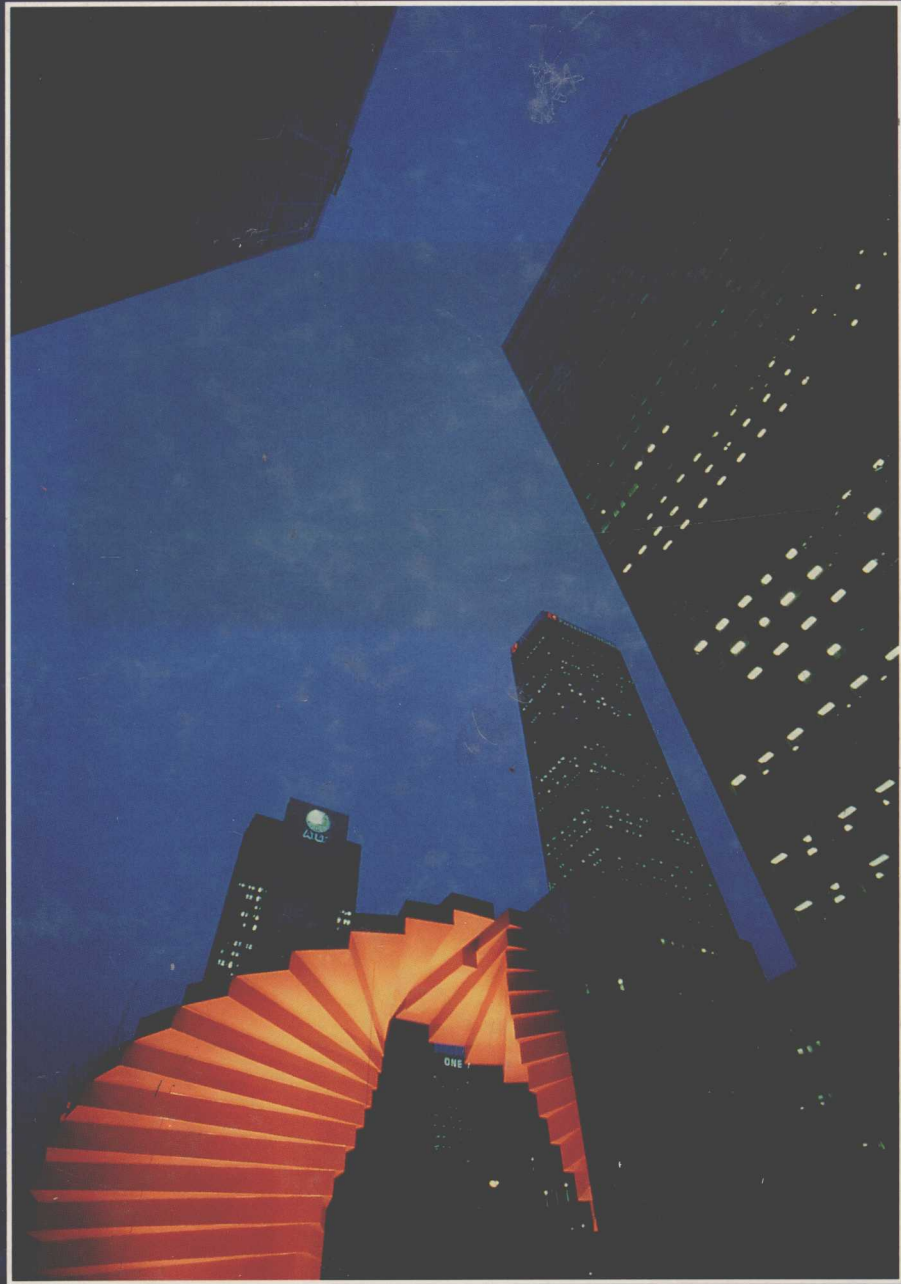


• EIGHTH EDITION •

FUNDAMENTALS OF MANAGEMENT



DONNELLY • GIBSON • IVANCEVICH

• EIGHTH EDITION •

FUNDAMENTALS OF MANAGEMENT

James H. Donnelly, Jr.

Turner Professor
College of Business and Economics
University of Kentucky

James L. Gibson

Kincaid Professor
College of Business and Economics
University of Kentucky

John M. Ivancevich

Hugh Roy and Lillie Cranz Cullen Chair and
Professor of Organizational Behavior and Management
University of Houston

IRWIN

Homewood, IL 60430
Boston, MA 02116

© RICHARD D. IRWIN, INC., 1971, 1975, 1978, 1981, 1984, 1987, 1990, and 1992

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the publisher.

Sponsoring editor:	Kurt Strand
Developmental editor:	Joanne Dorff
Project editor:	Jean Lou Hess
Production manager:	Bette K. Ittersagen
Designer:	Mary Sailer
Artist:	Benoit Design
Cover photo:	Lionel Isy-Schwartz/The Image Bank
Compositor:	Carlisle Communications, Ltd.
Typeface:	10/12 Bembo
Printer:	Von Hoffmann Press, Inc.

Library of Congress Cataloging-in-Publication Data

Donnelly, James H.
Fundamentals of management / James H. Donnelly, Jr., James L.
Gibson, John M. Ivancevich. — 8th ed. —
p. cm.
Includes bibliographical references and indexes.
ISBN 0-256-09790-9
ISBN 0-256-11270-3 (International student edition)
1. Management. I. Gibson, James L. II. Ivancevich, John M.
III. Title.
HD31.D594 1992
658—dc20

91-13064

Printed in the United States of America

3 4 5 6 7 8 9 VH 8 7 6 5 4 3

.....

To
Helene S. Donnelly,
Jeanne M. Servais, Dianne Gibson,
Anne, Mike, and Pegi Ivancevich

PREFACE

Each of us continues to be gratified that both students and teachers of management find our book to be a useful and valuable resource. They have found both the content and the structure of the book to be “instructor- and student-friendly” for several years. It is with this sense of gratification that we introduce the eighth edition of FUNDAMENTALS OF MANAGEMENT. On every dimension we continue to be pleased by the recognition of our efforts.

- FUNDAMENTALS OF MANAGEMENT has been identified by management faculty as one of the best management textbooks in the country. It is particularly rewarding for us to hear that our book “has changed the way the introductory management course is taught.”
- The supplementary resources that accompany our text have been rated among the best available.

Recognition serves as an incentive to continue to improve our book. Every revision of FUNDAMENTALS OF MANAGEMENT is a major revision and this edition is no exception. We believe our constant attention to updating, revising, and restructuring has been an important part of the success of the book. The present edition bears little resemblance to the first; however, the rationale remains the same as for previous editions. Management, we believe, will be practiced better by individuals who have had access to high-quality, challenging management textbooks.

To be effective, a textbook must serve two groups well: 1) those who teach the course and 2) those who take the course.

Pledge to management faculty. A textbook of high quality will never compromise the integrity of the field it explores. We pledge to provide a text which in every respect is a quality work of management scholarship that we as academicians can be proud of.

Pledge to management students. A textbook of high quality never loses sight of its ultimate purpose—to help students learn. We pledge to always strive to make our textbook the most contemporary, comprehensive, challenging, readable, and exciting management textbook available today.

The Development of the Eighth Edition

As with previous editions, developing this edition required extensive market research, interviews with faculty, extensive and comprehensive reviews by a group of commissioned instructors, as well as class testing. The vast amount of information gleaned from this process enabled us to determine which features of the book were effective and which features required revision.

Based on this research, we have made several important changes. Because the ability to make sound decisions pervades all management processes, the chapter on decision making was moved up in the text; previously found in Part IV, it is now in Part II. The chapter on human resource management was also moved. Found in Part II in the previous edition, it has been shifted to Part III. These organizational changes were made based on suggestions from both adopting and nonadopting faculty members.

Because of the importance of ethics, entrepreneurship, and the international environment, we have emphasized their relevance throughout the text by way of chapter opening vignettes, examples, and our Management Focus feature. Each of these topics is also covered in depth in separate chapters.

Finally, we have added new chapter-ending cases, created new discussion and review questions, updated references in each chapter, and included a new integrative case at the end of the book.

The Foundations sections introduced in the previous edition were well received by both instructors and students. They continue to present the important historical roots of management and give instructors a high level of flexibility in presenting this material. They can be used or omitted depending upon the needs of the course. Students like the way they illustrate the relevance of history to management today as well as the perspective they give on where management has been and where it is going.

Our Standards for a High-Quality Textbook

We believe that a high-quality management textbook should possess several key characteristics. It should be comprehensive, systematic, scientific, practical—and exciting.

Comprehensive

This text is comprehensive because it covers the major management topics affecting students, teachers, and practitioners. Research has indicated that our book is being used to cover American Assembly of Collegiate Schools of Business (AACSB) common body of knowledge requirements for both Organizational Behavior/Organization Theory and Production/Operations Management. The materials selected for this book reflect our contacts with teaching colleagues, students, practicing managers, accrediting agencies such as AACSB, and professional societies such as the Academy of Management and the American Management Association.

Systematic

In studying management, a beginning student can easily be overwhelmed by the vast number of concepts, theories, and topics. The systematic approach of

Fundamentals of Management helps overcome this tendency. In each chapter's subject matter, readers are able to see where they have been, where they are, and where they will be going.

This book is divided into five parts. And each part is structured around three fundamental managerial tasks common to all organizations: managing work and organizations, managing people, and managing production and operations.

Scientific

Fundamentals of Management presents concepts and theories that have been subjected to extensive research. However, our textbook does not attempt to teach social or behavioral science, or operations management. It provides bases for applying to management many relevant contributions from numerous scientific disciplines. In this edition, every chapter has been revised to include the most up-to-date thinking and research.

Practical

To become an effective manager, a student must learn to analyze management problems and then solve them by applying relevant management theory. *Fundamentals of Management* stresses a practical approach to learning these vital skills. Subject matter is reinforced with descriptions of how actual managers in real organizations have applied the concepts to solve problems. In addition, 69 case applications and experiential exercises bring the chapter material to life in real-world situations.

Exciting

The practice of management is exciting, and a management textbook should be too. We try to convey this excitement to our readers. Every chapter, except for the opening one, begins with an account of an organization or individual manager facing a particular management problem or real-life situation that will be discussed in the following pages. In addition, each chapter contains at least three contemporary examples of real-world applications of concepts discussed in the chapter. Important points are illustrated and summarized in each chapter.

An Emphasis on Learning

In addition to the features retained and updated from previous editions, several new features that encourage learning have been recently added.

Learning Objectives

Clear, attainable goals are spelled out at the start of each chapter. In each chapter, the student learns to define, describe, discuss, compare, and identify essential issues affecting modern management.

Management in Action

To arouse reader interest, we have added all new and more exciting chapter-opening vignettes taken from real-life situations to orient students to concepts and problems discussed in the text.

People in Management

To demonstrate how managers of leading companies apply management principles in their long-term strategies and everyday management style, we've

profiled four managers. These featured profiles appear at the end of the part openers for Parts II, III, IV, and V.

Management Focus

A series of new, timely, real-life examples is drawn from over 60 of America's organizations, large and small. These examples illustrate problems modern managers confront daily, and they appear at exact points in the discussion where the concept or theory is being discussed.

Cases

A variety of cases are included in the book. *First*, each chapter has two short cases, many of which are new to this edition. Those cases retained have been updated or revised. They feature a variety of types and sizes of organizations and include problems at all levels of management. They are designed to illustrate practical applications of concepts in the chapter. *Second*, comprehensive real-world cases appear at the end of Part II, "Managing Work and Organizations," Part III, "Managing People," and Part IV, "Managing Production and Operations." Analysis of these cases requires comprehension of relevant aspects of the entire part. *Third*, the book concludes with an integrative case selected to tie together all relevant aspects of all chapters.

End of Chapter Features

Every chapter concludes with a concise "Summary of Key Points," a point-by-point summary of key topics. In addition, "Discussion and Review Questions" are included in every chapter. New questions have been added to each chapter which address the major issues explored. Finally, every chapter includes "Additional References" to give students initial sources for writing projects. Except for classic works, these references have been updated for all chapters to include some of the latest available work.

Experiential Exercises

Experiential exercises are included at the end of each chapter. We included these learning methods in the previous edition, we received positive reactions to these exercises, and new ones have been added here. They move the material from "seeing" and "hearing" to "doing." The understanding of management concepts is greatly enhanced when students can actively join the learning process. More and more contemporary students seek out courses that include opportunities to learn from experience.

Support for Instructors and Students

We are fortunate to have a complete coordinated and integrated system of support for both teacher and student. As mentioned earlier, the supplementary materials available with *Fundamentals of Management* have been rated the best available. Our goal was to make them even better for the present edition.

Support for Instructors

Lecture Resource Manual We believe that even the most experienced and dedicated teacher will find useful hints and insightful ideas in this unique

guide. From a pedagogical perspective, we believe this is the real strength of our instructional support system. We encourage those interested in teaching management to examine this element of the system because we believe there is nothing available that approaches its quality and innovativeness. Over 190 sources were used to develop the material. A special feature of the guide provides a series on three topics that are particularly relevant to management today: Groupthink, Corporate Culture, and Managing the New Demographics.

Instructor's Manual Far more than the traditional instructor's manual, ours is organized to follow each chapter in the text and includes: chapter objectives, chapter synopsis, chapter outline with tips and ideas, suggested films to supplement class discussion, 10 additional end-of-chapter questions along with answers per chapter, exciting "mindbenders" that can be used for class discussion, suggested transparencies, term paper topics, end-of-chapter practical exercises, additional experiential exercises, transparency masters, and suggested class projects and speakers. It is a complete manual in every respect.

Transparencies A complete set of high-quality, four-color transparencies has been developed specifically for our instructional support system. These transparencies are a separate element and are in addition to the transparency masters of text illustrations included in the Instructor's Manual, and the additional ones included in the Lecture Resource Manual.

Test Bank This examination resource contains a wide variety of materials such as true/ false, multiple-choice, and essay questions. Items are categorized by type of question.

Irwin's Computerized Testing Software This advanced-feature test generator allows you to add and edit questions; save and reload tests; create up to 99 different versions of each test; attach graphics to questions; import and export ASCII files; and select questions based on type, level of difficulty, or keyword. Irwin's computerized testing software provides password protection of saved tests and question databases and can run on a network. The versions available are 3.5" IBM and 5.25" IBM.

New! Irwin's Classroom Management Software Irwin's classroom management software is more than a grading system on disk—it's a *complete classroom management system!* This advanced software system lets you track up to 100 scores per class—homework, projects, exams, bonus points, class participation, class attendance, and more. A variety of reports can be printed depending upon your class needs, including student, class, and assignment summaries. You can also view and print graphs of various statistics for individual students or the entire class. For more information on this time saving software system, contact your local IRWIN representative.

Teletest Irwin's *free* customized exam preparation service! Simply choose your desired questions from the Test Bank, and call Irwin's Educational Software Services (ESS) at 1-800-331-5094. Within 24 hours of receiving your order, ESS will send by first-class mail a laser-printed master test with answer key to you.

Support for Students

Study Guide This innovative supplement is far more than a review for students. It includes articles from *The Wall Street Journal* related to each chapter, experiential exercises, and a reference guide showing how to write to key people in corporations and other organizations and a guide for how to do company and industry research. It is truly instructional support for students. Also included is standard fare for such supplements: chapter pre-views; key terms; chapter outlines; study questions, including true/false, matching, multiple-choice, short answer, and discussion questions. We have found that because of the innovative content of the guide, many instructors use it as an active part of the class rather than as something students use alone to help them prepare for examinations. In fact, many instructors have commented that it is as much a workbook or “practice set” as it is a study guide.

A Management Experience This PC-compatible management game is both exciting and challenging. It provides a simulated economic environment and a representative management decision support system for instructors and students to use in a learning situation.

Acknowledgments

Scores of adopters have made important suggestions over the years which have substantially improved the book. In addition, we want to publicly thank and acknowledge the contributions of reviewers of previous editions and of the present edition. Their ideas and suggestions are reflected throughout our book, and they have contributed much to its success.

Reviewers of Previous Editions

Nick Blanchard
Eastern Michigan University

Mauritz Blonder
Hofstra University

Arthur H. Boisselle
El Paso Community College

Lyle Brenna
El Paso Community College

Sonya Brett
Macomb County Community College

Donald R. Burke
Villanova University

Douglas D. Cantrell
Eastern Michigan University

Debra R. Comer
Hofstra University

Deborah F. Crown
University of Colorado—Boulder

Helen Deresky
SUNY—Plattsburg

Bernard C. Dill
Bloomsburg State University

Sam Doctors
California State University

Charles Flaherty
University of Minnesota

Frank Flaumenhatt
University of New Haven

David Gray
University of Texas at Arlington

Stan Guzell
Youngstown State University

- Lindle Hatton
California State University Sacramento
- A. Thomas Hollingsworth
University of South Carolina
- Milton Holmen
University of Southern California
- Fred C. House
Northern Arizona University
- W. Dow Hoyt
San Bernadino Valley College
- Carolyn Jacobson
Ohio University
- Elias Kalman
Baruch College of the City University of New York
- Jack Kappeler
Platte Tech Community College
- John E. Kinney, Jr.
Chabot College
- Eric A. Larson
Onondaga Community College
- Pamela S. Lewis
University of Central Florida
- Wendell H. McCulloch
California State University at Long Beach
- John Mee
Indiana University
- Robert Miller
Upjohn Research Corporation
- Jan Muczyk
Cleveland State University
- James R. Necessary
Ball State University
- Donald D. Nelson
College of DuPage
- M. Gene Newport
University of Alabama in Birmingham
- James G. Pesek
Clarion State College
- Charles K. Phillips
Stephen F. Austin University
- Jon Pierce
University of Minnesota
- Lawrence Podell
William Patterson College
- William Ryan
Indiana University
- Mary S. Thibodeaux
University of North Texas
- Robert L. Trewatha
Southwest Missouri State University
- John J. Vitton
University of North Dakota
- Irwin Weinstock
California State University at Fresno
- Martin W. Wensman
Cerritos College

Reviewers of the Present Edition

- Robert Buck
California Polytechnic State University
- William Burtis
DeAnza College
- David W. Grisby
Clemson University
- Robert S. Inglis, Jr.
Palm Beach Atlantic College
- Christopher L. Martin
Louisiana State University—Shreveport
- Jonah Otelsberg
York College
- Mohamad Sepehri
Jacksonville University
- Jim Swenson
Moorhead State University
- Brenda Ystad
University of Wisconsin—Platteville

Reviewers of the Ancillaries

- Lindle Hatton
California State University Sacramento
- James Kennedy
Regis College
- Emil Rau
Hofstra University
- Thomas Rossi
Utica College of Syracuse University
- Lee Sutherland
Suffolk University

Lecture Resource Manual and Study Guide

Authored by
Kim A. Stewart
University of Denver

Instructor's Manual and Test Bank

Authored by
Lindle Hatton
California State University Sacramento

Our thanks also go to Elizabeth Rubenstein for contributing the "People in Management" profiles. Thanks also to Kim Stewart for her help in preparing the transparency package.

We owe all of these people a great intellectual debt because they have helped make our book intellectually fulfilling to each of us. And we believe that together we have provided you with the edition of an educationally rigorous but very readable management textbook.

*James H. Donnelly, Jr.
James L. Gibson
John M. Ivancevich*

CONTENTS IN BRIEF

• **PART • I**

Management and the Managerial Environment

- 1 Managers and the Study of Management 4
- 2 Managers and Their Environments 26
- 3 Social and Ethical Responsibilities of Management 62

• **PART • II**

Managing Work and Organizations: Planning, Organizing, Controlling

Foundations of Managing Work and Organizations 98

- 4 Management Decision Making 108
- 5 The Planning Function 140
- 6 Strategic Planning 170
- 7 The Organizing Function 198
- 8 Organization Design 228
- 9 The Controlling Function 260

• **PART • III**

Managing People in Organizations: Leading

Foundations of Managing People in Organizations 298

- 10 Motivation 306
- 11 Managing Work Groups 342
- 12 Leading People in Organizations 382
- 13 Communication 420
- 14 Human Resource Management 452
- 15 Organizational Change and Development 492

• **PART • IV****Managing Production and Operations:
Planning, Organizing, Controlling**

Foundations of Managing Production and Operations 536

16 Production and Operations Management 542

17 Decision Support Systems 574

18 Production Planning 598

19 Inventory Planning and Controlling 628

• **PART • V****21st Century Issues in Management**

20 Entrepreneurship 667

21 Managing in a Global Environment 702

22 Management Careers 740

Integrative Cases 772

Glossary 799

Photo Credits 811

Name Index 813

Company Index 823

Subject Index 827

CONTENTS

• **PART • I**

Management and the Managerial Environment 3

1 Managers and the Study of Management 4

- Why Study Management? 6
- The Evolution of Management as a Field of Study 7
 - The Classical Approach: Managing Work and Organizations 8
- MANAGEMENT FOCUS:** At Weaver Popcorn Company Control Is Everything 10
- The Behavioral Approach: Managing People 11
- The Management Science Approach: Managing Production and Operations 11
- Attempts to Integrate the Three Approaches 12
- The Work of Management 14
 - Managing Work and Organizations 14
 - Managing People 15
 - Managing Production and Operations 15
- Plan for the Book 15
- Summary of Key Points 17
- Discussion and Review Questions 19
- CASE 1-1:** Cincinnati Milacron's Management Style 19
- EXPERIENTIAL EXERCISE:** Attitudes about Business Organizations 21
- Notes 22
- Additional References 23
- Selected Management and Related Periodicals 23

2 Managers and Their Environments 26

- MANAGEMENT IN ACTION:** Doing Business after the Events at Tiananmen Square and the Berlin Wall 27
- Organizations as Systems and as Elements of Larger Systems 28
- The External Environment 29
 - Direct Forces 30
- MANAGEMENT FOCUS:** Staying Alive in the Semiconductor Industry 35

MANAGEMENT FOCUS: What's Ahead for Human Resource Management?	38
Indirect Forces	38
MANAGEMENT FOCUS: The Valdez Principles	44
The Internal Environment	46
Three Management Levels	46
Types of Managers and Levels of Management	47
Skills of Managers	48
Roles of Managers	50
Summary of Key Points	53
Discussion and Review Questions	54
CASE 2-1: Turnaround at Top Gun	55
CASE 2-2: Management 101 at PepsiCo	57
EXPERIENTIAL EXERCISE: Profile of an External Environment	58
Notes	59
Additional References	60

3 **Social and Ethical Responsibilities of Management** 62

MANAGEMENT IN ACTION: Cleveland, Ohio: Business to the Rescue	63
The Meanings of Social Responsibility	64
Social Responsibility as Social Obligation	64
Social Responsibility as Social Reaction	65
Social Responsibility as Social Responsiveness	66
MANAGEMENT FOCUS: Education: The Growing Business Commitment	68
A Continuum of Social Responsibility	68
Specific Socially Responsible Activities	69
MANAGEMENT FOCUS: Profits and Philanthropy: Should They Mix?	71
Internal Beneficiaries	72
External Beneficiaries	74
MANAGEMENT FOCUS: The Environment: We Do Care	76
Changing Expectations for Corporate Performance	77
The Historical Evolution of Expectations	77
The Contemporary Expectation for Corporate Social Responsiveness	79
Managerial Ethics	80
Ethical Standards	81
The Organization's Role in Ethical Behavior	82
Ethics and Social Responsiveness	85
Summary of Key Points	86
Discussion and Review Questions	87
CASE 3-1: Building Ethics at General Dynamics	88
CASE 3-2: The Training Debate	89
EXPERIENTIAL EXERCISE: Ethical Dilemmas	91
Notes	92
Additional References	94

• PART • II

**Managing Work and Organizations: Planning,
Organizing, Controlling 97**
Foundations of Managing Work and Organizations 98

The Management of Work	99
Principles of Work Management	99
Principles of Work Simplification	100
Principles of Work Scheduling	100
Principles of Efficiency	101
The Management of Organizations	101
Principles of Management	102
Principles of Organization	103
Conclusion	105
PEOPLE IN MANAGEMENT: Jack Welch	107

4

Management Decision Making 108

MANAGEMENT IN ACTION: At Apple the Decisions Keep Coming!	109
Types of Managerial Decisions	110
Programmed and Nonprogrammed Decisions	110
Types of Decisions and Level of Management	111
The Process of Decision Making	111
MANAGEMENT FOCUS: Coping with a Nonprogrammable Decision in a Small Firm	112
Problem Identification	113
Developing Alternatives	116
Evaluating Alternatives	116
Conditions of Certainty	117
Conditions of Risk	117
MANAGEMENT FOCUS: Some Relatively Small Firms Face Relatively Certain Conditions	118
Conditions of Uncertainty	119
MANAGEMENT FOCUS: Hallmark Uses Probability for Planning Decisions	120
Choosing an Alternative	121
Implementing the Decision	121
MANAGEMENT FOCUS: The Russians Have Different Ideas about Business	122
Control and Evaluation	122
Individual Decision Making	123
Values	123
Personality	123
Propensity for Risk	125
Potential for Dissonance	125