7E

MANAGEMENT

MEETING AND EXCEEDING CUSTOMER EXPECTATIONS

PLUNKETT
ATTNER
ALLEN

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Preface

This seventh edition of *Management: Meeting and Exceeding Customer Expectations* is a comprehensive survey of the functions of management as they are currently being applied, in the United States and around the world. The content and features are structured to reinforce two continuing themes that are woven into the chapter narratives: (1) the never-ending effort by managers and organizations to meet or exceed customers' needs, and (2) the need organizations and their people have to be guided by effective leadership.

The authors have made every effort to keep this text objective, timely, and interesting to both the student and the instructor. All case problems, examples, and features portray actual companies and managers in action. Companies have been selected to provide balance between large and small organizations representing service, manufacturing, and retailing industries. Successes as well as failures are included to lend perspective and aid in understanding.

FEATURES

This text is designed to introduce you to terminology, theories, and principles at the core of business management. The book is divided into six comprehensive parts, comprising a variety of examples, applications, exercises, and devices. Each chapter contains the following components:

- A list of specific **Learning Objectives**—concepts to be mastered through chapter content—at the beginning of each chapter. Each learning objective is also highlighted in the page margin to identify where the content addresses the objective.
- A list of **Key Terms** defined within the chapter narrative, highlighted in the page margin, and presented in the glossary at the back of the book.
- A **Management in Action** chapter introductory case involving managers and their organizations—large and small, service, retailing, or manufacturing—engaged in a variety of activities that relate and connect each chapter's essential concepts. The case is regularly referred to throughout the chapter.
- **Figures** designed to illustrate and summarize essential concepts.
- **Photographs** chosen to enrich the chapter content.
- A **Global Applications** feature demonstrating the successful application of one or more of a chapter's concepts from the practice of management in other countries.
- An **Ethical Management** feature reporting on managers facing decisions that contain a variety of issues and consequences for themselves and others.
- A **Valuing Diversity** feature depicting unique ways in which organizations show appreciation for their diverse employees.

- A **Managing Technology** feature highlighting techniques that can make the manager more productive.
- A **Chapter Summary** providing a narrative explanation for each of the chapter's learning objectives.
- **Review Questions** designed to assist in mastery of the chapter's learning objectives.
- **Discussion Questions for Critical Thinking** intended to provide an opportunity to analyze and apply the chapter's concepts to practical situations.
- **Internet Exercises** designed to help in applying one or more of the chapter's key concepts.
- An **Application Case**—found at the end of each chapter—presenting managers and organizations and their attempt to cope with the major issues raised in that chapter.
- A **Video Case** to help bring key management concepts and issues to life in the classroom.

Throughout your study of this text, try to relate what you read and discuss to your own experiences. You have already been practicing—and perhaps violating—many of the principles of management. What you are about to learn is an extension and refinement of what you already know—a blending of it with the experiences of others.

Although you will be reading each chapter as a separate area of study, try to relate it to what you have experienced and read previously. By linking the content of each chapter to that which has preceded it, you will begin to appreciate that management is a tapestry with many threads that run parallel to and across one another. For example, planning relates to all the management functions; it is part of every management activity in much the same way as is communicating. Periodically step back from your study to see the "big picture" of which each chapter is but a part.

Upon completion of this text and course, you will have developed your own philosophy of management and be armed with the essentials necessary for improving your career. You will become a better manager of your own concerns as well as the work of others.

ORGANIZATION OF THE CONTENT

Part 1: Management Concepts. This section provides a basic overview of management, the evolution of management thought, management's commitment to improvement, and the various environments that affect the practice of management.

Chapter 1 explores what management is about, why it is necessary, the needs managers must address, management functions, management roles, management skills, and management myths and realities.

Chapter 2 takes the student on a journey through the past, examining the evolution of management theory from the classical schools through today. It assesses the contributions made by each and explains the links among them.

Chapter 3 focuses on management's commitment to continuous improvement. The link between quality, productivity, and profitability is explained. Factors that

affect productivity are examined along with the commitments necessary by top, middle, and first-line management to improve quality and productivity. Key concepts such as core values, reengineering, open-book management, empowerment, and knowledge management are introduced.

Chapter 4 lists and defines the internal and external environments that affect and challenge the practice of management. Business as an open system and the demands of stakeholders are the major focus.

Part 2: Planning and Decision Making. The importance of the first function of management—planning—is examined from several perspectives in Chapters 5 and 6: organizational, contingency, strategic, and operational. The relationship of planning to all other management functions, and ways to make it more effective, are covered. The art of decision making is the focus of Chapter 7.

Chapter 5 explains the importance of planning, the framework for plans, types and uses of plans, and the planning process.

Chapter 6 explores the nature of strategic planning, elements of planning strategies, levels of strategic planning, and the strategic-planning process.

Chapter 7 guides the student through the steps for rational decisions, decision-making climates, quantitative methods, and the various influences on the manager's problem-solving efforts.

Part 3: Organizing. Organizing is examined as a process along with why different organizations adopt different approaches to structuring their operations. Both the formal and informal organization are included in the discussions. Organizing principles are demonstrated with examples.

Chapter 8 looks at the formal organization, the organizing process, its key principles and concepts, and the informal organization.

Chapter 9 covers organizational design, the range of organizational-design outcomes, contingency factors affecting organizational design, and the structures in common use.

Chapter 10 features organizational culture and handling change. The manifestations of cultures and subcultures, creation of cultures, nature of change, managing and implementing change, and the concepts connected with organizational development are covered comprehensively.

Part 4: Staffing and Leading. This section develops the concepts of staffing, communication, motivation, leadership, team management, and conflict. Essential legal concepts are included along with the principles and practices that affect each.

Chapter 11 surveys staffing from human resource planning to employee separations. Sociocultural and legal influences are addressed along with such activities as job analysis, job evaluation, training and development, and the practice of staffing in a union environment.

Chapter 12 focuses on communication—organizational and interpersonal. The communication process and barriers to it are demonstrated along with how managers can improve their communication efforts.

Chapter 13 explores motivation and the applications of the most relevant theories. Special attention is given to how managers can use their insights and principles to get the most from themselves and team members.

Chapter 14 looks at leadership. Its importance and associations with power and authority are detailed. The roles leaders must play with their followers are reviewed along with the theories that govern the practice of leadership and the styles that leaders may adopt.

Chapter 15 examines team management and conflict. The nature and types of teams, philosophical approaches to team management, and how to establish team-based organizations are included. Conflict is defined, and the causes of and methods for managing it are discussed.

Part 5: Controlling. This section examines and applies different aspects of the principles and theories of control.

Chapter 16 focuses on the nature of control, the control process, types of controls, and characteristics of effective controls. Added emphasis is given to the art of making controls effective.

Chapter 17 is an in-depth look at four kinds of controls: financial, budgetary, marketing, and human resource. Financial statement analysis is followed by budget-development processes and types of budgets. Various marketing controls are scrutinized next, followed by popular human resource controls.

Chapter 18 looks at operations management—its nature; its link to planning, processes, and facilities; and how to manage operations. How to control operations for both quality and productivity is included.

Part 6: Special Concerns. This section explores information management systems, international management, succeeding in one's career, and management ethics and social responsibility. Although all chapters include regular features on ethics and international applications, these important subjects merit further exploration.

Chapter 19 focuses on information flow and how it can be managed in organizations. Management information systems and decision support systems are discussed in detail.

Chapter 20 explores the recent trends affecting businesses in global markets, the nature of the international business environment, and the nature of multinational corporations. Each function of management is discussed as it applies to an international operation and environment.
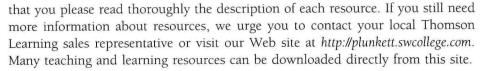
Chapter 21 is concerned with career management. Stages in career development and steps in career planning are analyzed. Discussed next are several strategies managers can take to advance their careers.
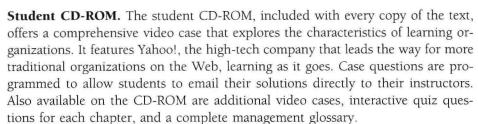
Chapter 22 examines ethical issues and the need to be proactive when managing for social responsibility. After defining both concepts, the chapter explores ethical tests, approaches to social responsibility, and the links between them and applicable legal requirements. The issues of responsibilities to stakeholders and of government regulation of business activities are dealt with as well.

SUPPLEMENTS

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Student CD-ROM. The student CD-ROM, included with every copy of the text, offers a comprehensive video case that explores the characteristics of learning organizations. It features Yahoo!, the high-tech company that leads the way for more traditional organizations on the Web, learning as it goes. Case questions are programmed to allow students to email their solutions directly to their instructors. Also available on the CD-ROM are additional video cases, interactive quiz questions for each chapter, and a complete management glossary.

Study Guide (0-324-02727-3)—prepared by Harold C. Babson, Columbus State Community College, and Murray S. Brunton, Central Ohio Technical College. Designed from a student's perspective, the value-laden study guide comes with all the tools necessary to maximize results on exams and in class. Chapter outlines are included, as well as pre-tests, post-tests, and numerous self-study questions. Concept applications include skill-builder exercises and a journal for keeping track of observations of concepts presented as they relate to classroom discussion and on-the-job experience. Answers are provided for all self-tests.

Instructor's Resource Guide (0-324-02762-5)—prepared by Thomas Lloyd, Westmoreland County Community College. The Instructor's Manual emphasizes our integrated learning system. Each chapter includes learning objectives; key terms; outlines annotated with additional examples and other lecture-enhancing stories and facts; complete solutions to all end-of-chapter questions, activities, and video cases; and additional cases.

Test Bank (0-324-11683-7)—prepared by Thomas Lloyd, Westmoreland County Community College. Organized around the text's learning objectives, the test bank is available to instructors in print and computerized format. The test bank contains more than 2,900 true/false, multiple-choice, matching, short answer, and essay questions.

Examview (0-324-02731-1). This supplement contains all of the questions in the printed test bank. This program is an easy-to-use test creation software compatible with Microsoft Windows. Instructors can add or edit questions, instructions, and answers, and select questions (randomly or numerically) by previewing them on the screen. Instructors can also create and administer quizzes online, whether over the Internet, a local area network (LAN), or a wide area network (WAN).

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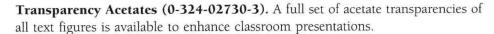
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A Strategic Guide

to the seventh edition of Plunkett, Attner, and Allen's
Management: Meeting and Exceeding Customer Expectations

Good planning and organization are equally essential to successfully operating a business and writing a textbook —and using one! This guide introduces you to the features in the text that are designed to help you master the management concepts fundamental to success in today's business environment.

This text has been organized around the Learning Objectives, to create for you a tightly integrated learning system.

◀ CHAPTER OBJECTIVES

The Learning Objectives listed at the beginning of every chapter briefly state the skills you will acquire from reading the chapter.

NUMBERED ICONS ▶

Each objective, with its numbered icon, then appears in the chapter margin where the objective is fulfilled, so that you can quickly locate the applicable material.

CHAPTER SUMMARIES ▶

The summary at the end of the chapter is organized around the Learning Objectives as well, reinforcing the key points under each objective.

MANAGEMENT ▶ IN ACTION

These cases highlight relevant experiences of actual companies and managers. This example, for instance, offers practical, real-world application of a company's mission.

How Mission Makes the Difference at eBay

Founded in September 1995 by Pierre Omidyar, eBay began as a place for trading Pez dispensers. "Users can find everything from the practical, unique, and interesting on eBay—such as automobiles, chintz china, jewelry, teddy bears, musical instruments, photographic equipment, computers, furniture, and figurines." eBay doesn't actually carry the inventory. It hosts the auctions and charges the sellers a fee for its services. (See "About eBay," http://www.ebay.com.)

By 1998, a headhunter recruited

tomers to express themselves directly to the firm in response to the firm's communications. One of the ways Whitman scans the environment is through the "Voice of the Customer Day." Each month, 10 to 20 customers are brought to eBay's offices to meet new employees, as well as Whitman. "One of the things I'm most focused on is managing something that's growing from a small town to a larger community," says Whitman (Green, 1999).

The eBay user community was sending signals that it was inter-

& Butterfield, which brought higher valued items to the site. She also purchased Cruise International Auctioneers, an automobile auctioneer company, allowing automobiles to be auctioned on the eBay site.

eBay is a multibillion-dollar company and has grown at a phenomenal rate in terms of the number of people who are using eBay, the quantity of items that are being listed for sale, and the dollar amount of transactions that close everyday. It is difficult to forecast this rate of growth, and a lack of forecast caused poor technology planning. Furthermore, eBay had little or no backup strategy in case of an emergency.

For most Web sites, the supporting infrastructure is a fragile ecosystem of software, hardware and wiring. A small weakness in any part can cascade

ed a new market segment for online auctions of higher-

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Organizational Planning

5

budget

contingency plan

forecasting

management by objectives (MBO)

mission statement

operational objective

operational plan

plan

planning

policy

procedure

program

rule

single-use plan

standing plan

strategic goal

strategic plan

strategy

stretch goal

tactic

tactical objective

tactical plan

LEARNING OBJECTIVES

After studying this chapter, you should be able to

1 Explain the importance of planning

2 Describe the importance of an organization's mission statement

3 Discuss the purposes of strategic, tactical, operational, and contingency plans

4 Explain the relationships between strategic, tactical, and operational goals

5 List and explain the steps in a basic planning process

6 Discuss various ways to make plans effective

7 Describe the barriers to planning

◀ KEY TERMS

The terms are your introduction to the vocabulary of management. They are listed at the beginning of each chapter, then defined in context, as well as in a master glossary at the back of the book.

◀ GLOBAL APPLICATIONS

This feature presents a successful application of a chapter concept by an organization from another country. The selection of organizations is varied by country and by industry—service, manufacturing, retail.

◀ ETHICAL MANAGEMENT

Focused only on U.S. organizations, you are presented with the ethical dilemma of a company or manager. Selection of firms is balanced between large and small organizations and by industry.

VALUING DIVERSITY ▶

Designed to illustrate how managers value and utilize diversity, you will see diversity as a business strategy in large and small organizations, balanced by industry.

functions, the behaviors of organizational members, and the shaping of the organization's culture (Jones and Kahaner, 1995). Many companies are placing their mission statements on their Web sites, which can be read with a browser. Browser software is the subject of this chapter's Managing Technology feature.

Figure 5.1 illustrates the mission statements for Starbucks, eBay, and Amgen. Notice the emphasis on quality—meeting customer needs that the organization can meet—in these statements. The mission statement serves as a template against which decisions can be measured. The organization's values should be easily apparent in the mission statement.

While creating a mission statement, management expert Peter Drucker states that two questions must be answered: What is our business? What should it be? (Drucker, 1954). These questions must be raised and answered periodically, not just when forming a business. The answer to the first question is determined in part by the customers an organization currently serves. Meeting their demands and needs has made the organization what it is. The answer to the second question is determined in part by the customers an organization wishes to serve. The specific needs of identified customers, along with the firm's experience and expertise, will dictate what products and services it creates and/or sells, what processes it uses, and what their levels of quality will be.

Since the values, beliefs, and wants of an organization's customers keep changing, so too must the organization. Consider the situation eBay has faced since it began in 1995. This virtual auction house (the subject of this chapter's Management in Action case) was growing over 50 percent quarter to quarter, making it a new company every three months. By staying focused on the mission—to help people trade practically anything on earth—CEO Margaret C. Whitman turned eBay from a "quirky idea into an Internet giant capable of handling millions of buyers and sellers. . . . More than that, Whitman has helped legitimize the notion of negotiated pricing—making it one of the most powerful economic forces on the Internet" (Green, 1999).

◄ MANAGING TECHNOLOGY

Effective management techniques are never static, so each chapter includes an overview of a technology that can increase managers' productivity. Based on emerging technologies, this survey provides insight into the environment that you, as a manager of tomorrow, will face.

MANAGING TECHNOLOGY
Browsers

The development of graphical Web browser software, such as Netscape Communicator and Microsoft Internet Explorer, has made it easy to view a Web page. Browsers use hypertext software, which combines sounds, graphic images, video, and text. Across the top of the browser screen are many icons as well as an address line. By typing in an Internet address, called a Uniform Resource Locator (URL), such as http://plunkett

.swcollege.com, you go to that page and see its information. From there you can visit other pages simply by clicking on anything that is highlighted or hyperlinked to that page. Hyperlinks link just about everything on the Web to something else, and you can spend hours surfing—just moving from place to place seeing what you can find. To visit an Internet site, simply type in the address line and hit the enter key.

APPLICATION CASE ►

Each chapter includes an actual case problem, directly related to the chapter content. Some are success stories; others present unresolved problems. All of these case studies, however, allow you to apply what you have learned.

There are no right or wrong answers—just workable solutions, based on underlying principles of informed management decisions.

VIDEO CASE ►

Each chapter concludes with a video case designed to bring key management concerns and issues to life in the classroom.

APPLICATION CASE

Mars Clings to Its Plans

The brands read like a candy Hall of Fame: Snickers, M&Ms, Milky Way, 3 Musketeers, Twix, and Skittles. With this powerful lineup of familiar brands, Mars has dominated the U.S. and the world candy markets. But for several years, Mars has been quietly, but dramatically, yielding market share in both its U.S. and Western European candy businesses. From 1993 to 1994 in the United States alone, Mars gave up 1.4 market share points in the $10-billion confectionery business. From 1991 to 1994, Mars dropped about three market share points—a lot of Snickers bars.

Yet with all of its success, why has Mars begun to fail? The most basic explanation offered is that Mars has not modified its plans—either strategic or tactical—in the face of changes in its competitive environment.

■ The candy industry has experienced dramatic consolidation, with monsters such as Nestlé and Cadbury Schweppes gobbling up smaller competitors. These stronger competitors are bombarding the market with new offerings.

■ Innovations in the retail and wholesale distribution chain have shifted power to the hands of big supermarket chains and discount stores. Rather than adjust policy to meet the need for lower costs and more value to the power brokers, Mars eliminated promotional money, that is, special discounts. The action not only enraged the trade giants but also reduced the trade giants' profits.

■ Mars has held to its long-term plan, focusing on maximum asset utilization. Quite simply, the plan allows the sales force to sell beyond a manufacturing plant's capacity to produce—even in peak periods.

■ Rather than introducing new products, Mars developed plans calling for product line extensions. The result has been additions such as Almond M&Ms, low-fat Milky Way II, and ice cream novelty knockoffs of its candy bars. **http://www.mars.com**

Questions

1. How does this case illustrate the importance of flexibility in planning? Cite an example to support your answer.

2. What does this case illustrate about the relationship of the environment to the development of plans? Cite an example to support your answer.

3. Which of the actions by Mars related to a failure to adjust strategic planning? Cite an example to support your answer.

4. Which of the actions by Mars related to a failure to adjust tactical planning? Cite an example to support your answer.

Source: Bill Saporito, "The Eclipse of Mars," *Fortune* (28 November 1994), pp. 82–92.

VIDEO CASE

Kropf Fruit Company: A Study in Planning

Kropf Fruit Company is a family-owned business consisting of orchards, storage, and packing facilities. In the early 1990s, the owners of Kropf faced a critical decision. Changing market conditions favored large fruit processors over medium-sized processors like Kropf. This trend resulted from a consolidation in the grocery store industry. As a result, the owners of Kropf were left with two strategic options: remain a medium-sized processor, or expand and become a major player. Remaining a medium-sized processor meant that the company would continue to face unfavorable market conditions and that some of the young family members might not have a future in the business. Becoming a major player involved risk but would allow the company to compete with other large growers and processors for major grocery store accounts.

The owners of Kropf decided to expand, but only within the parameters of carefully developed strategic and operational plans and clearly articulated goals. The plans were developed after the owners considered the strengths and weaknesses of the company along with the opportunities and threats in the firm's business environment. During the planning process, the owners also remained open to suggestions from their growers, customers, employees, and other stakeholders. In the end, the company's strategic and operational plans represented a thoughtful analysis of what Kropf needed to do to remain competitive in its business environment today and in the future.

The expansion has been successful, although the owners of Kropf have worked long and hard and the firm has suffered

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