

7th edition

# MANAGEMENT THEORY AND PRACTICE

G. A. Cole and Phil Kelly



# MANAGEMENT THEORY AND PRACTICE

SEVENTH EDITION

GERALD A. COLE  
PHIL KELLY

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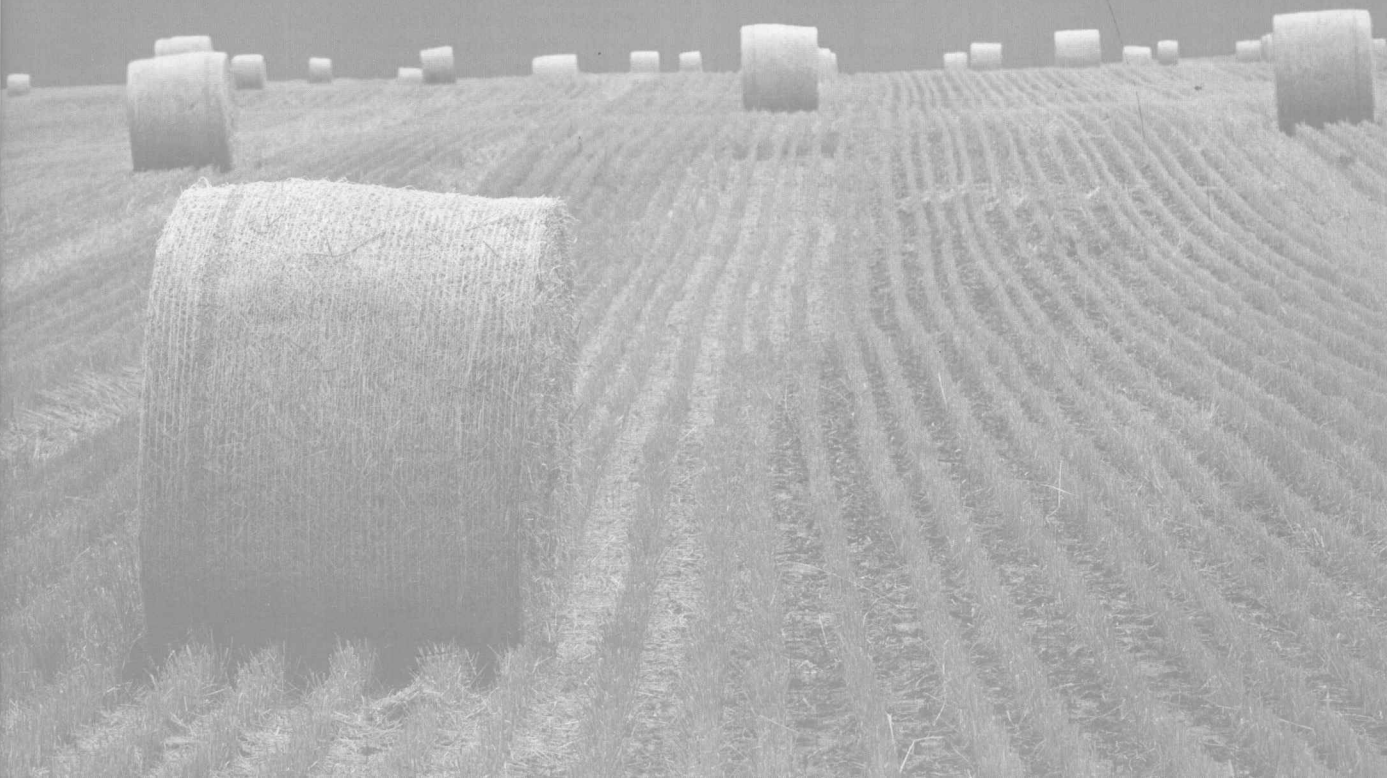
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# MANAGEMENT THEORY AND PRACTICE



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# PREFACE

The aim of *Management Theory and Practice 7ed* is to provide an accessible introduction to the principal ideas and developments in management theory and practice. It is a holistic text covering a wide range of management topics. The book also aims to stimulate further reading and thinking about the subject of management by signposting a wide range of books and articles, and by providing opportunities for discussion and comment on important issues arising from the text. Chapter questions and associated video case studies are also useful in this respect, encouraging readers to set out their ideas in response to typical examination-type and review questions and compare their responses with the suggested answers supplied. Whilst targeted primarily at those studying a first degree or diploma in business and management, the book is also of use as a foundation text for higher degrees and courses.

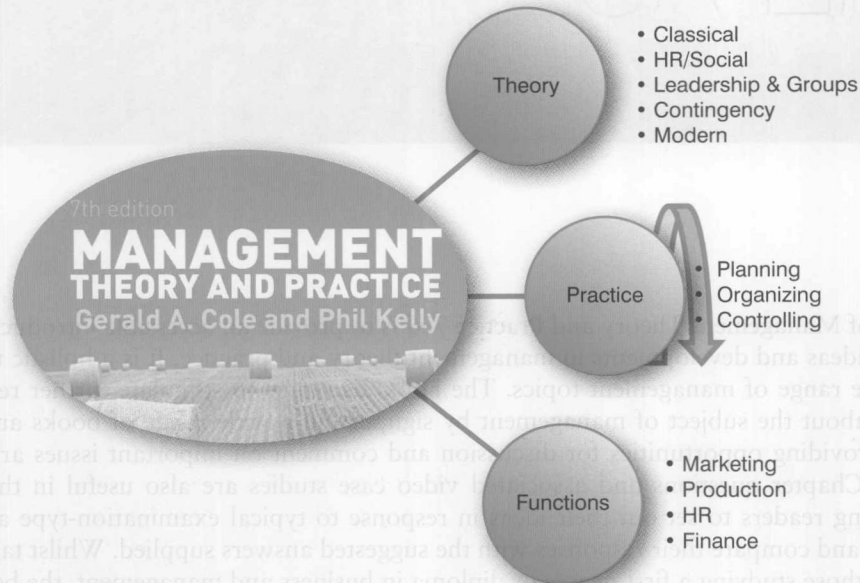
Since management is a rather eclectic subject, drawing its subject matter from a variety of sources, the material in the book is presented in relatively short chapters, with numbered paragraphs for easy reference. Chapters are grouped by topic and arranged in a logical sequence, so that whilst the subject matter is wide-ranging, and sometimes quite complex, it is possible to see some development of the body of knowledge that we call ‘management’.

The book can be used as a class-based textbook or as a practice manual for independent self-study. The glossary is intended to reinforce some of the definitions referred to in the main text, and may be especially helpful to overseas students unfamiliar with British practices. The basic elements of the book are the fifty-two short chapters which are grouped into fourteen topics, forming the major building blocks of the subject (see the model below). This enables readers to focus on particular topics, or to work through them all systematically, depending upon need or preference. The questions at the end of each chapter can be used to check understanding, or to raise issues with tutors and/or fellow students. Tutors may also use these questions to encourage students to apply this reading within their own organizations, or to develop their own ideas as to how management ought to be practised. The reading lists are founded on the many other texts referred to within the book, and it is hoped that readers will seek out these other texts, old and new, in order to see for themselves how key ideas have been expressed or developed by key management theorists. In this respect the current book is a guide to the work of other writers, and an encouragement to wider reading. Questions appear at the end of each chapter and suggested answers are available on the companion website, to help students focus on the salient points and assist with structured responses. There are also video case studies available on the companion website and referenced at the end of each chapter.

## NOTES ON THE SEVENTH EDITION

Whilst the overall chapter structure of the book remains the same as the previous edition, significant updates and new materials have been added. At a general level, the pedagogical features have been improved in this latest edition. Every chapter now has defined learning outcomes, a glossary and reference list, a chapter introduction, text and conclusion. In addition, there are

FIGURE FM.1 Model for studying management theory and practice



more figures, an ExamView test bank, new case studies (written and video) and vignettes. Using the glossary, students can now see, at a glance, which chapters make reference to a particular concept.

At a more specific level, many chapters have been updated and new content has been added. Content decisions were influenced by the Quality Assurance Agency for Higher Education (QAA) subject benchmark statements for general business and management (2007) which articulate the knowledge and skills expected of successful honours graduates in the field. The QAA recognize that the purpose of general business and management programmes includes the study of organizations, their management and the changing external environment in which they operate plus preparation for and development of a career in business and management. Studying organizations encompasses the internal aspects, functions and processes of organizations including their diverse nature, purposes, structures, governance, operations and management, together with the individual and corporate behaviours and cultures which exist within and between organizations and their influence upon the external environment. The 'external environment' encompasses a wide range of factors, including economic, environmental, ethical, legal, political, sociological and technological, together with their effects at local, national and international levels upon the strategy, behaviour, management and sustainability of organizations. Finally, 'management' encompasses the various processes, procedures and practices for effective management of organizations. It includes theories, models, frameworks, tasks and roles of management, together with rational analysis and other processes of decision making within organizations and in relation to the external environment. It is expected that graduates will also be able to demonstrate knowledge and understanding in the following areas:

- Markets – the development and operation of markets for resources, goods and services
- Customers – customer expectations, service and orientation
- Finance – the sources, uses and management of finance; the use of accounting and other information systems for managerial applications

- People – the management and development of people within organizations
- Operations – the management of resources and operations
- Information systems – the development, management and exploitation of information systems and their impact upon organizations
- Communication and information technology – the comprehension and use of relevant communication and information technologies for application in business and management
- Business policy and strategy – the development of appropriate policies and strategies within a changing environment, to meet stakeholder interests
- Pervasive issues – sustainability, globalization, corporate social responsibility, diversity, business innovation, creativity, enterprise development, knowledge management and risk management.

Incorporating the QAA advice, the chapter about women in management and the entire book now consider a broad range of diversity challenges associated with the 21st century workplace. The chapter dealing with the international context of management discusses the processes of internationalization and the concept of globalization and the challenge of working in diverse and multicultural organizations. The planning chapters now refer to positioning and resource-based strategies and recognize emergent as well as planned approaches. The ethics and corporate social responsibilities aspects of policy have been strengthened in Chapter 17. Chapter 21 now contains more on business processes and business process management. In Chapter 24, managing change, there is greater emphasis on understanding and building the need for change and the use of change models. The section on control in management has a greater focus on quality management and the role of information technology has been developed to include more on how companies compete with information resources and the application of Net technologies. Furthermore Chapter 41, 'New technology in Manufacturing' now includes a thorough coverage of ERP systems. The marketing section has been improved to take greater account of globalization and the Internet and a greater emphasis on Supply Chain Management. Additionally, there is now more information about the marketing strategy. The HR section now contains much more on the strategic as well as the operational role for HR specialists. All of the HR legislation has been updated and the need for fairness in HR practice discussed. Managerial competencies and competencies generally are afforded more attention. Finally, the scope of the financial aspects of management section has also been broadened to include more on investment appraisal. These changes, with the new text and video case studies, should enhance the book's appeal, making it more useful to contemporary readers and management practitioners. Feedback on the content, style and pedagogical features is welcome – please email Dr Phil Kelly, p.kelly1@ljmu.ac.uk with your comments.



# ACKNOWLEDGEMENTS

May I take this opportunity to thank all of those individuals whose insight, time and hard work have contributed to this book. Special thanks go to Jennifer Seth, the Development Editor at Cengage Learning, for her patience, support and management of the project. Exceptional thanks go to all of those in the formal review process; their feedback and suggestions for improvement helped shape the book. Numerous individuals contributed towards the thinking behind the book, through conversations, conferences, seminars and writings. Huge benefit has resulted from the views and experiences of business educators and practitioners from the UK and around the world. Personal appreciation goes to many individuals including: staff from Liverpool Business School (LBS) based within the Faculty of Business and Law, Alistair Beere in particular; staff from Kaplan Professional, Dr Yvonne Moogan in particular; Steve Fowler and staff at the Institute for Risk Management (IRM). May I also thank the LJMU business students and staff for trialling aspects of the text. Grateful thanks also to a variety of companies and publishers for permission to reproduce copyright material. Acknowledgements appear throughout the text as and when we use such material. Likewise, thank you to the various organizations who provided case study materials.

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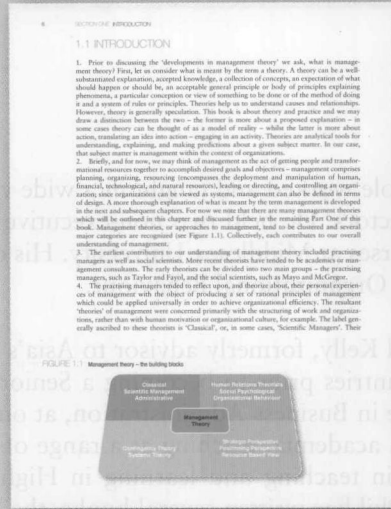
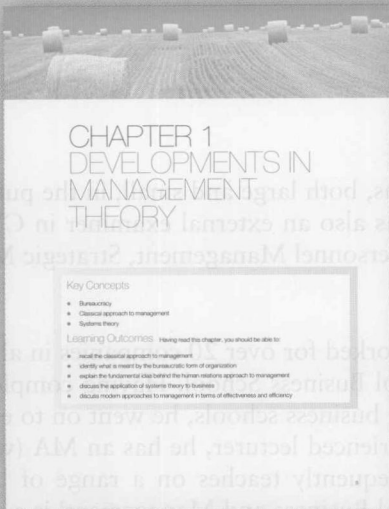
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# ABOUT THE AUTHORS

Gerald Cole worked and taught in a wide variety of organizations, both large and small, in the public and private sectors. He held two non-executive directorships and was also an external examiner in CMS and DMS courses at Middlesex University. His other books include Personnel Management, Strategic Management and Organizational Behaviour.

Dr Phil Kelly, formerly advisor to Asia's highest paid CEO, worked for over 20 companies in almost as many countries prior to becoming a Senior Lecturer at Liverpool Business School. Having completed his Doctorate in Business Administration, at one of Europe's leading business schools, he went on to establish himself in academia, teaching at a range of universities. An experienced lecturer, he has an MA (with distinction) in teaching and learning in Higher Education, and frequently teaches on a range of business courses. Phil has written several books, the last one, 'International Business and Management' is a popular text on a range of business degree programmes.

# WALK-THROUGH

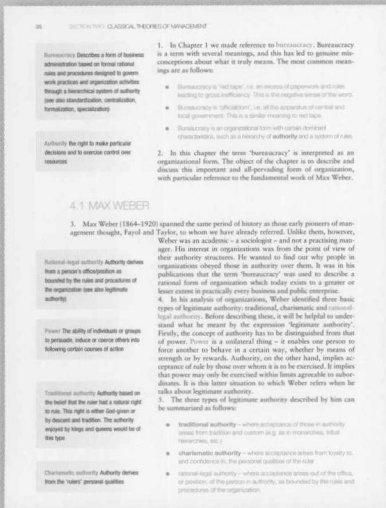


## Key Concepts and Learning Objectives

Each chapter starts with a list of objectives to help you monitor your understanding and progress through the chapter.

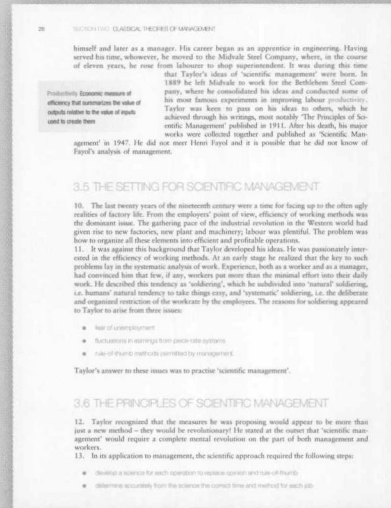
## Introduction

Each chapter starts with a comprehensive introduction that provides a complete overview of the key issues, helping you to assess your understanding and highlight key content.



## Margin glossary Terms

Key terms are highlighted throughout the text and explained in full in the margins as well as in a full glossary at the end of the book.



## Accessible, concise structure

The clear and logical 'bite-sized chunks' are easy to navigate and gradually build up knowledge and understanding.



## About the website

The seventh edition of *Management Theory and Practice* is accompanied by a range of digital support resources. These resources have been carefully tailored by our experienced author to meet the needs of the reader. Collectively these resources are designed to engage students, encouraging critical thinking and an active and questioning approach to the subject of management. They can also be used to save important tutor time, whilst enhancing the quality of delivery.

To discover the dedicated digital support resources accompanying this textbook please go to: [www.cengage.co.uk/colekelly7](http://www.cengage.co.uk/colekelly7)

### For students

- Multiple Choice Questions to test your learning
- Video Cases and Activity Work Book for each chapter
- Flashcards to test your knowledge
- Online Glossary to reinforce key definitions
- MP3 transcripts to help you revise

### For lecturers

- Secure password protected site with teaching materials
- A downloadable Lecturer Teaching Guide
- PowerPoint Slides to be used in your lectures
- Video Cases and Tutor Notes to accompany each chapter
- ExamView Test Bank to accompany each chapter
- Answers to Chapter Questions



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# PART I MANAGEMENT THEORY

Every practising business manager who seeks to improve their skills and abilities should be concerned with the knowledge and application of management theories. Yet there exists this persistent view that management theory and practice are polar opposites. In any subject concerned with rational intervention in human affairs, theory must lead to practice; but practice is the source of theory: neither theory nor practice is prime (Checkland, 1985). Management is one of those bodies of theory and practice whose concern might be described as 'rational intervention in human affairs'. Checkland goes on to argue that any approach to rational intervention in human affairs has to accept that in studying purposeful human action and in trying to bring about change in human situations, it is not simply a matter of setting to work to discover 'laws' governing the phenomena in question. Autonomous human beings could, in principle, act deliberately in a way which could either confirm or refute any supposed 'laws' of human affairs. This means that the would-be rational intervener in human affairs cannot separate theory and practice in the

