

Bateman Snell

Management

Competing
in the
New Era

5th
Edition

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Competing in the New Era

Fifth Edition

Thomas S. Bateman
*McIntire School of Commerce,
University of Virginia*

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Cornell University



**McGraw-Hill
Irwin**

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MANAGEMENT: COMPETING IN THE NEW ERA

Published by McGraw-Hill, an imprint of The McGraw-Hill Companies, Inc. 1221

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This book is printed on acid-free paper.

domestic 1 2 3 4 5 6 7 8 9 0 VNH/VNH 9 8 7 6 5 4 3 2 1

international 1 2 3 4 5 6 7 8 9 0 VNH/VNH 9 8 7 6 5 4 3 2 1

ISBN 0-07-240859-6

Publisher: *John E. Biernat*

Senior editor: *John Weimeister*

Developmental editor II: *Christine Scheid*

Marketing manager: *Lisa Nicks*

Project manager: *Laura Ward Majersky*

Senior production supervisor: *Lori Koetters*

Media technology producer: *Jenny R. Williams*

Cover and interior design: *Artemio Ortiz Jr.*

Supplement coordinator: *Betty Hadala*

Photo research coordinator: *Judy Kausal*

Typeface: *10/12 Times Roman*

Compositor and project management: *The GTS Companies, Inc.*

Printer: *Von Hoffmann Press, Inc.*

Library of Congress Cataloging-in-Publication Data

Bateman, Thomas S.

Management: competing in the new era / Thomas S. Bateman, Scott A. Snell.—5th ed.

p. cm.

Includes bibliographical references and index.

ISBN 0-07-240859-6

1. Management. I. Snell, Scott, 1958- II. Title.

HD31 .B369485 2002

658.4—dc21

2001024859

INTERNATIONAL EDITION ISBN 0-07-112298-2

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The International Edition is not available in North America.

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For my parents, Tom and Jeanine Bateman
and Mary Jo, Lauren, T.J., and James
and

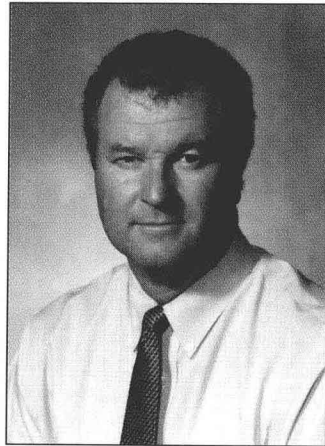
My parents, John and Clara Snell,
and Marybeth, Sara, Jack and Emily

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Dr. Bateman is an active management researcher, writer, and consultant. He has served on the editorial boards of major academic journals, and has presented numerous papers at professional meetings on topics including managerial decision making, job stress, negotiation, employee commitment and motivation, group decision making, and job satisfaction. His articles appear in professional journals such as the *Academy of Management Journal*, *Academy of Management Review*, *Journal of Applied Psychology*, *Organizational Behavior and Human Decision Processes*, *Journal of Management*, *Business Horizons*, *Journal of Organizational Behavior*, *Decision Sciences*, and *Financial Times Mastering Management Journal*.



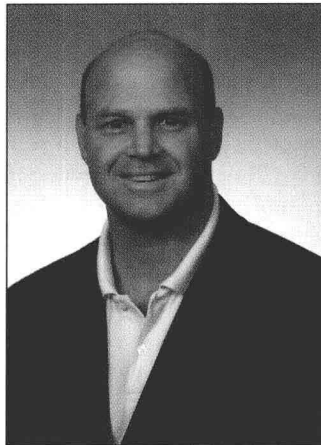
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Dr. Snell's research has been published in a number of professional journals including the *Academy of Management Journal*, *Academy of Management Review*, *Human Resource Management*, *Human Resource Management Review*, *Industrial Relations*, *Journal of Business Research*, *Journal of Management*, *Journal of Managerial Issues*, *Journal of Management Studies*, *Organizational Dynamics*, *Organization Studies*, *Personnel Psychology*, and *Strategic Management Journal*. He is also co-author of two books, *Management: The Competitive Edge*, and *Managing Human Resources*. In addition, Dr. Snell has served on the editorial boards of *Journal of Managerial Issues*, *Digest of Management Research*, *Human Resource Management*, *Human Resource Management Review*, *Human Resource Planning*, and *Academy of Management Journal*.

Preface

The merger, approved by the Justice Department in January 2001, is a business blockbuster: Internet powerhouse America Online merged with—or rather, most would say took over—old-line media giant Time Warner. It's a watershed event in the turn-of-the-millennium market mania. Some say it's a monopoly; alternatively, maybe it's just a merger between two famous companies that may or may not work out.

Actually, it's more than just a merger. It's a \$97 billion dollar merger between two very different corporations that personify the old and the new economies.

But maybe there is no distinction between old economy and new. Perhaps we're just living and managing in a new era that has new types of challenges, and is very interesting indeed.

Will the merger work? All eyes are on Bob Pittman, the co-chief operating officer, to see if he can make it happen. The challenge for AOL, and for Pittman, is to take full advantage of the Internet. According to Pittman, the Net will transform business and social life every bit as profoundly as electricity did a century ago. Says Pittman, "With all its copyrights, Time Warner is in a marvelous position to take advantage of the Net and not be frightened by it. AOL's mindset, assets, and expertise help them in that path."

The merger could be phenomenally successful, but there are signs of trouble. Growth in 2000 was slower than expected, revenues were lower, and losses due to merger write-offs were steep. Moreover, by 2001 the macroeconomic environment was threatening. The new company faces continual governmental antitrust oversight, and the two companies could not have corporate cultures that are more unlike. *Business Week* describes the cultural difference between Time Warner's graybeards and AOL's twentysomethings this way: When it comes to making deals or launching new ventures, it's "Let's do lunch" versus "Let's skip lunch."

Short-term, investors are skeptical. AOL's stock dropped 48 percent in the year after the merger announcement. Time Warner's Gerald M. Levin was criticized for the timing and details of the sale to AOL. Analyst Henry Blodget says that Pittman won't convince Wall Street that the deal is working unless he boosts the stock price from \$37.50 to \$90 by mid-2002. Pittman says he's on the hot seat: "The company must hit the numbers expected of it." If it doesn't, "I'll be responsible." The company's CFO, Michael Kelly, says they can pull it off. "There are lots of dials and levers in achieving our results."

Strategically, Pittman must create valuable synergies between AOL and Time Warner and powerful new consumer services. Organizationally, he must blend two cultures, build bridges between units, create a new structure comprised of a series of interlocking teams, and get people to work together. The technological, strategic, and organizational challenges are daunting, to say the least.

Can Pittman succeed? Communication is a bedrock of his leadership style. He persuaded Time Warner executives to trade in their e-mail system for AOL's. He put all employee-benefit processing online, saving the company tens of millions of dollars. Time Warner folks resisted, but came to see the advantages to the company. Pittman has held regular meetings every two or three weeks with division chiefs. They have hammered out budgets and Web strategies. They agreed on technologies. Open discussions help reduce corporate intrigue in which people speculate about one another's motives, and help establish trust and mutual expectations for how the company will move forward.

Another bedrock in Pittman's approach is constructive conflict. Time Warner is known for its warring divisions, and managing the company is said to be like herding cats. Pittman encourages vigorous debate; several years ago at AOL his executives threw food at each other. But he bans personal attacks; the conflicts are to be over business issues, not personalities. Pittman's methods are cascading through AOL Time Warner.

Says Chairman Steve Case: “Bob has operational zeal.” AOL-Time Warner CEO Levin says, “Bob Pittman blends the realism of a top-flight executive with the creative vision of an entrepreneur.”*

Bob Pittman’s task is to meld the yin and yang of old and new media, in this long-awaited convergence of the analog present and the digital future. But what does a lofty statement like that mean for the real people who worked in the former companies; the new, merged company; and for everyone else who works, manages, and must survive and thrive in today’s world?

In many ways, the AOL story is a metaphor for today’s management opportunities and challenges. Think of the topics reflected in the story—globalization, corporate strategy, the “human element” of business, leadership, decision making, mergers, culture, costs, speed, managing change, creating futures, and so many others—and learn more about them in the following pages.

Our goals

Our mission with this text hasn’t changed from that of our previous editions: 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, and 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.

* C. Yang with R. Grover and A.T. Palmer, “Show Time for AOL Time Warner,” *Business Week*, January 15, 2001.

By this standard, managers and organizations must perform. Four essential 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.

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.

Competing in the new era

The subtitle of the book refers to the fact that managers must develop and sustain competitive advantage, and real results, in a time when the business world has been rocked by new developments. The Internet, globalization, knowledge management, the need to collaborate across organizational boundaries, and other changes in the business environment and business practice dramatically cast doubt on the relevance of the “old ways” of managing. In 2000, people were saying that the old economy was gone, giving way to a new economy in which a new game is played under very different rules.

But by 2001, the dot.com shakeout and economic slowdown had people saying that the old rules—including the need for profits!—are as vital as ever. Perhaps there is no distinction between the old economy and the new. Nonetheless, the context has changed, drastically. The AOL-Time Warner merger combines a company playing by the old rules with one that has forged some of the new rules, in an effort to combine the strengths (and avoid the dangers) of both. This effort describes our goal of teaching managers and aspiring managers how to compete successfully in the new era.

Topical currency

It goes without saying that this textbook, in its fifth 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 array of important current topics.

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 editions were more integrative than other texts and were the first to devote major

coverage 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,” including more coverage of career management in the first and last chapters.

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 of the topics all management texts emphasize: globalization, 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 a passive approach to management is encouraged. For example, Chapter 7, New Ventures, doesn’t merely describe small business management; it inspires readers to create new ideas and new businesses. Chapter 18, Managing and Creating Change, speaks to the importance of creating a great future, not just being ready for the future and adapting to it. We highlight the “genius of the *and*” and being both a leader and a learner.

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

This book is the product of a fantastic McGraw-Hill/Irwin team. Moreover, 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 your 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: Competing in the New Era 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 management), Jack Welch (on strategy), Harry David Thoreau (on ethics), Julius Caesar (on leadership), and Charles Kettering (on change and the future).
- 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.
- Boxed inserts describing current examples and controversial issues are found throughout the text.
- “From the Pages of *Business Week*” highlights recent *Business Week* articles in each chapter.
- Icons 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 icons continually reinforce and enhance the learning of these important themes.

End-of-chapter elements

- Key terms 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 and ask for opinions on controversial issues.
- Concluding Cases provide focus for class discussion.
- Two Experiential Exercises are included in each chapter. Most of them are group-based, and some involve outside research.

End-of-part elements

- An Integrating Case appears at the end of each of the five parts of the book.
- Two short Case Incidents also focus on managerial problems that include issues from multiple chapters and are a stimulating arena for discussion.
- Part One has an in-basket exercise, which we believe is an excellent exercise for early in the course.

Comprehensive supplements

For the student

- **Student CD-ROM**—*Free* with the purchase of a new textbook. The Student CD-ROM contains interactivities, self-assessment exercises, chapter quizzes, and links for students to go above and beyond the boundaries of the printed textbook. One of the interactivities that will be included on the CD utilizes Flash technology with voiceovers and feedback to bring the concept to life in 3-D.
- **Online Learning Center**—www.mhhe.com/bateman

For the instructor

- Instructor's Manual, prepared by Thomas Lloyd, Westmoreland County Community 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, discussion questions and suggested answers for Case Incidents and Integrating Cases, and a Video Guide.
- Test Bank, prepared by Amit Shah, Frostburg 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, developed by Michael Gordon of Rutgers University, 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 from the PowerPoint slides are also available.
- Videos are available for each chapter. Corresponding video cases and a guide that ties the videos closely to the chapter can be found in the Instructor's Manual.
- Computerized Testing enables you to pick and choose questions and develop tests and quizzes quickly and easily on the computer. Available for Windows or Mac users.

Acknowledgments

This book could not have been written and published without the valuable contributions of many individuals. Our reviewers over the last four editions contributed time, expertise, and terrific ideas that significantly enhanced the quality of the text. The reviewers of the fifth edition are:

Janice Felbauer <i>Austin Community College</i>	Randy Nichols <i>Oakland City University</i>
David Foote <i>Middle Tennessee State University</i>	Fred Slack <i>Indiana University of Pennsylvania</i>
Carolyn Hatton <i>Cincinnati State Tech Community College</i>	Carl Sonntag <i>Pikes Peak Community College</i>
Jim McElroy <i>Iowa State University</i>	Christina Stamper <i>University of North Carolina—Wilmington</i>
Dot Moore <i>The Citadel</i>	Jim Wachspress <i>New Jersey Institute of Technology</i>

Our thanks to these members of our focus group:

Ray Aldag <i>University of Wisconsin—Madison</i>	MarySue Love <i>Maryville University</i>
Shawn Carraher <i>Indiana University—NW Campus</i>	Granger Macy <i>Texas A & M—Corpus Christi</i>
Al Crispo <i>Purdue University</i>	Michael Vijuk <i>William Rainey Harper College</i>
Marya Leatherwood <i>University of Illinois—Springfield</i>	Ben Weeks <i>St. Xavier University</i>

We would also like to thank those who reviewed for us in previous editions:

Debra A. Arvanites <i>Villanova University</i>	Charles A. Beasley <i>State University of New York—Buffalo</i>
Barbara Boyington <i>Brookdale Community College</i>	Hrach Bedrosian <i>New York University</i>
Diane Caggiano <i>Fitchburg State College</i>	Charles Blalack <i>Kilgore College</i>
Ron Dibattista <i>Bryant College</i>	Mary A. Bouchard <i>Bristol Community College</i>
Dale Dickson <i>Mesa State College</i>	Eugene L. Britt <i>Grossmont College</i>
William Jedlicka <i>William Rainey Harper College</i>	Lyvonne Burleson <i>Rollins College—Brevard</i>
Augustine Lado <i>Cleveland State University</i>	Elizabeth A. Cooper <i>University of Rhode Island</i>
Bert Nyman <i>Rockford College</i>	Anne C. Cowden <i>California State University—Sacramento</i>
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Robert J. Ash <i>Rancho Santiago College</i>	J. F. Fairbank <i>Pennsylvania State University</i>

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Monmouth college

James J. Ravelle
Moravian College

Joseph C. Santora
Essex County College

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 adviser from the very beginning. Welcome back, John! John Biernat was a great champion for the project, and is a talented publisher and good friend. Kurt Strand is, too. Christine Scheid is the consummate developmental editor, doing it all with great skill and professionalism. What a team!

Finally, we thank our families. Our parents, Jeanine and Thomas Bateman and Clara and John Snell, provided us with the foundation on which we have built our careers. They continue to be a source of great support. Our wives, Mary Jo and Marybeth, demonstrated great encouragement, insight, and understanding throughout the entire process. Our children, Lauren, T. J., and James Bateman, and Sara, Jack, and Emily Snell, are an inspiration for everything we do.

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Charlottesville, VA

Scott A. Snell
Ithaca, NY

Contents in Brief

Part One

Foundations of Management

Chapter One

Managing

Chapter Two

The External Environment

Chapter Three

Managerial Decision Making

Part Two

Planning: Delivering Strategic Value

Chapter Four

Planning and Strategic Management

Chapter Five

Ethics and Corporate Responsibility

Chapter Six

International Management

Chapter Seven

New Ventures

Part Three

Organizing: Building a Dynamic Organization

Chapter Eight

Organization Structure

Chapter Nine

The Responsive Organization

Chapter Ten

Human Resources Management

Chapter Eleven

Managing the Diverse Workforce

Part Four

2 Leading: Mobilizing People

Chapter Twelve

Leadership

Chapter Thirteen

Motivating for Performance

Chapter Fourteen

Managing Teams

Chapter Fifteen

Communicating

Part Five

Controlling: Learning and Changing

Chapter Sixteen

Managerial Control

Chapter Seventeen

Managing Technology and Innovation

Chapter Eighteen

Creating and Leading Change

Glossary

Notes

Name Index

Subject Index

378

380

410

438

464

108

110

140

186

218

502

504

536

576

G-1

N-1

I-1

I-14

252

254

278

308

340

Contents



Part One Foundations of Management 2

Chapter One

Managing 4

Managing in the New Era 6

The Internet 6

Globalization 8

Knowledge management 8

Collaboration across “boundaries” 8

Managing for Competitive Advantage 11

Cost competitiveness 11

Quality 11

Speed 12

Innovation 13

Delivering all four 13

The Functions of Management 14

Planning: Delivering strategic value 14

Organizing: Building a dynamic organization 14

Leading: Mobilizing people 15

Controlling: Learning and changing 16

Management Levels and Skills 17

You and Your Career 21

Be both a specialist and a generalist 21

Be self-reliant 22

Be connected 23

Actively manage your relationship with your organization 24

Survive and thrive 25

Concluding Case: Would You Work Here? 28

Appendix: The Evolution of Management 32

Chapter Two

The External Environment 44

The Macroenvironment 47

Law and regulations 47

The economy 48

Technology 48

Demographics 51

Social issues and the natural environment 52

The Competitive Environment 52

Competitors 53

Threat of new entrants 53

Threat of substitutes 54

Suppliers 55

Customers 57

Environmental Analysis 57

Environmental scanning 58

Scenario development 58

Forecasting 59

Benchmarking 59

Responding to the Environment 60

Adapting to the environment: Changing yourself 60

Influencing your environment 62

Changing the environment you are in 63

Choosing a Response Approach 64

Concluding Case: Many New Airlines Will Never Grow Old 66

Chapter Three

Managerial Decision Making

Characteristics of Managerial Decisions

- Lack of structure
- Uncertainty and risk
- Conflict

The Stages of Decision Making

- Identifying and diagnosing the problem
- Generating alternative solutions
- Evaluating alternatives
- Making the choice
- Implementing the decision
- Evaluating the decision

The Best Decision

Barriers to Effective Decision Making

- Psychological biases
- Time pressures
- Social realities

Decision Making in Groups

- Potential advantages of using a group
- Potential problems of using a group

Managing Group Decision Making

- Leadership style
- Constructive conflict
- Encouraging creativity

Organizational Decision Making

- Constraints on decision making
- Models of organizational decision processes
- Negotiations and politics
- Decision making in a crisis
- Emergent strategies

Concluding Case: Crisis at Ford and Firestone

68

70

71

72

72

72

73

73

74

75

76

77

78

79

79

80

81

81

82

82

83

83

83

84

86

86

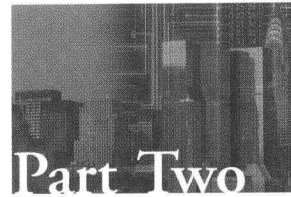
87

87

88

90

93



Part Two

Planning: Delivering Strategic Value

108

Chapter Four

Planning and Strategic Management

110

An Overview of Planning Fundamentals

112

The basic planning process

112

Levels of Planning

115

Strategic planning

115

Tactical and operational planning

115

Strategic Planning: Yesterday and Today

117

Step 1: Establishment of mission, vision, and goals

119

Step 2: Analysis of external opportunities and threats

121

Step 3: Analysis of internal strengths and weaknesses

122

Step 4: SWOT analysis and strategy formulation

124

Step 5: Strategy implementation

129

Step 6: Strategic control

130

Concluding Case: What Lies Ahead?

132

Chapter Five

Ethics and Corporate Responsibility

140

Ethics

142

Ethical systems

142

Business ethics

145

The ethics environment

147

Ethical decision making

150

Corporate Social Responsibility	151	Franchising	202
Contrasting views	152	Joint ventures	202
Reconciliation	154	Wholly owned subsidiaries	203
Corporate social responsiveness	155	Managing Across Borders	204
Strategic voluntarism	157	Skills of the global manager	206
The Political Environment	158	Understanding cultural issues	206
Competitive advantage	158	Ethical issues in international	
Corporate legitimacy	159	management	210
Strategies for influencing the		Concluding Case: The Big (Procter &)	
political environment	160	Gamble	213
The Natural Environment	163		
A risk society	164	Chapter Seven	
Ecocentric management	164	New Ventures	218
Environmental agenda for		Independent Entrepreneurs	223
the future	164	Why become an independent	
Concluding Case: Nike Controversies	167	entrepreneur?	223
Appendix A: The Caux Round Table Business		The role of the economic	
Principles of Ethics	173	environment	223
Appendix B: Managing in Our Natural		What business should you start?	225
Environment	175	What does it take to be successful?	228
		Planning	231
Chapter Six		Entrepreneurial hazards	235
International Management	186	Global start-ups	237
The Global Environment	189	Spin-Offs	238
European unification	189	Why spin-offs occur	238
The Pacific Rim	190	The spin-off process	239
North America	191	Change in industry structure	240
The rest of the world	191	Intrapreneurship	241
Consequences of a Global Economy	191	Building support for your idea	241
Global Strategy	196	Building intrapreneurship	241
Pressures for global integration	196	Organizing new corporate ventures	242
Pressures for local responsiveness	196	Hazards in intrapreneurship	243
Choosing a global strategy	197	Entrepreneurial orientation	243
Entry Mode	200	3M: A prototype	244
Exporting	200	Concluding Case: Enter the Competition	246
Licensing	201	Appendix: Information for Entrepreneurs	251