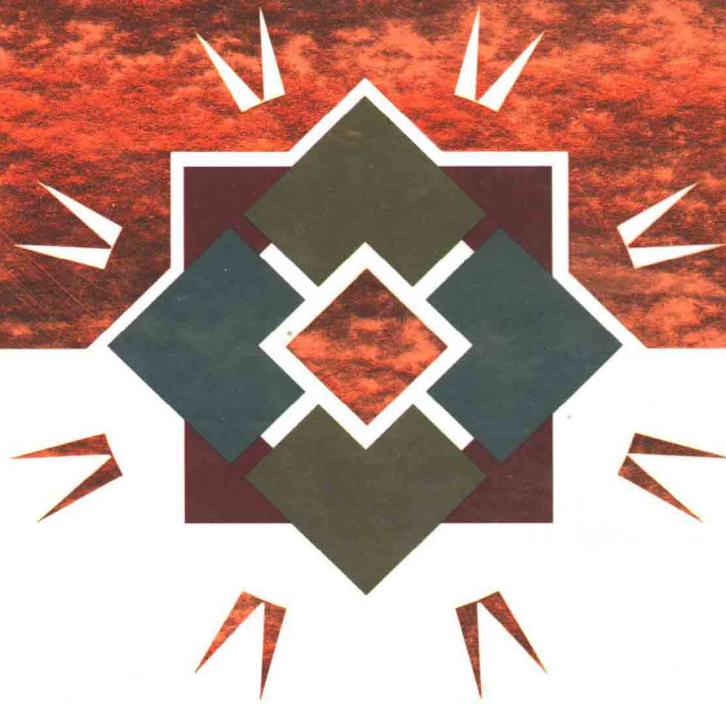


Management

QUALITY AND COMPETITIVENESS

SECOND EDITION



JOHN M. IVANCEVICH

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PETER LORENZI

•

STEVEN J. SKINNER

•

WITH

PHILIP B. CROSBY

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QUALITY AND COMPETITIVENESS

Second Edition

JOHN M. IVANCEVICH

UNIVERSITY OF HOUSTON

PETER LORENZI

LOYOLA COLLEGE IN MARYLAND

STEVEN J. SKINNER

UNIVERSITY OF KENTUCKY

with

PHILIP B. CROSBY

CAREER IV, INC.

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To Dana Louise, our sun, mountain, and water.

—

To Dena Adrienne Lorenzi, for her love and support. She makes all the late nights on the Mac worthwhile.

—

To my parents, John and Dorothy Skinner, for their love and support.

About the Authors

JOHN M. IVANCEVICH

John M. Ivancevich, the Cullen Professor of Management, has spent 21 years at the University of Houston, teaching, conducting research, participating in professional associations, and consulting with many different enterprises in and outside the United States. In his academic career (which includes a B.S. degree from Purdue University and master's and doctor's degrees from the University of Maryland) he has taught management, organizational behavior, and human resource management courses. He has written, coauthored, or coedited over 45 books and published over 130 refereed papers.

During his academic career Ivancevich has consulted with over 100 firms on such topics as reward system implementation, performance appraisal plans, goal-setting programs, merging divergent organizational cultures, new business start-ups, team building, and leadership training. He's currently involved in a number of management research projects involving stress and health-related lawsuits and diversity management concepts as applied in organizations.

PETER LORENZI

Peter Lorenzi has been dean of the Joseph A. Sellinger, S. J. School of Business and Management of Loyola College in Maryland since July 1995. Before coming to Loyola, Lorenzi was dean of the College of Business Administration at the University of Central Arkansas (1992–95). Lorenzi earned his B.S. in Administration Science in 1973 and M.B.A. in 1975 from Binghamton University. He earned his Ph.D. (1978) in organizational behavior from The Pennsylvania State University.

Lorenzi coauthored *The New Leadership Paradigm* (Sage, 1992). He has lectured extensively across the United States and in Europe, Russia, and Malaysia. Lorenzi has presented management development and executive education programs on topics such as motivation, quality, and leadership, for construction executives, marketing managers, insurance executives, young presidents, municipal clerks, city managers, newspaper editors, health care facility managers, university administrators and civic leaders around the world. In the late 1980s he taught a program for General Motors employees on global competitiveness. He has authored numerous newspaper columns on management, business, and government. Lorenzi has earned excellence in teaching honors at three universities.

STEVEN J. SKINNER

Steven J. Skinner is the Rosenthal Professor and director of the School of Management at the University of Kentucky, where he has taught for 15 years. He was previously on the faculty at Illinois State University and was formerly a research administrator for State Farm Insurance Companies. He has also consulted with a variety of large and small firms.

Dr. Skinner is the coauthor of *The New Banker* (a business trade book published by Irwin Professional Publishing), and *The Business Environment* (a college textbook published by South-Western). His research has been published in *Academy of Management*

Journal, Journal of Marketing Research, Journal of Retailing, Journal of Business Research, Public Opinion Quarterly, and the Journal of Risk and Insurance. He is on the editorial review board of the *Journal of Business Research*.

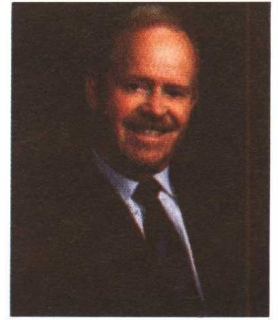
PHILIP B. CROSBY

Philip B. Crosby began his professional career as a test technician on an assembly line at the Crosely Corporation in Richmond, Indiana. He then became interested in management and in causing quality in an organization. Over the next 27 years he was a reliability engineer at the Bendix Corporation, a quality manager at Martin-Marietta—where he created the zero defects concept—and, for 14 of those, vice president of ITT Corporation responsible for quality worldwide. Based on this experience, Mr. Crosby developed the concepts and systems that led him to write *Quality Is Free* in 1979. Upon the success of this book, he founded Philip Crosby Associates, Inc. (PCA) in Winter Park, Florida, which became the largest quality management education and consulting firm in the world. In 1985 he made PCA the first consulting firm to go public.

In trying to help managers understand the reality of quality management, Mr. Crosby wrote several other books (13 books in all). They include: *Quality without Tears, Running Things, The Eternally Successful Organization, Leading, Let's Talk Quality, and Completeness*. In 1991 he retired from PCA and formed Career IV, Inc., to manage his speeches and publications. He has since developed "To Be an Executive, by Choice," a video package to help those who seek successful careers. He has also had three new books released—*Quality Is Still Free, Reflections, and The Absolutes of Leadership*. He lives in Winter Park, Florida, and spends his summers in Highlands, North Carolina.

Foreword

by Philip B. Crosby



When I was asked to participate in creating this book I was delighted to accept. I looked at it as an opportunity to reach those who will be managing our world in the 21st century. If those individuals are going to succeed in this challenge, they have to understand how to manage quality as a real part of their professional and personal lives. Most of what comes down as gospel in the teaching of quality is based on conventional wisdom rather than on experience in the real world. But there will not be time to chase fairy dust in the competitive business world we are entering as managers. We have to be certain about what we are doing.

If I've learned nothing else from my 42 years of management experience, I know that an organization's quality (meaning ability to do what it agreed to do) is a direct reflection of the leader's personal integrity and intensity about getting things done properly. The output of a business looks exactly like the attitude of the management. Suppliers, customers, and the general public can read that attitude exactly.

I've also learned that causing quality is a matter of understanding the philosophy behind it, and quality cannot be made to happen by applying some assigned set of rules and regulations. For that reason I have written several books and innumerable articles on the quality of philosophy and its application. I also set up the Quality College at Philip Crosby Associates, Inc. (PCA), to teach executives and managers their responsibility to understand quality.

The third thing I've learned is that education and training are what make the difference in companies and, for that matter, individuals. When people understand the requirements of their job and when they know how their job fits into the overall world of their organization, then they can contribute.

All of this happens when managers know that quality is an integral part of the operation, rather than some add-on or a special task done by a little group of people over in the corner. Quality should be taught in college as part of every other subject, not as a separate entity. We need to learn how to do everything right the first time in all fields. We need to learn how to communicate meaningfully with people regardless of the product or service involved. We need to learn how to prevent problems, rather than becoming experts at fixing them, if we want to be thought useful.

The format chosen for my participation in the book was to read each chapter written by the authors and then write a "reflection" on the subject. I tried to share my experience on each subject through an anecdote or observation. I thought this was the best way to share with the students. The life of business is mostly relationships and understanding. We learn from those relationships as they grow.

Today many of those who would be business leaders try to pick up prepackaged components of management thoughts and applications to apply to their organizations, but they are often disappointed in the results. Leaders must deal with ideas and with action. They must develop a personal philosophy of management based on their own experiences through these reflections. I wish all of you the very best in your careers and your life.

Philip B. Crosby, Winter Park, Florida

Preface

The growing integration of the world economy is causing managers to pay closer attention to human resources, the quality of goods and services, and the need to adapt to change. In the past four decades, most firms pursued the “economies of scale” approach to managing organizations. Big corporations, the Fortune 500s, were the preferred way of doing business. As the 1990s come to an end, change is so much a part of a manager’s world that he or she is constantly searching for ways to cope.

Today, managers are concerned about competitiveness, globalization, falling trade barriers, computerization, automation, ethical behavior, workforce diversity, and total quality management. World interest has shifted to using efficient approaches for managing human resources in all sizes of firms. Firms of all sizes are using computers. Quality improvements are considered important in a growing number of countries. Examples of ethical behavior are finally beginning to appear in the headlines because customers, clients, and consumers expect managers to treat them honestly, fairly, and with respect. As these changes in managerial practices and marketplace transactions occur, a need to reorient management teaching has become obvious. Management instructional materials, therefore, must change to keep up with or even to stay ahead of a transforming world.

We believe the job of managing is one of the most exciting, challenging, and personally rewarding positions a person can possibly hold. The manager’s job is critically important because managers make a difference in how our society functions and in the standard of living we enjoy. *Management: Quality and Competitiveness*, Second Edition, is about the manager’s job in a changing world. It describes how men and women go about managing so that quality and competitiveness are conveyed as the ultimate goals of managing organizations in any country.

In this text, the student (reader) is considered to be a potential manager. The book’s tone is purposefully positive about the manager’s job. Managerial thinking, practice, and evaluation are themes that are woven into the content, examples, problems, and issues. Managers can’t give “maybe” answers. They usually have to say yes or no and then implement their response. This book attempts to help the reader clearly understand how, why, and when managers make decisions. It will become obvious very early in the book that most managers must carefully diagnose situations, use their abilities, skills, and knowledge to weigh facts and fiction, work with other people, and evaluate the results of their choices every day. Yes, the job of managing and working with people is difficult. But few careers are as stimulating as that of a manager.

The Book Concept

During the past three decades business schools have been regarded as educational centers for the development of professional skills for future managers. This important responsibility has placed business educators in the spotlight. Consequently, educators have often been asked whether they’re teaching students about what’s being talked about by managers, and a number of critics have claimed that what’s being taught has little practical relevance. Then, in 1992, an open letter in the *Harvard Business Review*, the leaders of several U.S. corporations reached out and called for a partnership between academia and business in advancing total quality management.

In conceptualizing this book, we listened to the critics, agreed with some of what was being said, and decided that a management book that focuses on relevance, quality, and

competitiveness would help students understand the changes taking place in the world around them. Quality and competitiveness are topics that have unusual appeal and interest. Even the nations of Eastern Europe, the People's Republic of China, and Central and Latin America understand that, without producing or providing high-quality products and services, they won't be able to compete in the global marketplace.

Instead of simply putting together a text in the traditional way, we decided that the author partnership team should include both academic and quality experts. Since quality was a major part of what we wanted to present, the idea of teaming up with a quality expert became a top priority. We reviewed the quality literature, videos, annual reports, and training materials and talked to publishers, business executives, and training experts. The notion of a text being prepared by an academic/quality expert team appealed to every person who discussed the idea with us.

Our homework and analysis led to the identification of Philip B. Crosby. In our opinion, Phil is America's premier management consultant in the quality area. He has been an executive for 40 years, working for corporations such as Martin-Marietta and ITT. He founded Philip Crosby Associates (PCA) in 1979 and built it into the world's largest management consulting firm. He retired from PCA in 1991 and founded Career IV, Inc., to concentrate on helping executives become better leaders. Phil Crosby has the background, experience, and knowledge to fit our needs for a quality expert. A number of discussions about this text resulted in forming an author team that had real-world experience, teaching experience, dedication to the quality concept, and an interest in providing management knowledge that was current, needed, and relevant. Phil joined our team and has been a guiding light in developing the text. He has become a friend who continually provides straightforward advice. We believe that our unique team, with the able help of our Richard D. Irwin associates, has produced an up-to-date, teachable, and stimulating book.

In this text, the planning, organizing, leading, and control functions are covered with a distinct emphasis on quality and competitiveness issues, problems, and solutions. Contrary to popular belief, we propose that the United States still has a preeminent competitive position in many industries relative to any other nation. In fact, we believe that, in most service industries, American firms have no equals. In part, this preeminence is sustained because of how managers do their jobs. It isn't an American birthright to have an advantage in some industries, and there's no guarantee that other nations won't become dominant. Managers in other nations are rapidly catching up to Americans in how they use their skills and knowledge to diagnose situations, to solve problems, to work with other people, and to evaluate their applications. In fact, there are now numerous examples of non-American managers who are more proficient at planning, organizing, leading, and controlling than their American counterparts. Whether the student reading this book is an American or a non-American, he or she will learn that quality and competitiveness are goals that must become ingrained in the job of managing for organizations to be successful.

This new edition updates and provides new examples, illustrates new workplace trends, and introduces new cases and realistic situations that managers face daily. The changes were made with improved student understanding and appreciation of the challenges that occur continuously within organizations of all sizes in every industry. For managers to deal with these challenges, they must understand the need to problem solve. Managers are not able to passively sit and wait for solutions to appear. Instead, as this edition emphasizes with example after example, proactive managing is the rule rather than the exception.

Learning Tools

This book attempts to build vocabulary, to improve understanding about the job of management, and to provide applications that illustrate the manager's involvement with other people both inside and outside the organization.

Each chapter is filled with real-world examples and elements to make the reading and learning more enjoyable and more interactive. Thus the student is encouraged to become involved with the chapter content and the elements. In keeping with the spirit of the text, the chapter elements will place in the forefront quality and competitiveness, the global na-

ture of management, the workforce's increasing diversity, the ethical context of managing, the relevance of managing effectively in any society, and the role managing will play in the 21st century.

The emphasis on student learning starts with the specific learning objectives that open each chapter. The learning objectives are followed by the various elements listed below, which are designed to reinforce learning and provide real-world applications.

OPENING QUALITY ISSUE - Each chapter begins with a real-world story that relates to quality. These vignettes are intended to help students pause and focus on matters that managers constantly have to think about. There are no specific answers provided—only thoughts and dilemmas. A few of the opening quality issues are:

- ◆ TQM and Ethics: A Natural Fit, p. 57
- ◆ CAI Successfully Launches Service Quality Program, p. 151
- ◆ Getting Started with Less: Today's Entrepreneurs Use Outsourcing, p. 501

GLOBAL EXCHANGE - In each chapter the *Global Exchange* highlights a global situation, issue, problem, or decision faced by managers. Examples include:

- ◆ Practicing Porter's Competitive Advantage Strategies, p. 51
- ◆ Global Network Organizations, p. 233
- ◆ Software Innovation: America versus Europe, p. 547

WHAT MANAGERS ARE READING - Managers attend workshops and seminars and, somehow, occasionally find time to read books to help them do a better job. New in this edition is an element that introduces some of the popular press books that managers have found interesting and helpful. Some of the featured titles are:

- ◆ *Paradigms and Parables: The Ten Commandments for Ethics in Business*, by Brother Louis Dethomasis and William Ammentorp, p. 82
- ◆ *The World in 2020: Power Culture and Prosperity*, by Hamish McRae, p. 107
- ◆ *The Road Ahead*, by Bill Gates, p. 538

ETHICS SPOTLIGHT - Managers constantly face ethical dilemmas and situations. Ethical standards can be established by an organization, but ethical behaviors are exerted by people. The differences in how people face or see a situation are important to consider when evaluating how well a manager performs. A few of the *Ethics Spotlights* are:

- ◆ Are Layoffs Necessary? p. 227
- ◆ Driving Out Fear, p. 243
- ◆ Microsoft's Strategy Unethical? p. 546

DIVERSITY SCOPE - Today's workforce doesn't look, think, or behave like the workforce of the past, nor does it hold the same values. Managing these differences and being able to achieve world-class product and service quality is a significant challenge. *Diversity Scopes* include:

- ◆ Three Important Questions about Affirmative Action, p. 265
- ◆ New Multicultural Workplace Raises Morality Issues, p. 476

REFLECTIONS BY PHILIP B. CROSBY - In various chapters a brief experience or story has been written by Philip B. Crosby expressly for this textbook. Phil Crosby has consulted with hundreds of firms, worked as a quality vice president, and trained thousands of individuals. The *Reflections* element provides the reader with Phil Crosby's no-nonsense, straightforward viewpoints. His relevant, real-world-anchored, stimulating discussions bring the quality and competitiveness theme to life. As the *Reflections* will illustrate, Phil Crosby insists that quality has to be woven into the very fabric of the operation. He firmly believes that a firm's management cadre can make quality the core of the firm or they can cause the absolute failure of any work and effort to instill quality. As you read the *Reflections*, think carefully about what Phil Crosby is encouraging future managers to do in terms of quality.

WORKPLACE OF TOMORROW - Selected features and/or concluding paragraphs in many chapters explore new trends that are reshaping today's workplace, such as:

- ❖ Ethics in the Digital Age, p. 71
- ❖ Here comes the Horizontal Organization, p. 172
- ❖ The Informed Workplace, p. 201

SUMMARY OF LEARNING OBJECTIVES - These summaries provide clear, concise views of the learning objectives, giving students a quick reference point for reviewing the major concepts included in the chapter.

REVIEW, DISCUSSION, AND APPLICATION QUESTIONS - These questions are also keyed to the learning objectives. Students can test themselves in terms of their recall and understanding of the chapter concepts, as well as their ability to apply them in realistic situations.

CASES - There are generally two cases in each chapter. One case is a standard case that presents information about a firm and managerial problems that must be solved. The second case is accompanied by a video for in-class viewing and discussion. The video case brings into clear view how problems occur and are addressed by managers. The cases, like the chapters, deal with dilemmas managers face. There are no "canned" or "right" answers for any of the questions. Instead the cases are intended to help students probe, diagnose, and creatively face dilemmas and problems.

APPLICATION EXERCISE - Each chapter includes an *Application Exercise*. These student involvement exercises should increase student self-assessment, self-learning, and team interaction. Each exercise relates to a topic in the chapter. Samples include:

- ❖ Managerial Behavior Assessment: A Look at Yourself, p. 27
- ❖ Rokeach Value Survey, p. 87
- ❖ Team Planning, p. 180

KEY TERMS - Throughout the chapters, glossary entries appear in the margin. These highlight key terms and are part of the vocabulary-building objective. A list of key terms with page references appears at the end of each chapter. A complete glossary is included at the end of the book.

SUPPLEMENTS

The value of supplements to improve understanding and learning is a major concern of the author team. Thus developing a stimulating, integrative, and user-friendly supplement package was a top priority. As experienced authors and teachers of management, we know how instructors and students benefit from a well-integrated supplement package. Each part of the package was developed with the student and instructor in mind.

INSTRUCTOR'S MANUAL - Prepared by Jon Kalinowski of Mankato State University. The Instructor's Manual contains a lecture outline for each chapter as well as answer keys and support materials for all questions, cases, and exercises in the student text. Supplemental cases are also provided for each chapter.

TEST BANK - Prepared by Anna M. McCormick, West Virginia Institute of Technology. The test bank contains over 2,500 true/false, multiple choice, scenario, and essay questions. Each question carries a text page reference and is classified according to level of difficulty.

COMPUTERIZED TESTING SOFTWARE - The most recent version of Irwin's test-generation software, this program includes advanced features such as allowing the instructor to add and edit questions on-line, save and reload tests, create up to 99 versions of each test, attach graphics to questions, import and export ASCII files, and select questions based on type, level of difficulty, or key word. The program allows password protection of saved test

and question databases, and is networkable. This software will be available for use on IBM, IBM compatibles, and Macintosh computers.

VIDEOS - A set of 20 videos is available to complement individual text chapters. Many of these videos feature companies students will recognize and relate to, such as Ben & Jerry's, Specialized Bicycle, and Heavenly Ski Resort. In addition, a set of quality videos created by Philip Crosby Associates, Inc., is available exclusively to adopters of this text. These videos show Philip Crosby in a recent public appearance and examine eight organizations that have benefited from the application of his concepts.

POWERPOINT® PRESENTATION SOFTWARE - Prepared by Kim A. Stewart, University of Denver. Over 200 slides are provided, containing key elements from the text as well as additional lecture material. These slides are also available in a color acetate and transparency master package.

Acknowledgments

Excellent books and supplements don't simply happen. It takes a lot of hard work by the authors, publisher, and reviewers to produce a quality product. The authors had a concept, and Richard D. Irwin's managers had the confidence to review, help modify, and produce the book. We want to personally thank a number of Irwin partners on this project. Kurt Strand helped steer the entire course.

One Irwin partner stands out as a beacon light showing the way as she removed obstacles and insisted on a package that can make a difference. Laura Hurst Spell was invaluable in guiding each edition of this book from its inception to its use in classrooms.

One final thank you is extended to Jeff Cunningham, publisher, *Forbes* magazine, who expressed interest in the original idea. He also helped us make contact with Phil Crosby.

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