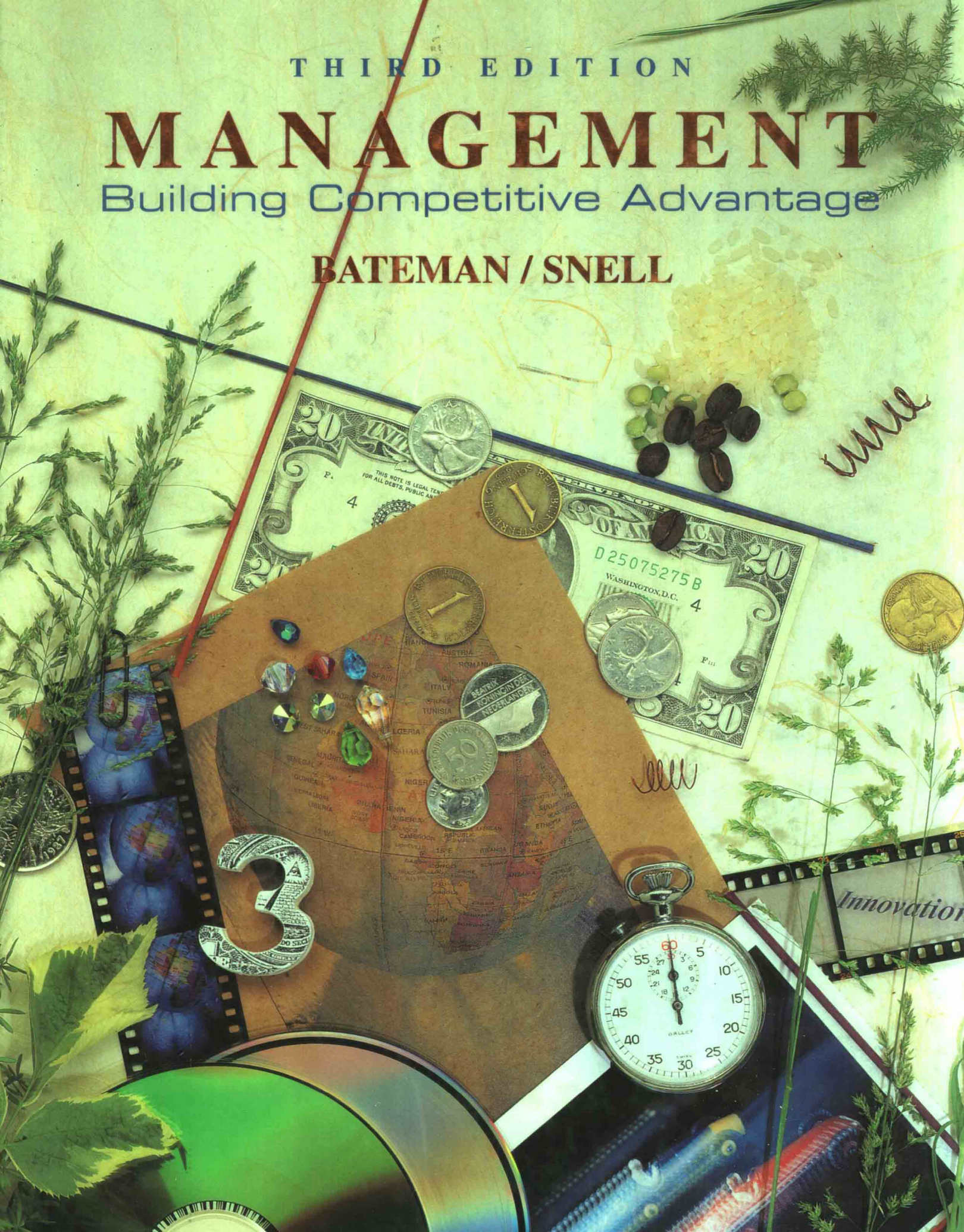


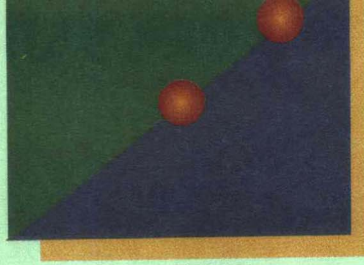
THIRD EDITION

MANAGEMENT

Building Competitive Advantage

BATEMAN / SNELL





MANAGEMENT

Building Competitive Advantage

Third Edition

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About the Cover

We wanted the cover image to reflect the richness of the interior—in terms of both content and design. The four running themes of the book—cost, quality, speed, and innovation—are depicted symbolically. Each item, from the compact discs to the stopwatch to the greenery, represents a part of the unique story told in the third edition of *Management: Building Competitive Advantage*.

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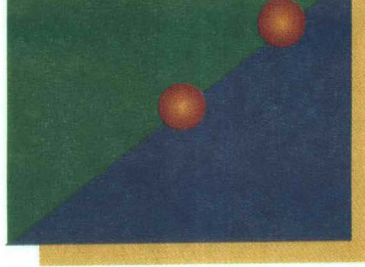
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PREFACE

Our mission with this book is threefold: to inform, instruct, and inspire. We hope to *inform* by providing descriptions of the important concepts and practices of modern management. We hope to *instruct* by describing how you can take action on the ideas discussed. In other words, you will learn practical applications that will make you more effective in ways that benefit both you and your organization.

We hope to *inspire* not only by writing in a positive, interesting, optimistic way, but also by providing a real sense of the unlimited opportunities ahead of you. Whether your goal is starting your own company, leading a team to greatness, building a strong organization, delighting your customers, or generally forging a positive future, we want to inspire you to take positive actions.

We hope to inspire you to be both a thinker and a doer. We want you to think about the issues, think about how to become a better manager, think about the impact of your actions, think before you act. But being a good thinker is not enough; you also must be a doer. Management is a world of action. It is a world that requires timely and appropriate action. It is a world not for the passive, but for those who commit to positive accomplishments.

We also hope to inspire you to keep learning. Keep applying the ideas you learn in this course, read about management in sources outside of this course, and certainly keep learning about management after you leave school and continue your career. Make no mistake about it, learning about management is a personal voyage that will last years, an entire career, your entire lifetime.



COMPETITIVE ADVANTAGE

Today's world is competitive. Never before has the world of work been so challenging. Never before has it been so imperative to your career that you learn the skills of management. Never before have people had so many vast opportunities with so many potential rewards.

You will compete with other people for jobs, resources, and promotions. Your organization will compete with other firms for contracts, clients, and customers. To survive the competition, and to thrive, you must perform in ways that give you an edge over your competitors, that make the other party want to hire you, buy from you, and do repeat business with you. You will want them to choose you, not your competitor.

To survive and thrive, today's managers have to think and act strategically. Today's customers are well educated, aware of their options, and demanding of excellence. For this reason, managers today must think constantly about how to build a capable workforce and manage in a way that delivers the goods and services that provide the best possible value to the customer.

By this standard, managers and organizations must perform. The four types of performance, on which the organization beats, equals, or loses to the competition, are *cost*, *quality*, *speed*, and *innovation*. These four performance dimensions, when done well, deliver value to the customer and competitive advantage to you and your organization. We will elaborate on all of these topics throughout the book, but here is a brief overview.

Cost competitiveness means the company delivers valuable products (goods and services) priced at levels the customer is willing to pay. Good management requires managing

so that costs are kept under control and the company can sell its products at fair prices that cover costs and achieve a profit.

Quality refers to the all-around excellence of your goods and services. It includes such things as attractiveness, lack of defects, reliability, and long-term dependability. Quality means doing the job right and meeting or surpassing customer expectations.

Speed means the organization can respond to market needs quickly. It includes introducing new products to the market before competitors do, delivering fast on customer orders, and responding quickly to customer services requests. You are at a competitive advantage if you do these things faster and better than your competitors, and at a competitive disadvantage if they are faster and better.

Innovation is the ability to create new goods and new services that customers value. Moreover, effective innovation occurs quickly and results in products that are competitive on the basis of cost and quality. Innovative management practices often are the key to staying abreast or ahead of competitors who are constantly trying to outdo you in all four of these arenas of competitive advantage.

Good managers find ways to make their organizations successful. The ways to do this are to build competitive advantage in the forms of cost competitiveness, quality, speed, and innovation. Because of the importance of the four sources of competitive advantage—which really are goals that every manager should constantly try to achieve and improve upon—we refer to them frequently throughout the book. The idea is to keep you focused on a type of “bottom line,” to make sure you think continually about “delivering the goods” that make both the manager (you) and the organization a competitive success.

RESULTS ORIENTATION

An important theme of this book, then, is how to manage in ways that deliver *results*—results that customers want. When you deliver high-quality, innovative products, quickly, and at a competitive price, you are achieving the results that can give you the competitive edge. And keep in mind, these are the same results that your competitors strive for as they try to gain an edge over you.

This approach makes this book unique among management texts. Rather than offering only concepts and processes, which nonetheless are integral parts of this text, we have a clear results orientation that is essential to success. The concepts and processes are means to an end, or the ways by which you can achieve the results you need.

It goes without saying that this textbook, in its third edition, remains on the cutting edge of topical coverage, as updated via both current business examples and recent management research. Chapters are thoroughly updated and students are exposed to a wide variety of important current topics, including:

New overseas markets	Transnational organizations
Product and process innovation	Customer service
Core competencies	Crisis management
Learning organizations	Empowerment
European unification	Codetermination
Privatization	Strategic HRM
NAFTA	Post-heroic leadership
Technology leadership	Cross-functional teams
Reengineering	Network organizations
Total quality management	Sexual harassment
Rightsizing	Mass customization
Future economic scenarios	Sustainable growth

Benchmarking
 Corporate political activities
 Strategic alliances
 Competitor analysis

The MBA Enterprise Corps., working to
 bring the free market to Eastern Europe
 and Southeast Asia

This list, of course, is 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.



FORGING THE FUTURE

By highlighting the sources of competitive advantage and using a clear results orientation, we continue our efforts to create a new generation of management texts. Our previous edition was more integrative than other texts and was the first to devote chapters to the vital management topics of managing in our natural environment and managing workforce diversity. And, we have broken the traditional mold by encouraging students to “forge the future.”

Still, in this edition we retain the traditional functional organization. Even though the world has changed, it is not chaos. A functional approach still is useful in that it provides students and instructors with a framework within which to tackle dynamic issues. Moreover, we of course give full coverage to all the topics other texts tout as their primary emphases: globalization, total quality, change, ethics, teams, and so on.

As this textbook forges the future for management texts, we want to influence students to forge *their* futures. Throughout the text, a proactive rather than passive approach to management is encouraged. For example, Chapter 9, New Ventures, doesn’t merely describe small business management; it inspires readers to create new ideas and new businesses. And Chapter 21, Becoming World Class, speaks to the importance of creating a world-class future, not just being ready for the future and adapting to it.

With your help, we want to influence business in the future. Through our mission of informing, instructing, and inspiring, we hope you will apply these ideas to create your own organizations and/or make the organizations in which you work more successful and outstanding.



A TEAM EFFORT

We wrote this book believing that we would form a team with the course instructor and with students. The entire team is responsible for the learning process.

Our goal, and that of the instructor, is to create a positive learning environment in which you can excel. But in the end, the raw material of this course is just words. It is up to you to use them as a basis for further thinking, deep learning, and constructive action.

What you do with the things you learn from this course, and with the opportunities the future holds, *counts*. As a manager, you can make a dramatic difference for yourself, and for other people. What managers do matters, tremendously.



OUTSTANDING PEDAGOGY

Management: Building Competitive Advantage is pedagogically stimulating and is intended 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, identify what students will learn by reading and studying the chapter.
- Opening quotes provide a thought-provoking preview of chapter material. The quotes are from people like Peter Drucker (on the external environment), Jack Welch (on strategic management), Henry David Thoreau (on ethics), Margaret Meade (on the natural environment), and Julius Caesar (on leadership).

- **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 the four running themes of the book—cost, quality, speed, and innovation—are placed at appropriate points in the text to indicate an extended example, best practice, or issue for discussion. The logos continually reinforce and enhance the learning of these important themes.

End-of-Chapter Elements

- **Key Terms**, which are page-referenced to the text and are part of the vocabulary-building emphasis. These terms are defined in the glossary at the end of the book.
- **A Summary of Learning Objectives** provides clear, concise responses to the learning objectives, giving students a quick reference for reviewing the important concepts in the chapter.
- **Discussion Questions**, which follow the Summary of Learning Objectives, are thought-provoking questions that test the student's mastery of concepts covered in the chapter.
- **Concluding Cases**, which provide focus for class discussion.
- **A Video Case or Video Exercise** appears at the end of the chapter. These cases/exercises reinforce the concepts presented in the videos for each chapter.
- **Two Experiential Exercises** are included. Most of them are group-based, and many involve outside research.

End-of-Part Elements

- **An Integrating Case and two Case Incidents** appear at the end of each of the five parts of the book. The short Case Incidents focus on managerial problems that include issues from multiple chapters in each part and are a stimulating arena for discussion.
- **The Company Directory** appears at the end of the text. It lists over 400 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.

COMPREHENSIVE SUPPLEMENTS

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 100 true/false, multiple choice, matching, short answer, and essay questions, and exercises per chapter.

FOR THE INSTRUCTOR

- **Instructor's Manual**, prepared by William Matthews, William Patterson College, contains chapter outlines, suggested discussion questions and answers for Setting the Stage, two lecturettes for each chapter, suggested answers to end-of-chapter Discussion Questions, suggested answers to the Concluding Case discussion questions, objectives and teaching tips for the experiential exercises, and discussion questions and suggested answers for Case Incidents and Integrating Cases.
- **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.

- Powerpoint Presentation software contains tables and figures from the text plus additional graphic material. A self-contained viewer is packaged with each disk so that those who do not have the Powerpoint software can easily view the presentation.
- Color acetates consisting of figures and tables from the book are also available.
- Videos are available for each chapter and are accompanied by a videoguide that ties the videos closely to the chapter.
- Irwin's Computerized Testing Service enables you to pick and choose questions and develop tests and quizzes quickly and easily on the computer.
- 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.



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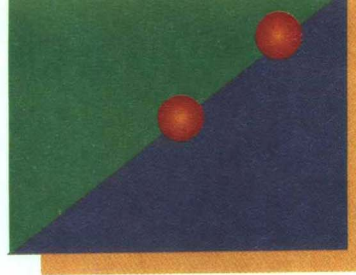
Many individuals contributed directly to our development as textbook authors. Dennis Organ provided one of the authors with an initial opportunity and guidance in textbook writing. John Weimeister has been a friend and advisor from the very beginning. John Wood was a crucial early sponsor for the project. The entire Richard D. Irwin team demonstrated continued and generous support for this book. John Biernat was a great champion for the project, and is a talented editor and good friend. Kurt Strand is, too! What a team!

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Thomas S. Bateman

Scott A. Snell



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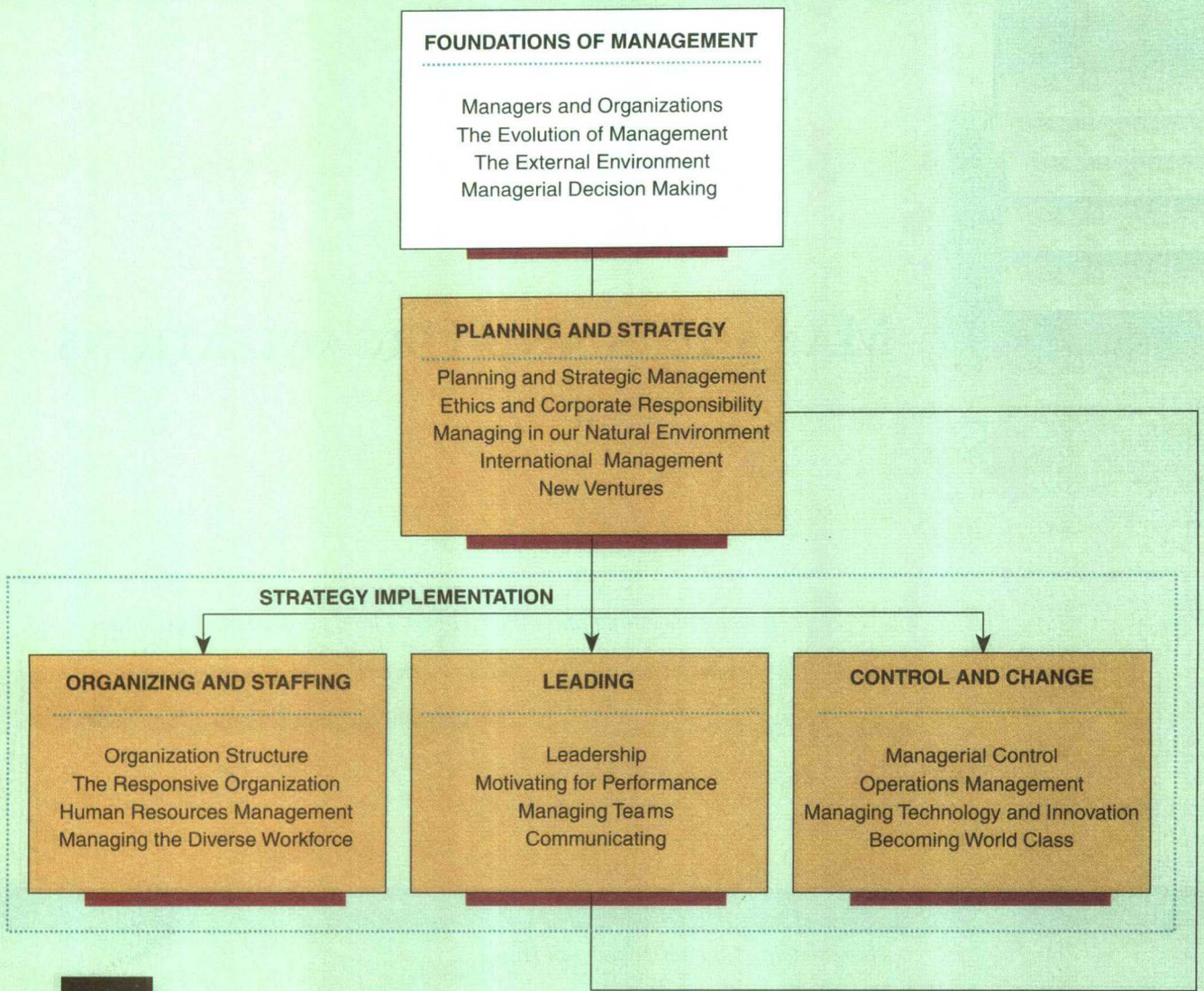
Building Competitive Advantage

PART

I



FOUNDATIONS OF MANAGEMENT



The four chapters in Part I describe the foundations of management. Chapter 1 introduces key functions, skills, and competitive goals of effective managers. Chapter 2 provides an overview of the history of management thought, emphasizing the important ideas that inform modern management. Chapter 3 describes the external environment in which managers and their organizations operate. Finally, Chapter 4 discusses the most pervasive managerial activity—decision making. Sound decision-making skills are essential for effective managerial performance.