

SECOND EDITION

# MANAGEMENT

## Function & Strategy



BATEMAN / ZEITHAML



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**SECOND EDITION**

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Both of  
*The University of North Carolina at Chapel Hill*

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**Carl P. Zeithaml** received his doctorate in management from the University of Maryland in 1980. He earned an M.B.A. from the University of Florida and a B.A. in Economics from the University of Notre Dame. Currently, he is a professor of management in the Kenan-Flagler Business School at the University of North Carolina at Chapel Hill. Dr. Zeithaml also serves as the Associate Dean for Academic Affairs, having served as the Interim Dean from 1992 through 1993. He specializes in the field of strategic management.

Prior to his current position, Dr. Zeithaml served on the faculties of Texas A&M University and the University of Maryland. His teaching responsibilities included undergraduate courses in management and business policy and the M.B.A. business policy course. He regularly conducts Ph.D. seminars in strategic management, and he was formerly Director of the Ph.D. Program in the Kenan-Flagler Business School.

Dr. Zeithaml was the consulting editor of Strategic Management and Business Policy for the *Academy of Management Journal* from 1985 through 1987, and he served on the editorial boards of three scholarly journals. Currently, he serves on the editorial board of the *Academy of Management Review*. He was the Chair of the Business Policy and Strategy Division of the Academy of Management during 1990–91. He served on the Executive Committee of the Business Policy and Planning Division of the Academy of Management from 1986 to 1988, and was the Program Chair for the Division of the National Meetings in 1989.

Dr. Zeithaml has conducted research on business-level strategy, corporate political activity, strategic decision making, the strategic role of the board of directors, the implementation of diversification strategies, and international expansion strategies. His research results have been presented at numerous professional meetings and have been published in journals including the *Academy of Management Journal*, the *Academy of Management Review*, the *Strategic Management Journal*, the *Journal of Marketing*, the *Sloan Management Review*, and the *Journal of Management*.

He regularly participates in executive education programs, and he has been involved in consulting and research projects with The Business Roundtable, Exxon, Sohio, Amoco, ARCO, 3M, Spring Industries, USX, and the seven Regional Bell Operating Companies. Prior to returning for his doctoral studies, Dr. Zeithaml held various administrative positions in the health care industry.



These are exciting times in which to write about management. As you become familiar with the content of this text, we believe you will agree that we are forging a new generation of management texts and offering fresh perspectives that are essential in today's business world.

The student who learns and thinks about the material in this book will *know* a great deal about management, and will be *prepared* and *motivated* to continue to learn more. These advantages will provide a big edge over the competition—both on the job market and in the real world of management. And as students develop their management potential, instructors will know they are offering the most valid, current, and comprehensive information possible.

Nowhere else does a student have the opportunity to learn about such a wide variety of important management-related topics, including:

- New overseas markets
- Future economic scenarios
- The future of unions
- Strategic alliances
- Corporate political activities
- Materials science
- Competitor intelligence
- Customer service
- Flexible manufacturing
- Shadow management
- Simultaneous engineering
- Sexual harassment
- Small business
- Immigration
- The quality revolution
- Downsizing
- Leveraged buyouts
- Sustainable growth
- Empowerment
- Japanese *keiretsu*
- Recycling
- The Asian “tigers”
- Health care cost containment
- Competing on speed
- Biotechnology
- The tragedy of the commons
- Small wins
- The MBA Enterprise Corps, working to bring the free market to Eastern Europe

This list is, of course, just a sampler of the comprehensive coverage offered by this text. We have done our very best to draw from a wide variety of subject matter, sources, and personal experiences.

## A POSITIVE ENVIRONMENT

We wrote this book believing that we would form a management team with the course instructor. This team is responsible for managing the learning process. Our goal, therefore, and that of the instructor, is to create a positive learning environment in which the student can excel.

Consistent with our emphasis on a positive work environment, the large majority of the examples in the book are the “Best Practices” used by successful companies (*Best Practices* is the term used by General Electric as it studies management in all industries the world over to enhance its own managerial practices). Occasionally, though, we do describe mistakes or poor practices to illustrate how *not* to manage.



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## ORGANIZATION AND INTEGRATION

This book is organized around the model of management discussed in Chapter 1. The model is intentionally simple and depicts the relationship among the major topics in the book. It appears in the introduction to each part, highlighting the relevant topics and integrating them into the overall scheme. The model is your map of the material presented in the book.

We also thoroughly integrated all chapters and topics into the flow of the book. Many management texts tack on a few chapters at the end of the book to cover "special" topics such as social responsibility, international management, and entrepreneurship. Because these topics are crucial to effective management in the 1990s, they are an essential part of this book and are presented early, in Part II, "Planning and Strategy."

We also offer new chapters on topics that have never previously appeared in management texts. These topics, too, are placed appropriately rather than left hanging at the end of the book, thereby preserving the logical flow. No chapters are tacked onto the end of the book as afterthoughts. As a result, this is a truly integrated text with a logical flow that students will absorb and retain.

### Today's World

Management today is truly global; the competitive arena is the entire world. Virtually every company, large or small, buys from or sells to overseas firms. More important, every company *competes with* foreign firms. A firm that has not yet faced a global challenge in one form or another is highly unusual, and it will be in big trouble if it doesn't start planning now for that eventuality.

For these and other reasons, a strong international theme permeates this text. An entire chapter is devoted to international management, and international coverage is woven throughout other chapters. We do not merely present special "international boxes" that stand alone, separate from the text; we also offer tables, figures, and in-text examples to show that global thinking should be *integrated* into every manager's thinking.

### Cutting-Edge Topical Coverage

Earlier we listed several specific topics covered in the text to illustrate the breadth of coverage and the emphasis on contemporary issues. That list, as we pointed out, was just a sampling. But let us highlight three new chapters that *today's manager cannot ignore*. Two of these chapters have never been offered in a management text; the other has been offered occasionally, but not in the contemporary and useful form provided here.

Chapter 7, "Managing in Our Natural Environment," is devoted *entirely* to managing with the environment in mind. We placed this chapter after the one on ethics and social responsibility because environmental concerns and ethical issues are closely related. Our chapter is not preachy or alarmist, but descriptive and optimistic. It briefly describes the current state of our natural environment, and then lays out the "best practices" of a wide variety of companies as they help solve environmental problems. The focus is on good business sense as well as good global citizenship.

Chapter 20, "Managing Technology and Innovation," is devoted to technology and its implications. However, the content is not overly technical. Our emphasis is on how technology is used to *strategic advantage*, and on how firms can be successful *innovators*. Innovation, after all, is central to continuous quality improvement and market responsiveness, as well as to keeping abreast of and ahead of the competition. And for the student, an understanding of technology strategy and innovation



will provide a significant competitive advantage over students who are in the dark about the important role of technology.

Chapter 13, "Managing the Diverse Work Force," is devoted to this subject and is located, appropriately, right after the chapter on managing human resources. No previous management textbook offers such a chapter. Our chapter discusses the meaning of diversity, the advantages it offers, and the best practices of companies on the cutting edge of this important management topic.

### **Diversity (of All Kinds!)**

Our text covers diversity *beyond* the work force as well. For example, as noted earlier, we devote a great deal of attention to both international and domestic firms. Our goal is to teach not only how to do business *with* or *in* other countries, but also how domestic firms can *learn from* the diverse practices of companies throughout the world.

We have tried to achieve a balance between large and small firms. Most new employment opportunities come from small businesses, and many students will not work for Fortune 500 corporations. Moreover, small firms can be an overlooked source of best practices. A quick glance at the boxed vignettes and the end-of-chapter cases and profiles will reveal a strong emphasis on small firms from many geographic regions.

We also offer diversity in the form of theory and practice, research and opinion. We present the most useful and valid real-world management theories and research findings. Most of these examples are positive models, although we also point out mistakes and poor practices. Where differences of opinion or controversies exist, we indicate that there is no definitive answer. This kind of diversity provides great opportunity for thought-provoking class discussion.

### **Quality and Continuous Improvement**

We have strived for and hopefully achieved quality and continuous improvement throughout the text. Like the management profession about which we write, we have hardly stood pat by making only cosmetic changes from the successful first edition.

This edition has three new chapters, as already discussed. And *every* chapter has been carefully considered and significantly revised where appropriate.

Some of the distinguishing features of our chapters include: Important new academic articles and a multitude of current articles from the business press have been added to every chapter. Old issues have been dropped and new ones added in many places throughout the book. Some of the lengthier chapters in the first edition were shortened significantly.

Every end-of-chapter case and opening vignette is new. The large majority of boxed vignettes also are new; the exceptions are the timeless ones (like the Abilene Paradox). Importantly, we have changed our philosophy for the Personal Profiles included in every chapter. Whereas the first edition profiled only famous executives from major corporations throughout the 20th century, we used different criteria for this edition. Now, more small companies are represented, and men and women are profiled equally.

- Chapter 3, "The External Environment," emphasizes proactive attempts to manage and change the environment in which the manager and the organization operate.
- An appendix to Chapter 4, "Managerial Decision Making," offers a contemporary, succinct treatment of quantitative decision-making techniques.
- Chapter 5, "Planning and Strategic Management," relates the planning process to the general decision-making process, and then extends this treatment to develop a comprehensive model of the strategic management process.



- Chapter 6, "Ethics, Corporate Social Responsibility, and the Political Environment," not only covers traditional issues such as corporate social responsibility and ethics, but also includes an interesting discussion of the strategies organizations use to manage their external political and social environment.
- Chapter 9, "Managing New Ventures," emphasizes not only entrepreneurship but also corporate spin-offs and intrapreneurship.
- Chapters 10 and 11 treat the complex subject of organization structure and design. Chapter 10 focuses on basic concepts, while Chapter 11 emphasizes current trends, including the restructuring of corporate America.
- Chapter 14, "Leading," covers the traditional leadership theories, but goes far beyond by emphasizing contemporary issues and recent research advances. The chapter begins with a thorough discussion of vision, and then covers other topics such as charisma, empowerment, and transformational leadership.
- Chapter 16, "Managing Teams," includes unique topics such as project management, building coalitions, and a strategic perspective to managing lateral relationships.
- Chapter 18, "Managerial Control," covers not only traditional budgetary and financial controls but also human resource issues in control systems.
- As noted, Chapter 20, "Managing Technology and Innovation," offers a unique treatment of the use of technology for strategic advantage and of ways to encourage innovation.

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## OUTSTANDING PEDAGOGY

*Management: Function and Strategy* is pedagogically sound and user-friendly, and its goal is to maximize student learning. With this in mind, we used a wide array of pedagogical features—some tried and true, others new and novel:

- Learning Objectives, which open each chapter and are found in the margins, identify what you will learn by reading and studying the chapter.
- Opening Quotes provide a thought-provoking preview of chapter material. The quotes are from people like Julius Caesar (on leadership), John D. Rockefeller (on competition), Robert Half (on delegation and control), and Margaret Mead (on the environment).
- Setting the Stage describes an actual organizational situation and provides a rich introductory example of the chapter topic. Setting the Stage is placed before the text material as a practical application.
- Logos representing three running themes of the book—quality, international management, and ethics—are placed at appropriate points in the text to indicate an extended example, best practice, or issue for discussion. The chapters devoted entirely to those topics (ethics, international) are not cluttered with the corresponding logo, but all chapters include several logos to continually reinforce the importance and enhance the learning of these important themes.
- The Bottom Line closes each chapter and lists action steps or major learning points relating to the knowledge and skills of the practicing manager. Summaries then reinforce important chapter material by providing a comprehensive synopsis.
- Personal Profiles at the end of each chapter highlight successful, well-known businesspeople who epitomize the chapter topic. Subjects of these profiles—half of whom are women and half of whom are men—range from 20th-century legends to prominent current executives to the turn-of-the-century founder of



- a successful black-owned business.
- \* Concluding Cases for each chapter provide another focus for class discussion.
- \* Two Experiential Exercises are included in each chapter. Most of them are group-based, and many involve outside research.
- \* A Data File is included at the end of every part. The Data File includes several graphs or tables with business statistics, all relevant to the topics covered by the chapters in the part. The Data File can be used to inform, stimulate thinking, and generate discussion.
- \* An Integrating Case and two Critical Incidents appear at the end of each of the five parts of the book. The short Critical Incidents focus on managerial problems that include issues from multiple chapters in each part and are a stimulating arena for discussion.
- \* The Company Directory lists 442 existing companies discussed in the text and gives the following information about each: company name, subsidiary data when applicable, address, phone number, yearly sales figures, and number of employees. Students will find this directory useful for employment and case research purposes.

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## COMPREHENSIVE SUPPLEMENTS

All of the supplements have been dramatically revised and improved.

### ***For the Student***

- \* Study Guide, prepared by Sue Stewart-Belle, Illinois State University, contains chapter previews, a listing and definition of key terms, and over 1,000 true/false, multiple choice, matching, short answer, and essay questions, and exercises.

### ***For the Instructor***

- \* Annotated Instructor's Edition, prepared by Gene E. Burton, California State University-Fresno, contains four kinds of annotations that appear throughout the text. The instructor's material, which appears at the beginning of the book, contains learning objectives, chapter overviews, suggested discussion questions and answers for Setting the Stage, suggested questions pertaining to vignettes, suggested answers to discussion questions, suggested discussion questions and answers to the Personal Profiles, suggested answers to the questions in the Concluding Case, and teaching notes to accompany the Experiential Exercises.
- \* Instructor's Manual contains the same material as is found at the front of the Annotated Instructor's Edition. By having a separate Instructor's Manual, we offer you the flexibility of text plus Instructor's Manual or Annotated Instructor's Edition.
- \* Lecture Resource Guide, prepared by Gene E. Burton, California State University-Fresno, contains two lecturettes per chapter, one additional case per chapter with suggested questions and answers, one additional experiential exercise per chapter with accompanying teaching notes, teaching notes for the color transparencies, and chapter quizzes.
- \* Test Bank, prepared by Jane Pettinger, North Dakota State University, contains approximately 100 questions for each chapter and consists of true/false, multiple choice, fill-in, matching, and essay questions.
- \* Color Transparencies, prepared by Gene E. Burton, California State University-Fresno, contains 122 color acetates representing both new artwork and visuals found in the text.



- Transparency Masters, prepared by Gene E. Burton, California State University–Fresno, consists of all the tables and figures from the text not used as acetates.
- Irwin's Computerized Testing Service enables you to pick and choose questions and develop tests and quizzes quickly and easily on the microcomputer.
- Teletest enables you to phone an exam request directly to Irwin. Just tell the Irwin representative what you want, and within a few days you will receive your exam.
- Videos are available for every chapter and are accompanied by a videoguide that ties the videos directly to the chapters.

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Many individuals contributed directly to our development as textbook authors. In particular, Dennis Organ provided one of the authors with an initial opportunity and guidance in textbook writing. The entire Richard D. Irwin team demonstrated continued and generous support for this book. Karen Johnson devoted her great talent and professionalism to the project. Kurt Strand's energy and sense of humor helped make it a pleasure to be part of the Irwin team. Libby Rubenstein, the hub around which everything revolved, gave timeless attention to all phases of the creative process, leading to a final product in which we all take pride.

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Thomas S. Bateman  
Carl P. Zeithaml



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