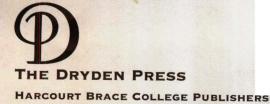


MANAGING ORGANIZATIONS

IN AN ERA OF CHANGE

GARY DESSLER

FLORIDA INTERNATIONAL UNIVERSITY



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About the Artist

Eric Dinyer was born in St. Louis, Missouri, in 1960. He received a Bachelor of Fine Arts Degree from Washington University School of Fine Arts in St. Louis, Missouri, in 1982, and a Master of Fine Arts Degree from the School of Visual Arts in Manhattan, New York, in 1986. Dinyer currently resides in Kansas City, Missouri, where he pursues his international freelance career.

Dinyer's work has been featured in numerous national and international magazines, publications, book jackets, and CD covers. Dinyer has also received honors from *Communication Arts* Annual, *Print Regional* Annual, The Society of Publication Designers Annual, The New York Society of Illustrators Annuals, and the Japan Creators Association International Annuals.

For inspiration in creating the artwork for *Managing Organizations in an Era of Change*, Dinyer relied on his own experience with computer technology. He crossed over from traditional media, including oil paints and pencils, to Digital Media (photoshop software, and Fractal design painter software) two years ago.

Dinyer wanted to visually interpret the idea of change and speed in the current global technology paradigm shift through the use of abstract motifs. Dinyer's montages illustrate the impending complexity of a global marketplace, depicting tomorrow's knowledge worker enshrouded in and controlling the rapid dance of technology. Dinyer found satisfaction in the challenge of visually executing the idea of technology which has and will continue to change our world in profound ways.

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WHY ANOTHER MANAGEMENT TEXTBOOK?

There are many fine management textbooks available, so let me start this introduction by briefly explaining why I wanted to write this book. I had three main reasons:

THE END OF "COMMAND AND CONTROL" In the past 10 years remarkable changes have taken place in the ways that firms are organized and managed, but many textbooks still seem to be more focused on the past than on the future. A sprinkling of pedagogical boxes illuminating "the challenge of innovation" notwithstanding, most management textbooks today are firmly rooted in what Peter Drucker called the "command and control approach" of years past. This was a management world of departments, centralized staffs, and a reliance on budgets and imposed controls and procedures. In their book, Re-engineering the Corporation, Michael Hammer and James Champy make a similar point when they say that "a set of principles laid down more than two centuries ago have shaped the structure, management, and performance of American businesses throughout the nineteenth and twentieth centuries." Indeed, many management textbooks today are largely indistinguishable in organization, methods, and principles from some of the early classics of the 1960s. Managing Organizations in an Era of Change was created for the management world of the 1990s and beyond, a world in which the lines between manager and worker are blurring and in which boundaryless organizations, globalization, team-based structures, empowerment, and response to change are essential for success. Today and in the years ahead, the future will belong to the managers and organizations that do the best job of managing change. Managing Organizations in an Era of Change was, therefore, written, first, to help give future managers the concepts and skills they'll need to manage organizations under turbulent and rapidly changing conditions.

REVISED AACSB GUIDELINES I also wanted to write a book that accommodated the new guidelines of the American Assembly of Collegiate Schools of Business (AACSB). Among other things, these new guidelines should encourage a synthesis of principles of management and organizational behavior, as well as focus management educators' attention on preparing students for team-based careers in the twenty-first century. The new guidelines also call for a more cross-functional approach to management education. I have tried to make sure *Managing Organizations* addresses these issues by integrating more behavioral topics into the text, by emphasizing teams, and by introducing topics like quality, technology, ethics, and service in an interactive manner.

THE EXCITEMENT OF MANAGEMENT Third, I wrote this book because I wanted to communicate the excitement of being a manager and to do so in a lively, understandable, and practical way. You will, therefore, find hundreds of real-life management examples in this book, as well as the commitment to clear, understandable explanations that I hope adopters of my earlier books have come to expect of me.

HOW THIS BOOK DIFFERS FROM OTHER MANAGEMENT TEXTBOOKS

This book's mission is to provide future managers with the skills they will need to manage organizations under conditions of turbulence and change. Three main features distinguish it from its competitors.

NEW TOPICS First, while Managing Organizations in an Era of Change covers all of the "foundation" management topics (like planning, budgeting, and functional departmentation) about 20 percent of the chapters are new, in that they usually don't appear as chapters in management textbooks. These include Chapter 9 (The Responsive Organization), Chapter 12 (Empowering Employees and Building Commitment), Chapter 17 (Managing Teams), and Chapter 21 (Managing Services). This book's relatively detailed coverage of modern management concepts and techniques is not apparent from a brief review of the table of contents. This coverage includes a heavy emphasis on creating shared visions, creating a sense of mission, developing communication-building techniques, building teams, formulating and communicating values, managing information technology, creating boundaryless organizations, changing employees' values, selecting "value-based" employees, downsizing into "mini" organizations, managing knowledge-based organizations, and managing discontinuous change, to name just a few. I believe that I have been able to include all of this new material by compressing certain traditional foundation material rather than leaving out anything essential.

RESPONSIVENESS THEME Second, befitting its title, *Managing Organizations in an Era of Change* emphasizes managing and responding to change as its theme in each and every chapter. You will, therefore, find examples of planning for responsiveness in Chapter 5; the central role of core competencies and strategic alliances in responsive organizations in Chapter 6; organizing for responsiveness in Chapter 9; selecting employees for working in responsive organizations in Chapter 10; the interplay of control, commitment, and organizational responsiveness in Chapter 11; the role of transformational leadership in responsive organizations in Chapter 12; building communications for responsiveness in Chapter 16; adaptive organizational cultures in Chapter 13; discontinuous change and corporate renewal in Chapter 18; and using information technology to boost responsiveness in Chapter 20, to name a few examples. At the same time, the contingency aspects of management—and in particular, the need to fit the management approach and organization to the rate of change of the environment—is fully covered, for instance, in Chapters 1, 4, and 9.

MERGING MANAGEMENT AND BEHAVIOR Third, you will also notice that Managing Organizations in an Era of Change is divided into four parts that give nearly equal weight to the management process and to behavior in management, rather than into four or five basic management functions (planning, organizing, staffing, leading, and controlling) as is often the case in management textbooks. There are two reasons for this organization. First, writing a textbook that is both new in the concepts it covers while familiar enough to be acceptable to adopters was bound to be tricky. I believe the book's current organization left more room for adding innovative chapters and behavioral material than did the relatively rigid four or five part process format, while still loosely adhering to the functions, behavior, and models format that many adopters are already familiar with.

Second, the book's organization also highlights its relatively heavy behavioral coverage, when compared to traditional process-oriented books.

Why this heavier emphasis on organization behavior? One reason, as mentioned, is the set of new AACSB guidelines. The second reason is that I am convinced that in today's management world, artificially distinguishing between management functions and the behavioral side of what managers do is no longer realistic, if it ever was. In today's team-based, boundaryless organizations with their empowered workers and upside down authority pyramids, behavioral concepts and techniques have assumed enormous importance. Therefore, I think it's more important today to teach management while simultaneously covering behavioral topics more fully than we have in the past.

THE ORGANIZATION OF THE BOOK

I would like to briefly summarize what each of the four parts covers.

PART I: THE MANAGERS' CHANGING WORLD Part I sets the stage for the rest of the book by explaining what managers do and the challenges they face today (Chapter 1); the managerial and organizational challenges of managing in a global economy (Chapter 2); the ethical foundations of management (Chapter 3); and the challenge of managing responsive organizations in a historical context, while describing the evolution of management thought (Chapter 4).

PART II: THE MANAGEMENT PROCESS Part II provides a complete and comprehensive discussion of the management functions of planning, organizing, staffing, and controlling. It covers the overall planning process (Chapter 5); strategic planning and management and, in particular, the activities involved with determining what business the firm should be in (Chapter 6); and a brief review of important techniques used for improving the planning process and managerial decision making (Chapter 7). The fundamentals of organizing (including departmentation, delegation, and coordination) are discussed in Chapter 8; and Chapter 9, The Responsive Organization, explains modern methods used by managers to organize their enterprises for responsiveness—methods that include boundaryless and horizontal organization structures. The staffing or human resource management function is fully covered in Chapter 10; and Chapter 11, Achieving Control, discusses basic concepts and techniques of managerial control, while explaining that in today's fast-paced organizations, control must increasingly come from within the employees themselves. Chapter 11, therefore, provides a bridge to the next part of this book—behavior.

PART III: BEHAVIOR AND MANAGEMENT Part III provides a more comprehensive coverage of organization behavior than is typically included under the "leadership" function in most traditional management textbooks. Furthermore, wherever possible, I have integrated functional management and behavioral material. For example, Chapter 12, Empowering Employees and Building Commitment, emphasizes that in a fast-changing world, empowering employees and gaining their commitment to their teams and their companies is crucial and necessarily relies on effectively implementing the management process. By contrasting the supervisory control techniques of Chapter 11 with the motivation and self-control enhancing techniques of Chapters 13 through 18, Chapter 12 also bridges this management function and behavioral material. Chapters 13, Leadership, and 14, Organizational Culture and Shared Values, describe the leaders' roles in creating the sense of mission and the culture and shared values of the organization. Chapter 15, Motivation and Behavior, discusses one of the important emergent consequences of culture and leadership, namely employee

motivation. Since factors other than leadership and culture obviously influence employee motivation, Chapter 15 also reviews some fundamentals of individual behavior, including perception, personality, and attributions. Organizational communication and, in particular, techniques for boosting upward, downward, and lateral communication to enhance organizational responsiveness is covered in Chapter 16. Chapter 17, Managing Teams, provides a brief review of group dynamics and a comprehensive treatment of managing teams in organizations including types of teams, building effective teams, and team-based total quality management programs. Chapter 18, Organizational Change and Development, particularly emphasizes strategic, discontinuous change and corporate renewal, as well as planned change, change advocates, organizational development, and conflict and conflict management techniques.

PART IV: MANAGING OPERATIONS AND SERVICES Part IV focuses on three important topics. Chapter 19, Operations Management, provides a comprehensive discussion of operations and production management (including operations planning and control and inventory management). It especially emphasizes world-class manufacturing and the responsive organization and, in particular, the use of just-intime flexible manufacturing systems and computer integrated manufacturing for building organizational responsiveness. Chapter 20, Information Technology and Management Systems, reviews the types of management information systems, but particularly focuses on advances in managerial and data communications and on information technology and its effects on organizational responsiveness. Finally, Chapter 21 focuses on managing services. With about three-fourths of the U.S. workforce now employed in service firms, a complete discussion of the unique aspects of managing services is overdue in management textbooks.

TREATMENT OF CROSS-FUNCTIONAL TOPICS

Most textbooks cover topics that by their nature connect with various disciplines. This book is no exception. In particular, this book contains considerable coverage of quality, diversity, small business management, global management, and ethics. The question of how to treat such cross-functional topics is always a judgment call. Having said that, I want to elaborate on how these topics are treated.

QUALITY MANAGEMENT Managing quality has emerged as a central management concern for the 1990s and is, therefore, fully approached in this book. Because most quality management programs are team-based, a section of Chapter 17 on Managing Teams is devoted to total quality management programs, including steps in total quality management. Quality management is closely identified with the operations management function, so Chapter 19 on Operations Management similarly contains a section devoted to controlling for quality, which focuses on "quality defined," as well as on total quality management, quality control methods, and the related topic of design for manufacturability. In addition, the relationship of quality to various other topics discussed in this book is emphasized; for example, quality's relationship to service management in Chapter 21; the impact of global competition on quality in Chapter 2; and the importance of the staffing function in building commitment to quality in Chapters 10 and 12.

DIVERSITY As explained early in this book, the U.S. workforce is becoming increasingly diverse. To mention just one statistic from Chapter 1, minorities and

women will account for more than 90 percent of the U.S. labor force's growth over the next 10 years and women alone are projected to account for 64 percent of the net increase in the labor force over this period.

The question is how to integrate the required diversity material? As an author, I had several alternatives ranging from a self-contained diversity chapter to vignettes in each chapter. I decided that the most effective way to communicate the concepts of diversity was to rely on special cases in each chapter, as well as on diversity-related text material as appropriate. In Chapter 10, for example, material including equal employment laws, affirmative action programs, and sexual harassment is fully covered.

Building the diversity theme around each chapter's "Case in Diversity" accomplishes two things. First, it allows for an integration between that chapter's material and a diversity issue that requires a solution. Second, it presents a more realistic picture of diversity issues. As a manager and as a consultant, I am increasingly aware that a mere recitation of diversity topics does not convey the often dramatic similarities and differences in points of view and perspectives that usually underlie diversity-based issues. Carefully chosen realistic case situations do. A synopsis of the "Case in Diversity" for each chapter is as follows:

- Chapter 1: The Management Challenge Today A Case in Diversity: "The Challenge of Managing a Diverse Workforce" asks students to address questions such as "What opportunities and dilemmas will managers face as the workforce becomes more diverse?"
- Chapter 2: Managing in a Global Economy A Case in Diversity: "Dealing with Diversity Abroad" focuses on discriminatory practices overseas. It asks readers to answer questions such as "Do you think U.S. civil rights laws should apply to American companies' foreign operations?"
- Chapter 3: Management Ethics and Social Responsibility A Case in Diversity: "Papa's Grocery" describes a grocery situated in a predominantly African-American section of Los Angeles. It raises issues such as "If the grocery continues to lose money, do you think it will be able to sustain its pattern of social responsibility, or will economic realities have to take precedence?"
- Chapter 4: Foundations of Modern Management A Case in Diversity: "McDonald's Corporation" describes how McDonald's adapts both its menus and management methods to the extent that its customers and workers bring with them attitudes and values "as numerous and varied as their countries of origin." The case raises issues such as how a global firm can maintain consistency of purpose while adapting local operations to the diverse needs of local customers and workers.
- Chapter 5: Planning and Setting Goals A Case in Diversity: "Margaret F. Gonzalez and Achieving Goals" describes the barriers Gonzalez faces in attracting enterprises to the economically disadvantaged area in her city, and raises issues such as what obstacles and opportunities does she face in attempting to achieve her goals?
- Chapter 6: Strategic Management. A Case in Diversity: "Strategic Management at Amigos Canning Company" describes how Ralph Velasco, Jr., the CEO of this Mexican food business changed the strategic direction of his firm. It raises issues such as how a small firm like this can compete by remaining sensitive to demographic changes in the marketplace.
- Chapter 7: Planning and Decision Making Aids A Case in Diversity: "Women and Decision Making" asks whether the stereotype sometimes ascribed to women executives (that they tend to be consensus builders and that those who are not

- "may be characterized as strident, while a man with the same management style is considered decisive") is valid, and if not, what accounts for the stereotype?
- Chapter 8: Fundamentals of Organizing A Case in Diversity: "Monsanto Chemical Group" explains that Monsanto Chemical discovered several years ago that many talented women and minorities were leaving because they had the sense that management neither appreciated nor understood them. It asks students to discuss this conflict and Monsanto's solution for it.
- Chapter 9: The Responsive Organization A Case in Diversity: "Disability Hiring Initiative by CEOs" describes the Disability 2000-CEO Council, and raises such issues as "Is it possible to completely eliminate the us vs. them mentality among diverse workers?"
- Chapter 10: The Staffing Function and Human Resource Management A Case in Diversity: "White Males in the Workplace" raises the question of why some white males feel that they are "the most aggrieved victims of job discrimination." It asks students to consider that issue, and the impact that so-called reverse discrimination may have on interpersonal relations in organizations.
- Chapter 11: Achieving Control A Case in Diversity: "New York National Bank" presents some of the management problems banker Serafin Mariel had to navigate while setting up his minority-owned bank in South Bronx, New York.
- Chapter 12: Empowering Employees and Building Commitment A Case in Diversity: "The Japanese and Employee Commitment" raises the interesting issue of how American workers react to supervision by Japanese managers and the effects of Japanese management methods on American workers.
- Chapter 13: Leadership A Case in Diversity: "J. Bruce Llewellyn" describes the leadership style of J. Bruce Llewellyn, who controls the Philadelphia Coca-Cola Bottling Company and has been described as one of the nation's most powerful African-American businesspeople.
- Chapter 14: Organizational Culture and Shared Values A Case in Diversity: "Organization Culture and the 'Baby Busters'" presents several short scenarios depicting "baby buster"-generation employees who set off to find businesses of their own. It raises such issues as how the values of this new generation may change corporate cultures as baby busters build their own businesses or stay at their existing firms and reach top managerial ranks.
- Chapter 15: Motivation and Behavior A Case in Diversity: "Motivated Entrepreneurs" describes some of the hurdles Ana Garcia and Rey Salinas faced when starting their new firms and raises the issue of what personal needs motivated them to launch their own businesses.
- Chapter 16: Organizational Communication A Case in Diversity: "Asian-Americans and Organizational Communications" explains how J. D. Hokoyama, head of a Los Angeles management training business, conducts training sessions for Asian-American workers and managers. It addresses the issue of whether workers raised in an Asian culture have a sense of deference to superiors and whether an emphasis on maintaining harmony and loyalty and control of emotions may result in misunderstanding and acrimony in the relatively more direct and harsh organizational communication environment of most U.S. firms. Among the specific questions asked are, "Do you agree with the theory that Asian-American workers need to alter their communication skills in order to get ahead in the U.S. business world? Why? Why not?" And, "Which of the communication barriers described in the chapter are Asian-Americans most likely to encounter in the workplace and how can they best be overcome?"

- Chapter 17: Managing Teams A Case in Diversity: "G.E. Silicones" describes the challenge of achieving team cohesiveness when members of the teams are of varying ethnic backgrounds and genders.
- Chapter 18: Organizational Change and Development A Case in Diversity: "Organizational Change at Avon and Prudential" addresses the programs Prudential and Avon began to solve the problem of why African-American workers in these firms were "leaving for other jobs in droves." Among the specific issues raised is "What sources of resistance to change is the company likely to encounter in pursuing their diversity programs?"
- Chapter 19: Operations Management A Case in Diversity: "Older Workers at Chrysler" raises the issue of the older worker, and asks students to address such questions as "How did Chrysler boost productivity despite the aging of its manufacturing workforce?"
- Chapter 20: Information Technology and Management Systems A Case in Diversity: "Minority IS Managers" describes the challenges faced by a minority manager as he moved up the hierarchy in his information systems career. It asks questions such as "Given the right educational background, do you think minorities have the same opportunities to succeed in information-based organizations as their non-minority counterparts?"
- Chapter 21: Managing Services A Case in Diversity: "Juggling Career and Family" describes how an entrepreneurial Margaret Johnsson developed a thriving business by filling the needs of successful women who wanted an alternative way to juggle family and career.

SMALL BUSINESS/ENTREPRENEURSHIP There is little doubt that more college graduates are going to take jobs with small, entrepreneurial firms rather than with giant employers. Therefore, I wanted to show, in an integrated way, how a chapter's topic applied specifically in a small business—entrepreneurial environment. Each "focus on small business" box refers to the issues raised within the text itself. To underscore the small business issues, several "focus on small business" questions at the end of the chapter are tied to the boxed element to encourage student discussion of the issues raised.

GLOBAL MANAGEMENT Many of the challenges managers face today are a direct result of the globalization of industrial economies. And, indeed, there is now an enormous body of knowledge relating to international business and global management. This book contains a comprehensive chapter entitled "Managing in a Global Economy," which covers international business and its impact on managers and management.

ETHICS AND SOCIAL RESPONSIBILITY Ethics and social responsibility underpin much of what is essential for management education including areas like diversity management. Early in this book (in Chapter 3) a comprehensive treatment of management ethics and social responsibility is included to emphasize the importance of these topics as a foundation for all that managers do.

IN-TEXT LEARNING AIDS

In addition to **video cases** with questions for each part of the book, each chapter has a full complement of in-text learning aids. These include **learning objectives** and a **chapter outline** at the beginning of the chapter; an **opening problem** to set the scene

for the chapter, along with a **closing solution** at the end of the chapter that describes how the opening problem was solved and separate questions so that the opening problem and closing solution can be used as a case; the "focus on small business" boxes along with questions that can be used to turn each chapter's small business box into a second, small business, case; a third, somewhat longer **Case for Analysis** at the end of each chapter; the **Case in Diversity** comprising a fourth case at the end of each chapter; a full set of **end-of-chapter questions** including separate questions for review, for discussion, and for student action; a list of **key terms** at the end of each chapter along with **marginal definitions** within the chapters; and several **illustrative vignettes** each tied to the text to provide a real example of the concepts being discussed.

RELATED SUPPLEMENT PRODUCTS

- Study Guide by Becky Porterfield (University of North Carolina—Wilmington)
- Test Bank by Sharon Clinebell (University of Northern Colorado) and Joy Peluchette (University of Southern Indiana)
- Overhead Transparencies, Transparency Masters, and Teaching Notes by Ralph Braithwaite (University of Hartford)
- Instructor's Manual by Bruce Kemelgor (University of Louisville)
- Laser Disk with Lecture Active Software
- Three sets of videos available (A Case Approach, Chapter Topics, and Business Concerns Quarterly)
- Media Instructor's Manual
- Management Skills Software (3.5)

ACKNOWLEDGMENTS

Creating a textbook has taken on many of the aspects of producing a modern Broadway show, not least in terms of the number of people contributing to it, reviewing it, producing it, and marketing it. In acknowledging and thanking everyone who has been involved in this project, I am, therefore, somewhat at a loss, but want to start first with Scott Isenberg and Bob Pawlik, both formerly of The Dryden Press, without whose faith in and commitment to this book you would not now be holding it in your hands. Of those at Dryden on the editorial and production staff with whom I have dealt frequently as this book evolved, I want to thank Ruth Rominger, Lisa Toftemark-Rittby, and Sheila M. Spahn, as well as Linda Wooton Miller, Kelly Cordes, Mandy Manzano, Shirley Webster, Lisé Johnson, Sam Stubblefield, Brett Spalding, Dona Hightower, and Tamra Yoder for all of their expertise and assistance. I also want to gratefully acknowledge Carol Cirulli who helped to prepare most of the cases and vignettes and whose insight into what we needed added significantly to the book. While I am, of course, responsible for the content of this book, I want to express my gratitude to the faculty members who reviewed portions of the manuscript: Russell Kent, Georgia Southern University; Margaret Langford, St. Mary's University; Bruce Kemelgor, University of Louisville; Sharon Clinebell, University of Northern Colorado; Tammy Hunt, University of North Carolina—Wilmington; Joy Peluchette, University of Southern Indiana; Ralph Braithwaite, University of Hartford; Terry Gaston, Southern Oregon State

College; and James McElroy, Iowa State University. This book would not be such a source of expert information without the input and suggestions from these expert reviewers.

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Gary Dessler Miami, Florida August 1994

ABOUT THE AUTHOR

Gary Dessler is a Professor of Business and Chairman of the Department of Management and International Business in the College of Business Administration at Florida International University in Miami. He has a Bachelor of Science Degree from New York University, a Master of Science Degree from Rensselaer Polytechnic Institute, and a Ph.D. in Business Administration from the Bernard M. Baruch School of Business of the City University of New York.

In addition to Managing Organizations in an Era of Change, Dr. Dessler has authored numerous other books, including, most recently, Winning Commitment: How to Build and Keep a Competitive Workforce, and Human Resource Management, Sixth Edition. He wrote the syndicated "Job Talk" column for the Miami Herald for 10 years and has written numerous articles on organization behavior, leadership, and quality improvement. His recent consulting assignments have involved strategic planning, executive and management recruiting, establishing human resource management systems, and negotiating multinational joint ventures.

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PART I
THE MANAGER'S
CHANGING WORLD
1

