

MODERN MANAGEMENT



SAMUEL C. CERTO

EIGHTH EDITION



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MODERN MANAGEMENT

*Diversity, Quality, Ethics,
& the Global Environment*



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TO SARAH,

A CHERISHED DAUGHTER WHO PULLS PEOPLE TO THE LORD
THROUGH GENUINE EXCITEMENT ABOUT SPIRITUAL
LIFE . . . A TRUE GIFT TO ALL WHO KNOW HER!

PREFACE

Never before have managers faced such exciting challenges! Never before have managers had the potential to earn such high compensation for meeting these challenges. Today, your career as a manager will be extremely interesting and your rewards for competence could be very significant.

As it was in the previous seven editions of *Modern Management*, the purpose of this text is to prepare students to be managers. Coverage includes a wealth of conventional wisdom related to traditional management tasks. Contemporary management challenges related to such issues as people, diversity, quality, ethics, and the global environment are featured. New to this edition is an emphasis on the Internet as a new, evolving, and valuable management tool. New coverage also highlights topics such as innovation, learning organizations, and the application of management concepts across industries.

Overall, this book is carefully crafted to present traditional management concepts, important contemporary management issues, and insights regarding ways that students should apply these in order to ensure organizational success.

The eighth edition of the **Modern Management Learning Package**, the text plus its ancillaries, continues a recognized and distinctive 20-year tradition in management education. This tradition emphasizes clear, concise, current, and thorough coverage of management concepts. In addition, the learning materials are based on an understanding of and a determination to enhance the student learning process. Only instructional support materials that contribute to the design and conduct of the highest-quality principles of management course are included in the package.

Revisions to the **Modern Management Learning Package** have been spirited by a single objective—improving student learning. All revisions reflect responsiveness to instructor and student feedback regarding ways to refashion the package in order to further enhance student learning. Starting with the text, the following sections describe and explain each major component of this revision.

TEXT: THEORY OVERVIEW

Decisions about which concepts to include in this revision were indeed difficult. Such decisions were heavily influenced by information from accrediting agencies such as the American Assembly of Collegiate Schools of Business (AACSB), organizations established by professional managers such as the American

Management Association (AMA), and organizations established by management scholars such as the Academy of Management. Overall, management theory in this text is divided into the following six main sections:

- ▶ Introduction to management
- ▶ Planning
- ▶ Organizing
- ▶ Influencing
- ▶ Controlling
- ▶ Topics for special emphasis

Extensive updates of theory and examples have been made in every section. Detailed discussion of content and other revisions to each section follow.

▶ INTRODUCTION TO MANAGEMENT

This section lays the groundwork necessary for studying management.

- ▶ **Chapter 1, Management and Management Careers**, not only exposes students to what management is, but also gives them an understanding of special career issues, such as the progress of women in management, dual-career couples, and the multicultural workforce. Revision focus includes updated coverage of executive salaries and comparisons of male and female executive salaries.
- ▶ **Chapter 2, Managing: History and Current Thinking**, presents several fundamental but different ways in which managers can perceive their jobs. The work of management pioneers like Frederick W. Taylor, Frank and Lillian Gilbreth, and Henry L. Gantt is highlighted. New material in this chapter discusses the *learning organization* as a possible new, evolving approach to managing. A learning organization is defined and the five features of a learning organization (systems thinking, shared vision, mental models, team learning, and personal mastery) are discussed. A new People Perspectives feature illustrates how managers at Signicast Corporation took practical steps to build their learning organization.
- ▶ **Chapter 3, Corporate Social Responsibility and Business Ethics**, discusses the responsibilities that managers have to society and how business ethics applies to modern management. Valuable discussion focuses on determining if social responsibility exists in a particular situation.

- ▶ **Chapter 4, Meeting the Global Challenge**, focuses on domestic versus international, multinational, and transnational organizations; expatriates and repatriation; and international market agreements like the European Union (EU) and the North American Free Trade Agreement (NAFTA). Discussion also extends to the evolving international market agreement among countries in the Pacific Rim. This chapter appears early in the text to better enable students to reflect on global management issues throughout the course. New topics for this edition include better preparing expatriates for assignments, ethics in international management, and foreign investments in the United States.

▶ PLANNING

This section elaborates on planning as a primary management function.

- ▶ **Chapter 5, Organizational Objectives**, begins this section in order to emphasize the setting of organizational objectives as the beginning of the planning process. Topics include the importance of objectives and guidelines for establishing sound objectives.
- ▶ **Chapter 6, Fundamentals of Planning**, presents the basics of planning. The purpose of planning steps in the planning process and qualifications of a planner are stressed.
- ▶ **Chapter 7, Making Decisions**, discusses the decision process as a component of the planning process. Coverage focuses on group decision processes like brainstorming, the nominal group technique, and the Delphi technique. Coverage also focuses on advantages and disadvantages of having groups make decisions and problems in evaluating the group decision process.
- ▶ **Chapter 8, Strategic Planning**, highlights Porter's model for industry analysis, the BCG Growth-Share Matrix, the GE Portfolio Matrix, strategy implementation, and strategic control.
- ▶ **Chapter 9, Plans and Planning Tools**, discusses various planning tools, and such as forecasting and scheduling, that are available to help formulate plans.

▶ ORGANIZING

This section discusses organizing activities as a major management function.

- ▶ **Chapter 10, Fundamentals of Organizing**, presents the basic principles of organizing. Concepts featured are organization structure, division of labor, span of management, and scalar relationships.
- ▶ **Chapter 11, Responsibility, Authority, and Delegation**, focuses on ways to organize worker activities. Emphasis is on holding organization members accountable for carrying out their obligations.
- ▶ **Chapter 12, Managing Human Resources**, discusses hiring and developing people who will make desirable contributions to the attainment of organizational objectives.
- ▶ **Chapter 13, Managing Change: From Stress to the Virtual Organization**, emphasizes ways in which managers change

organizations and the stress-related issues that can accompany such action. New coverage highlights increasing virtuality in organizations by establishing virtual offices, building alternative work situations, and communicating successfully in virtual offices.

▶ INFLUENCING

This section discusses ways in which managers should deal with people. Reflecting the spirit of AACSB guidelines encouraging thorough coverage of human factors in the business curriculum, the influencing section is comprehensive.

- ▶ **Chapter 14, Fundamentals of Influencing and Communication**, introduces the topic of managing people, defines interpersonal communication, and presents organizational communication as the primary vehicle that managers use to interact with people.
- ▶ **Chapter 15, Leadership**, highlights more traditional concepts, such as the Vroom-Yetton-Jago leadership model, the path-goal theory of leadership, and the life cycle theory of leadership. Coverage also includes newer concepts, like transformational leadership, coaching, super-leadership, and entrepreneurial leadership.
- ▶ **Chapter 16, Motivation**, defines motivation, describes the motivation process, and provides useful strategies that managers can use in attempting to motivate organizational members.
- ▶ **Chapter 17, Groups, Teams, and Corporate Culture**, emphasizes managing clusters of people as a means of accomplishing organizational goals. This chapter covers the management of teams. Discussion focuses on groups versus teams; virtual teams; problem-solving, self-managed, and cross-functional teams; stages of team development; empowerment; and factors contributing to team effectiveness.
- ▶ **Chapter 18, Understanding People: Attitudes, Perception, and Learning**, focuses on important characteristics of people that managers must understand. First, the relationship among attitudes, values, and beliefs is described. Then, the role of attitudes in influencing behavior is discussed. The chapter then turns to perception and the perceptual process, including detailed analyses of attribution theory and perceptions of procedural justice. Finally, the concept of learning is studied.

▶ CONTROLLING

This section presents control as a major management function.

- ▶ **Chapter 19, Principles of Controlling**, discusses the basics of control. Power and control as well as types of control are important topics.
- ▶ **Chapter 20, Production Management and Control**, focuses on the creation of goods and services, paying special attention on automation and production strategies, systems, and processes available to managers.
- ▶ **Chapter 21, Information Technology and the Internet**, in keeping with the spirit of AACSB guidelines, has been significantly revised to add more coverage of current technology

via Internet-related discussion. The chapter emphasizes recent technology developments ranging from e-mail, electronic data interchange, and videoconferencing to the Internet and the World Wide Web. Emphasis on Intranets and firewalls complete this section. Discussion focuses on becoming a better manager by using technological tools, *not* by understanding the intricacies of technology.

► TOPICS FOR SPECIAL EMPHASIS

The last section of *Modern Management* discusses additional issues important to managers operating in an organization in today's global environment.

- **Chapter 22, Competitiveness: Quality and Innovation**, emphasizes building competitiveness through quality and innovation. Discussion focuses on defining quality, achieving quality through strategic planning, and describing the management skills necessary to build quality throughout an organization. The ideas of such internationally known quality experts as Philip B. Crosby, W. Edwards Deming, and Joseph M. Juran are highlighted. Significant revision in this chapter discusses the role of innovation in being organizationally competitive. Topics discussed include innovation and creativity in individuals, and encouraging creativity in organizations.
- **Chapter 23, Management and Diversity**, defines *diversity*, explains the advantages of promoting diversity in organizations, and outlines ways in which managers can promote it. This chapter also discusses some key challenges and dilemmas that manager's face in attempting to build a diverse workforce.

TEXT: STUDENT LEARNING AIDS

Several features of this text were designed to make the study of management more efficient, effective, and enjoyable. Many are new to this edition. The following is a list of these features and an explanation of each.

► LEARNING OBJECTIVES

The opening pages of each chapter contain a set of learning objectives that are intended as guidelines for focusing study within the chapter.

► CHAPTER OUTLINES

The opening pages of each chapter also contain a chapter outline that previews the textual material and helps the reader keep the information in perspective while it is being read.

► CHAPTER HIGHLIGHTS

Chapter highlights are another exciting feature of this text. In essence, highlights are extended examples or boxes emphasizing the wide range of contemporary issues in real companies that modern managers face. Each chapter has four highlights. The highlights have been significantly revised in this edition and include the following elements in each chapter:

- **Spotlights**—Spotlights focus on the following major management themes: diversity, quality, ethics, people, and the global environment. Two Spotlights appear in each chapter, with all topics receiving equivalent emphasis throughout the book. In chapter 21, for instance, a Global Spotlight focuses on the complex MIS needs of Pohang Iron & Steel, a South Korean metals manufacturer. In the same chapter, a Diversity Spotlight reports on how Target, a major U.S. retailer, uses its MIS to keep track of Hispanic worker demographics and needs.
- **Across Industries**—New to this edition, each chapter contains a section called Across Industries, a feature emphasizing how chapter content relates to a specific industry. The purpose of this feature is to ensure that students get a full, rich understanding of how management can be applied to many different situations. Situations presented in Across Industries emphasize companies and industries such as L.L. Bean in mail order retailing, Black & Decker in tool manufacturing, Shoney's in dining, Mattel in toy manufacturing, Arthur Andersen in accounting, and Goodyear in tire manufacturing.
- **Management and the Internet**—Also new to this edition, Management and the Internet, featured in every chapter, emphasizes the Internet as a new, evolving, and practical management tool. Given the unprecedented growth of the Internet, today's management students must acquire a useful, applied knowledge of the Internet. Companies and issues discussed in this feature include Dell Computer Corporation surfing the Internet to service customers and build company image, the Equal Employment Opportunity Commission (EEOC) using the Internet to inform managers about the specifics of sexual harassment, Texas Instruments using the Internet to recruit new employees, Sega considering the Internet in how it develops organizational objectives, and the All England Lawn Tennis and Croquet Club using the Internet to communicate with fans about Wimbledon.

► INTRODUCTORY CASES WITH BACK-TO-THE-CASE SECTIONS

The opening of each chapter contains a case study that introduces readers to management problems related to chapter content. Detailed Back-to-the-Case sections appear throughout each chapter, applying specific areas of management theory discussed in the chapter to the Introductory Case. All cases involve real companies ranging from AT&T and Gateway 2000 to Blockbuster, Heinz, and Rolls-Royce. Over half of the cases in this edition are new or updated. New cases in this edition include "Managing Disney's Animal Kingdom," "Gillette's New Strategy for Women," "Lucent Technology Organizes for Success," "Making Changes without the Right Information at Sunbeam," and "LEGO's MindStorms Market Research Causes Problems."

► END-OF-CHAPTER PEDAGOGY

As in the previous edition of *Modern Management*, several pedagogical features are integrated at the end of each chapter.

CHAPTER INTERNET ICON A new Internet icon has been designed for this edition. This icon appears at the end of each

chapter to remind students that additional study materials related to the chapter are available at www.prenhall.com/certo and can be used independently to enhance their learning about management even if their course does not require such usage.

ACTION SUMMARIES Each chapter ends with an action-oriented chapter summary that allows students to respond to several objective questions that are clearly linked to the learning objectives stated at the beginning of the chapter. Students can check their answers against the answer key at the end of the chapter. This key also lists the pages in the chapter that the students can reference for a full explanation of the answers.

INTRODUCTORY CASE WRAP-UP Each chapter ends with an Introductory Case Wrap-Up that includes learning materials to further illustrate the application of chapter content to the Introductory Case. New to this edition, the wrap-up section has two distinct parts. Part one is a set of *case discussion questions* intended to extend discussion of the application of chapter content to the case. Part two, also new to this edition, is a *skills exercise* that focuses on building management abilities of students via the case. Sample exercises are “Designing an MBO Program,” “Building Useful Organization Charts,” “Using Reinforcement Strategies,” “Determining Symptoms and Problems,” “Applying Total Quality Management,” and “Evaluating a Web Site.”

ISSUES FOR REVIEW AND DISCUSSION The concluding pages of each chapter contain a set of discussion questions that test the understanding of chapter material and can serve as a vehicle for study and class discussion.

► ADDITIONAL FEATURES

- **Marginal Notes**—Each chapter contains marginal notes that can be helpful both in initial reading and for review. These notes highlight key terms in each chapter while providing brief definitions for student review.
- **Glossary**—Major terms and their definitions are gathered at the end of the text. Terms appear in boldface type and include references to the text pages on which the discussion of the term appears.
- **Illustrations**—Figures, tables, and photographs depicting various management situations are used throughout the text to help bridge the gap between management theory and real-world facts and figures.

► ADDITIONAL TEACHING MATERIALS

INSTRUCTOR'S MANUAL Designed to guide the educator through the text, each chapter in the instructor's manual contains a brief summary, brief chapter outline, detailed lecture outline, suggested answers and solutions to questions in the text, a comprehensive video guide with discussion questions based on the Skills Video LIVE! and the Small Business 2000 chapter-ending videos, and Internet support.

ELECTRONIC INSTRUCTOR'S MANUAL Conveniently provided on a 3.5" floppy disk, the Electronic Instructor's Man-

ual includes all of the previously mentioned material, plus an option for professors to annotate and add their own material.

TEST ITEM FILE Each chapter contains multiple choice, true/false, and essay questions. Together the questions cover the content of each chapter in a variety of ways providing flexibility in testing the students' knowledge of the text.

WINDOWS/PRENTICE HALL TEST MANAGER VERSION

4.0 Containing all of the questions in the printed Test Item File, Test Manager is a comprehensive suite of tools for testing and assessment. Test Manager allows educators to easily create and distribute tests for their courses, either by printing and distributing through traditional methods, or by on-line delivery via a Local Area Network (LAN) server.

POWERPOINT ELECTRONIC TRANSPARENCIES WITH TEACHING NOTES

A comprehensive package allowing access to all of the figures from the text, these PowerPoint transparencies are designed to aid the educator and supplement in-class lectures. To further enhance the lecture, teaching notes for each slide are included both electronically, and as a printed, punched, and perforated booklet for insertion into a three-ring binder, allowing the educator to further customize the lecture.

COLOR TRANSPARENCIES Designed to aid the educator and enhance classroom lectures, 100 of the most critical PowerPoint electronic transparencies have been chosen for inclusion in this package as full-color acetates and are provided on high quality mylar.

STUDY GUIDE Designed to aid student comprehension of the concepts presented in the text, a Study Guide is available containing chapter objectives, detailed chapter outlines, review, discussion, and study questions.

PHLIP What is PHLIP? Prentice Hall Learning on the Internet Partnership (PHLIP) is a content-rich, multidisciplinary business education Web site created by professors for professors and their students. Developed by Professor Dan Cooper at Marist College, PHLIP provides academic support for faculty and students using this text.

FOR STUDENTS

► Student Study Hall

Ask the Tutor offers Virtual Office Hours

Writing Center provides links to on-line resources

Study Skills Center provides study skills tips and resources

Career Center offers tips, sample résumés, and on-line job applications

► **Research Center** provides resources for using the Internet as a research tool

► **Current Events** summarize and link to current news articles. Each article is fully supported by group activities, critical thinking exercises, discussion questions, reference resources, key topics, and more.

- ▶ **Interactive Study Guide** offers multiple-choice and true/false questions for every chapter. Students submit responses to the PHILIP server for scoring and receive immediate feedback, including page references linked to the text. Students can e-mail their scores to their instructor or teaching assistant.
- ▶ **Internet Resources** provide links to related Web sites, complete with an Info button that offers professors and students a helpful description of each site.

FOR INSTRUCTORS

- ▶ **Text-Specific Resources**
 - Downloadable supplements
 - On-line faculty support
- ▶ **Faculty Lounge**
 - Talk to the Team** is a password-protected conference and chat room system
 - Teaching Archive** includes **Sample Syllabi**
 - Help with Computers** provides tips and links to on-line tutorials
 - Internet Skills** offers advice, tips, and tutorials for using the Internet

NEW TO THIS EDITION

CHAPTER ENDING VIDEOS Based on the popular PBS series, the Small Business 2000 videos highlight interesting small businesses and their growth. They are linked to various chapters in the book and emphasize key concepts in the chapters. Introductory Case material for the student is found at the end of the chapter.

PART ENDING SKILLS LIVE VIDEOS These exciting new videos are scenario-based and feature real actors demonstrating important management skills. They are based on a small video and television production company and include questions at the end of each segment that relate to the material in the previous part of the book. Dr. Certo appears on the video to comment on how text material relates to the case.

CD-ROM A CD-ROM is included that provides exciting links to the Web site (www.prenhall.com/certo) and the skills videos. By placing the skills videos on the CD-ROM, the instructor can use these as an out-of-class assignment.

ACKNOWLEDGMENTS

Much positive feedback regarding the **Modern Management Learning Package** has continued for nearly a quarter of a century. The steady stream of compliments over the years from friends, colleagues, and students has certainly been gratifying! Over the years, this package has created a standard for high-quality learning materials in colleges and universities, as well as in professional management-training programs throughout the world. These materials have been translated into foreign languages for distribution throughout the world and have been used by over half a million students.

I have received much professional recognition for the success of this text. Considerable recognition for the success of this project, however, rightly should be given to valuable contributions made by many of my respected colleagues. I am pleased to recognize the contributions of these individuals and extend to them my warmest personal gratitude for their professional insights, as well as for their personal support and encouragement throughout the life of this project.

Professor Lee A. Graf, Illinois State University, has been a special contributor. As a close personal friend, he has been especially vigilant in helping to keep this text a market leader since the first edition in 1980. During this time, Dr. Graf has made many significant contributions in many different text areas. His overall professional competence and instructional insights have been a constant encouragement.

Other colleagues have also made important contributions to this text and its ancillaries. I would like to thank these individuals for their dedication and professionalism in making this project all that it can be. The following professionals have helped to shape chapters in previous editions and the contribution that each has made is listed below:

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Maurice Manner, Marymount College, for assistance in the revision of chapter 4, "Managing in the Global Arena"

Richard Ratliff, Shari Tarnutzer, and their colleagues, Utah State University, for assistance in the revision of chapter 22, "Quality: Building Competitive Organizations"

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Michael Carrell, Morehead State University, for assistance in the composition of chapter 18, "Understanding People: Attitudes, Perception, and Learning," which is new to this edition.

New to this edition, are the contributions of Rob Panco, a doctoral student at Baruch, who is responsible for selecting the Small Business 2000 segments and the excellent case notes that accompany them. He is also responsible for bringing together all six of the Skills Video LIVE! sections.

Every author appreciates the valuable contribution reviewers make to the development of a text project. Reviewers offer that "different viewpoint" that requires an author to constructively question his or her work. I again had an excellent team of reviewers. Thoughtful comments, concern for student learning, and insights regarding instructional implications of the written word characterized the high-quality feedback I received. I am pleased to be able to recognize members of the review team for this edition and their valuable contributions to the development of this text:

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