitment and selection are the processes by which job applicants are attracted, assessed, and hired.
   - Methods for selecting applicants include application blanks, tests, interviews, and assessment centers.
   - Any method used for selection should be properly validated.
3. Describe how organizations develop human resources, including training and development, performance appraisal, and performance feedback.
   - Organizations must also work to develop their human resources.
   - Training and development enable employees to perform their present job effectively and to prepare for future jobs.
   - Performance appraisals are important for validating selection devices, assessing the impact of training programs, deciding pay raises and promotions, and determining training needs.
   - Both objective and judgmental methods of appraisal can be applied, and a good system usually includes several methods.
   - The validity of appraisal information is always a concern, because it is difficult to accurately evaluate the many aspects of a person's job performance.
4. Discuss how organizations maintain human resources, including the determination of compensation and benefits and career planning.
   - Maintaining human resources is also important.
   - Compensation rates must be fair compared with rates for other jobs within the organization and with rates for the same or similar jobs in other organizations in the labor market.
   - Properly designed incentive or merit pay systems can encourage high performance, and a good benefits program can help attract and retain employees.
   - Career planning is also a major aspect of HRM.
5. Discuss the nature of diversity, including its meaning, associated trends, impact, and management.
   - Diversity exists in an organization when its members differ from one another along one or more important dimensions, including gender, age, and ethnicity.

Exercise Background

You may choose either of the following exercise variations. We tend to favor Variation 1 because the exercise is usually more useful if you can relate to real job requirements on a personal level.

Variation 1. If you currently work or have worked in the past, select two jobs with which you have some familiarity. Try to select one job that entails relatively low levels of skill, responsibility, education, and pay and one job that entails relatively high levels in the same categories.

Variation 2. If you've never worked or you're not personally familiar with an array of jobs, assume that you're a manager of a small manufacturing plant. You need to hire people to fill two jobs. One job is for a plant custodian to sweep floors, clean bathrooms, empty trash cans, and so forth. The other job is for an office manager who will supervise a staff of three clerks and secretaries, administer the plant payroll, and coordinate the administrative operations of the plant.

Exercise Task

Reviewing what you've done so far, now do the following:

1. Identify the most basic skills needed to perform each of the two jobs effectively.
2. Identify the general indicators or predictors of whether a given individual can perform each job.
3. Develop a brief set of interview questions that you might use to determine whether an applicant has the qualifications for each job.
4. How important is it for you, as a manager hiring an employee to perform a job, to possess the technical skills needed to perform the job that you're trying to fill?

SKILLS SELF-ASSESSMENT INSTRUMENT

What Do Students Want from Their Jobs?

Purpose: This exercise investigates the job values held by college students at your institution. Then it asks the students to speculate about employers' perceptions of college students' job values. This will help you understand how college students can be recruited effectively. It also gives you insight into the difficulties of managing and motivating individuals with different values and perceptions.

Introduction: Employees choose careers that match their job values. Employers try to understand employee values to better recruit, manage, and motivate them. Job values are important therefore, in every HR process, from job advertisements and interviews, to performance appraisals, to compensation planning.

Instructions:

1. Complete the following Job Values Survey. Consider what you want from your future career. Using Column 1, rank the 14 job values from 1 to 14, with 1 being the most important to you and 14 being the least important.
2. In your opinion, when potential employers try to attract students, how much important do they think students give to each of the values? For Column 2, respond with a + (plus) if you think employers would rank it higher than students or with a − (minus) if you think employers would rate it lower. This is the employers' perception of students' values, not of their own values.
3. In small groups or a class, compute an average ranking for each value. Then discuss the results.

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