



6th Edition

Plunkett and Attner

Management

Meeting and Exceeding Customer Expectations

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To my sister, Ann Sheldon, and her son Tim.

W. R. P.

To my wife, Deborah—my joy, my support, my partner.

R. F. A.

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Preface



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

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

TO THE STUDENT

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

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

- A Valuing Diversity feature depicting unique ways in which American organizations show appreciation for their diverse employees.
- A list of Future Trends at the end of each chapter highlighting predictions for expected evolutions over the next few years.
- A Chapter Summary providing a narrative explanation for each of the chapter's learning objectives.
- Review Questions designed to assist in mastery of the chapter's Learning Objectives.
- Discussion Questions for Critical Thinking intended to provide an opportunity to analyze and apply the chapter's concepts to practical situations.
- Skill-Builder Exercise designed to help in applying one or more of the chapter's key concepts.
- An Application Case—positioned at the end of each chapter—presenting American managers and organizations and their attempt to cope with the major issues raised in that chapter.

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

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

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

Organization of the Content

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

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

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

Chapter 3 focuses on management's commitment to total quality and productivity. The link between quality, productivity, and profitability is explained. Factors that affect productivity are examined along with the commitments necessary by top, middle, and first-line management to improve quality and productivity. Key concepts such as core values, reengineering, open-book management, empowerment, and scoreboarding are introduced.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Chapter 15 examines team management and conflict. The nature and types of teams, philosophical approaches to team management, and how to establish

team-based organizations are included. Conflict is defined, and the causes and methods for managing it are discussed.

Part V: Controlling. This comprehensive section contains three chapters, each of which examines and applies different aspects of the principles and theories of control.

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

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

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

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

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

Chapter 20 explores the recent trends affecting businesses in global markets, the nature of the international business environment, and the nature of multinational corporations. Each function of management is discussed as it applies to an international operation and environment.

Chapter 21 is concerned with career management. Stages in career development and steps in career planning are analyzed. The analyses are followed by several strategies managers can take to advance their career.

Chapter 22 examines ethical issues and the need to be proactive when managing for social responsibility. After defining both concepts, the chapter explores ethical tests, approaches to social responsibility, and the links between them and applicable legal requirements. The issues of responsibilities to stakeholders and of government regulation of business activities are dealt with as well.

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With thanks,
Warren Plunkett
Ray Attner

to the sixth edition of Plunkett & Attner's
Management: Meeting and Exceeding Customer Expectations

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

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



MANAGEMENT ► IN ACTION

These cases highlight relevant experiences of actual companies and managers. This example, for instance, offers practical, real-world application of a customer-driven quality focus.

Quality depends on a customer focus throughout an organization, and Phoenix-based PETsMART considers pets among its customers. Its 170 superstores (stores in excess of 10,000 square feet) are rapidly becoming major players in America's \$16 billion per year pet-care industry, second only in number of stores to San Diego-based Petco. Through the discount approach, PETsMART delights customers with neighborhood locations, ample parking, wide aisles, guaranteed low prices on nearly ten thousand products, heavy-duty shopping carts, colorful displays, and meticulous attention to cleanliness.

People are encouraged to bring their pets into the stores. Just as children pick

MANAGEMENT IN ACTION

PETsMART Is Pet Smart

PETsMART is making pet owners feel better about considering their pets as part of their families.

favorite items. It is not uncommon to see a pet chewing on a toy or rawhide treat while riding in a shopping cart being guided by its owner through the store's aisles. PETsMART stores offer pet "relief" stations outside; and when accidents occur inside, they are attended to quickly.

Along with the thousands of brand name pet-care products and convenient hours of operation, PETsMART offers a variety of related services, including "in-store pet grooming, [pet] adoption assistance, obedience classes, and preventive

contests and Santa Claus pet portrait opportunities." In 1994 the chain partnered with cable television's Discovery Channel to include an in-store boutique offering a wide variety of environmentally and ecologically based products that have a wide appeal to younger consumers; recent pet-industry studies show that households with children ages six to seventeen are most likely to own pets. In 1995 it offered a "Scratch and Win" sweepstakes for pets, with such prizes as a pet's favorite food free for one year.

The chain's enormous buying power and efficient operations enable it to sell fast-moving items at 10 to 30 percent less than the traditional pet shops and grocery chains can. By extending shopping privileges to pets, PETsMART is making pet owners feel better about considering their pets as part of their families. Its aim is to meet and exceed its customers' (human and nonhuman) needs by providing a one-stop shopping alternative.

4 Dogs—and Their Masters—New Tricks," Chicago

Management's Commitments to Quality and Productivity

3

Key Terms

benchmark
core values
empowerment
intrapreneurs
mission
open-book
management
process improvement
team
productivity
project improvement
team
quality audit
quality circle
quality control audit
quality function deployment (QFD)
quality improvement
team
research and development (R&D)
scoreboarding
statistical process control (SPC)
statistical quality control (SQC)
total quality management (TQM)

Learning Objectives

After studying this chapter, you should be able to

- 1 Discuss how customers influence the quality of goods and services
- 2 Explain why quality must be cost-effective
- 3 Relate quality, productivity, and profitability to one another
- 4 Discuss the commitments required to improve quality and productivity at the following:
 - a The top of organizations
 - b The middle of organizations
 - c The bottom of organizations
- 5 Discuss the external commitments required to improve an organization's quality and productivity

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◀ KEY TERMS

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

Part 2

Planning and Decision Making

GLOBAL APPLICATIONS

Making the Right Decisions at Nokia

Just three years ago, Nokia, a Helsinki company, was one of Europe's also-rans. It racked up \$40 million in losses, selling everything from television tubes to toilet paper, but when Jorma Ollila took over as CEO, Nokia's fortunes began to change. Ollila made a number of critical decisions that has Nokia grabbing markets from the giants.

Initially, Ollila decided to sell off dozens of product lines and focus on Nokia's core strength—mobile phone technology. He was convinced that the company had the expertise to become a major player, if it continued to make the right decisions, and Nokia did.

- It made investments in research and development. As a result, Nokia was the first to achieve error-free cellular data transmission.
- It designed phones to be as similar as possible to hold-down manufacturing costs. With this, all phones can be made on the same production line, allowing Nokia to shift readily from one model to another to meet changes in demand.

Based on these successes, Nokia decided to go global. When the world market for digital phones took off, Nokia's hot products, low-cost manufacturing, and we-try-harder attitude made it No. 2 worldwide in mobile phones.

For more on Nokia, see Gail Etkinsson, "Guiding Markets from the Giants," *Business Week*, January 8, 1995, p. 116.

the alternatives. A classic example is the actions taken by Richard Stegemeyer when he was named president and CEO of Unocal, a Los Angeles-based petroleum company. Faced with a crippling \$6.1 billion debt, Stegemeyer made some hard decisions. To solve the problem he (1) sold nonessential real estate, including the company headquarters; (2) disposed of Canadian mining operations;

(3) closed unprofitable operations; (4) transferred the Chicago venture with Venezuela.

Another excellent example is Jorma Ollila, faced with a series of business decisions.

Implementing Decisions
Managers are faced with decisions that just so never have been made. They know what he or she like plans, solution. Additionally, a good problem, not solve roles (Acher, 1984) thoughtfully put in decisions into action.

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GLOBAL APPLICATIONS

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

Chapter 7 Making Decisions

ETHICAL MANAGEMENT

Questionable Decision Making at Food Lion

Food Lion, which operates more than 1,000 stores in fourteen states is being taken to task by consumers for questionable decision making. Washington, D.C.-based Consumers United With Employees reported that members of the organization purchased out-of-date dairy products, meat, and other perishable items at 113 of 116 Food Lion Stores where they shopped. In all, the group found 2,885 out-of-date perishable products in stores in all fourteen states where the chain operates. Nearly half the items included out-of-date meat products.

This incident is not Food Lion's first. In November, 1992, Food Lion was the subject of an ABC network report alleging the chain engaged in various unsavory practices, including the selling of out-of-date meat. In addition, over a six-year period, Consumers United had charged Food Lion with selling expired baby formula and over-the-counter drugs. In all, Consumers United found more than 13,400 out-of-date products at Food Lion over a six-year period. Food Lion's reply to the charges, "We also need to put in context the number of products we are talking about. We sell more than 3 billion products in our stores, so we're talking about less than one in a million."

1. What ethical questions are raised by Food Lion's response?
2. Is it ethical to knowingly sell one out-of-date product?
3. As a consumer, what would be your response to Food Lion's ethical practices?

For more on Food Lion, see Dan Hurley, "Food Lion Under Attack Once Again," *Gallup Morning News*, May 4, 1995, p. 20.

SEVEN-STEP DECISION-MAKING PROCESS

The decision-making process has seven steps, as shown in the diagram. The sections that follow discuss each step in detail.

Defining the Problem or Opportunity

The initial and most critical step is to define the problem accurately. If this step is not done correctly, every other step in the decision-making process is flawed. If the problem is incorrectly defined, every other step in the decision-making process is flawed. If the problem is incorrectly defined, every other step in the decision-making process is flawed.

In problem solving, a manager must differentiate between a symptom and a problem. A symptom is a sign of a problem. A problem is a situation that requires a solution. In the example above, the symptom is the problem is poor quality. A symptom signals that something is wrong. It should draw the manager's attention to finding the problem. To isolate the problem from the symptoms, a manager should ask questions and to ask the right questions. Peter Drucker, "The most common source of mistakes in decision making is the emphasis on finding the right answer rather than the right question" (Drucker, 1954). In the process of asking questions relevant and timely data about the problem. The best way to define the problem is to ask questions.

Part 2 Planning and Decision Making

VALUING DIVERSITY

Not Old ... Wise

Michelle Gaggini will be the first to admit that she hasn't always done the right thing when it comes to managing older workers. As a twenty-three-year-old supervisor, the people who reported to Gaggini were mainly workers who had been with the company for ten or fifteen years. In many cases they were old enough to be her parents. Admittedly, Gaggini made plenty of mistakes—assuming that everyone thought as she did.

After eighteen years as a supervisor, Gaggini has a different perspective. As the vice president for national benefits delivery services at Blue Cross Blue Shield of Michigan, Gaggini values the diversity. "We all have different ways of looking at things, regardless of age, culture, or race. Older workers are particularly valuable in the operation. They can sometimes point out land mines that are obvious to them from their many years on the job. In full agreement Gaggini adds, "I think I might have a solution, and then an older worker with more experience says, 'we tried that back in 1984 and here's why it didn't work.' That helps me identify pitfalls and rethink my decision. Even though I am the boss, someone on my team may have more knowledge, and I think whoever is the most knowledgeable should be listened to the most."

For more on the value of older workers, see Charles E. Cohen, "Managing Older Workers," *Working Woman*, November 1994, pp. 61-62.

VALUING DIVERSITY

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

Although it is expensive and time-consuming, the Delphi technique works well. It also provides for a thorough, unclouded analysis of information, a factor that aided ITT Sheraton in solving a problem—lower sales caused by a sales force that wasn't viewed as helpful or as knowledgeable as its competitors. To address the problem, ITT Sheraton used its Meetings Advisory Board. By following the Delphi process, the Board's experts identified that the major difference between Sheraton and its competitors was that Sheraton was a generalist, whereas the competitors were specialists. The competitors broke business down according to corporate transient, corporate group, and association group travel, each of which has different needs. The solution dealt with refining general categories into specific market segments. Now sales have increased by 31 percent (Sherman, 1995).

Advantages and Disadvantages of Group Decision Making

Regardless of what group techniques a manager chooses to use for decision making, the manager should be aware of the advantages and disadvantages.

Learning Objective 6
Discuss the value of group decision making and identify three techniques of group decision making.

Advantages. Groups bring a broader perspective to the decision-making process. The rich diversity found in today's organizations broadens the views on any topic. The differences, in cultures, ethnicity, national origin, gender, and age found within provide valuable perspectives in defining a problem and in developing alternatives (a factor emphasized in Blue Cross Blue Shield in this chapter's Valuing Diversity feature). When people participate in decision making they are more likely to be satisfied with the decision and to support it, thus facilitating its implementation. Group decision making provides the opportunity for discussion to help answer questions and reduce uncertainty for decision makers who may not be willing to take risks alone.

FUTURE TRENDS ►

Effective management techniques are never static, so each chapter concludes with an overview of future trends. Based on emerging concerns, this survey provides insight into the environment that you, as a manager of tomorrow, will face.

Part 3 Organizing

According to management consultants (Went, 1990) and fifty global CEOs (Executive Management Forum, 1995), managers in the future will have to take the following actions to manage change in the turbulent business climate:

- Ensure that the organizational culture promotes innovation.
- Continuously monitor the external environment and be prepared to institute more change.
- Develop flexible strategies for change—that is, those that can apply to more than one situation.



FUTURE TRENDS

- Cultivate leadership qualities that advance initiative and flexibility.
- Design an information system that provides, to many employees at all times, up-to-date and accurate data on the status of the organization and of the environment.
- Create organizational structures that open all employees to the possibility of change.

- Involve everyone at every level in the organization in the change effort.
- Set seemingly impossible-to-attain stretch goals that create a momentum and set different drummers marching to the same beat.
- Provide employees assurance that if they go the extra mile, their employers will do so too.

of an inappropriate solution. Perhaps managers tried to institute changes before people were prepared for them. Regardless of the cause, the results of the OD analysis will provide feedback needed for later changes.

In the final analysis, as is the case with any other management effort, the effectiveness of OD depends on the quality of its inputs and the skills of those making the analysis. Successful OD depends on solid research, clear goals, and implementation by effective change agents who use appropriate methods.

OD is an expression of managers' efforts to stay flexible. Managers recognize that events inside and outside the organization can happen quite suddenly and can create pressure for change. OD provides the personnel and mechanisms to deal with change; control its evolution; and direct its impact on organizational structure, technology, and people.

Chapter 10 Organizational Culture and Change

Application Case

Harty Press operates out of a complex of one-story cinder-block buildings in the industrial section of New Haven, Connecticut. A commercial printer of everything from local advertising to slick annual reports, Harty has stood unflinching since its founding in 1911. Inside the plant the air is ripe with the smell of ink and the hum of presses. Harty's CEO George R. Platt grew up working in the company, first during summers, and then full time after college to work alongside his father and founder, George E. Platt.

When George R. Platt took over Harty Press, the business had twenty employees and \$1 million in sales. With a keen eye for assessing Harty's strengths and weaknesses—and with a drive to grow—Platt beefed up quality and customer service. He found higher-margin market niches. The rapid technological changes overtaking the industry, however, limited future growth. Printing was moving quickly from the world of film, type, and light to the computer-driven, digitized world of the desktop. Platt tried to solve the problem by hiring a specialist to computerize Harty's prepress process. But Platt soon learned that building digital desktop capability from scratch would cost more than a million.

The solution to that problem—and to growth—came in the form of Pre-Press Graphics. Based in nearby Branford, Connecticut, Pre-Press Graphics had been one of the first in the state to aggressively use advanced desktop technology. It had already done much of the costly research and development work Platt knew he would have to undertake. In addition, because the owner of Pre-Press had been spending a lot of time, money, and energy on the development of technology, the business had pla-

A Cultural Mismatch

teased. The owner was looking for a buyer.

Harty Press bought Pre-Press Graphics for \$500,000, and the merging of the two companies began. Platt immediately had major problems with the change.

- It was hard to imagine two more different cultures than those of Harty Press and Pre-Press Graphics.
- Harty is based in the heart of an industrial neighborhood. Pre-Press sits twelve miles away, out in the bustling world of office parks and fast-food joints.
- Harty's workers, many with ten or twenty years of service, wear smudged aprons, have ink under their fingernails, and carry union cards. At Pre-Press, people in running shoes and jeans sit in front of computer screens.
- Harty's management is low key, loose, and creates autonomy. The management at Pre-Press was intense, precise, and controlling.
- The move of Harty's twelve-person prepress department to consolidate with Pre-Press created chaos. The firms' procedures and systems did not dovetail. Neither group had been given enough notice to plan for and comprehend the effects of the merger.
- Although Harty had bought Pre-Press specifically for its knowledge of desktop publishing,

Pre-Press employees who knew how to operate the computers saw that Harty workers lacked those skills. They became protective of their knowledge and their jobs.

- A key Harty employee was sent to Pre-Press to work on the transition. He was sent with no job description and no defined role; an immediate hassle resulted with former Pre-Press managers.
- Training courses on computer technology lasted for only one session. Then "familiarization training" on the computer was announced. No one knew what that meant, and no one ever figured it out because it never took place.

Questions

1. Based on Harty Press and Pre-Press Graphics' experience, what is the importance of culture in the change process?
2. What specific cultural factors caused problems in the change process? Cite examples to support your answer.
3. What specific mistakes did Harty and Pre-Press make in the change process? Cite examples to support your answer.
4. Using as your guide the nine steps in planned change discussed in this chapter, construct a change process to successfully merge Harty Press with Pre-Press Graphics.

For more on Harty Press, see Edward O. Welfels, "Mis-Match," Inc., June 1994, pp. 70-79.

Learning Objective 2. List and describe the ways culture is manifested. The culture becomes apparent through the following manifestations:

- *Statements of principle*—written expressions of basic principles central to the organizational culture
- *Stories*—illustrations of the culture used to acquaint new employees with the cultural values and to reaffirm those values to existing employees

◀ APPLICATION CASE

Each chapter includes an actual case problem, directly related to the chapter content. Some are success stories; others present unresolved problems. All of these case studies, however, allow you to apply what you have learned. There are no right or wrong answers—just workable solutions, based on underlying principles of informed management decisions.

Brief Contents



Part I Management Concepts

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