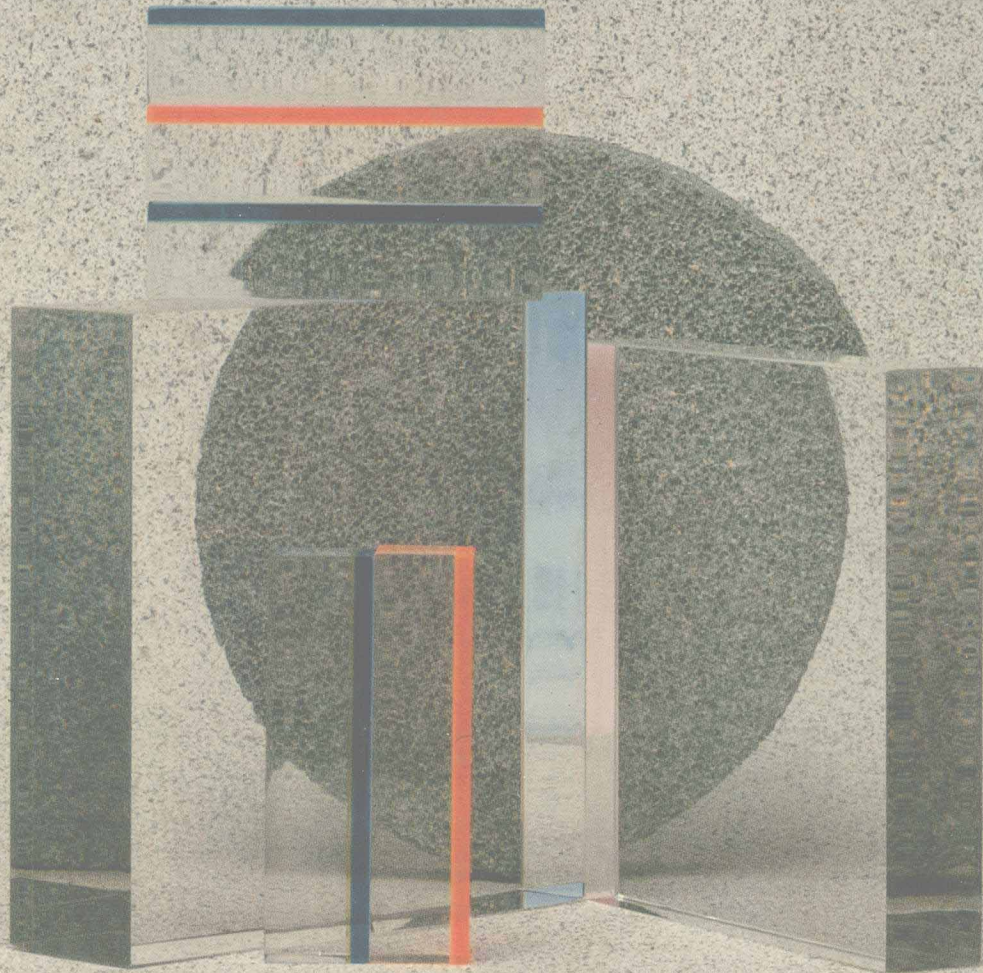


VAN FLEET

SECOND EDITION



CONTEMPORARY
MANAGEMENT

C O N T E M P O R A R Y M A N A G E M E N T

SECOND EDITION

DAVID D. VAN FLEET

Arizona State University West

in collaboration with

Ricky W. Griffin, Texas A & M University

HOUGHTON MIFFLIN COMPANY BOSTON

Dallas Geneva, Illinois Palo Alto Princeton, New Jersey

Cover photograph by Gabrielle Keller.
Illustrations: Illustrious, Inc.
Part Opener One: Lou Jones
Part Opener Two: Courtesy Reynolds Metal Company
Part Opener Three: Andrew Sacks/Tony Stone Worldwide
Part Opener Four: © M. L. Thomas 1978
Part Opener Five: Photo by Jim Sims/Southdown, Inc. 1989 Annual Report
Part Opener Six: Courtesy J. P. Morgan/Photo by Tom Hollyman

Copyright © 1991 by Houghton Mifflin Company. All rights reserved.

No part of this work may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying and recording, or by any information storage or retrieval system without the prior written permission of Houghton Mifflin Company unless such copying is expressly permitted by federal copyright law. Address inquiries to College Permissions, Houghton Mifflin Company, One Beacon Street, Boston, MA 02108.

Printed in the U.S.A.

Library of Congress Catalog Card Number: 90-83057

ISBN: 0-395-47223-7

ABCDEFGHIJ-D-9876543210

P R E F A C E

As I began work on the second edition of *Contemporary Management*, two things were apparent to me. First, contemporary organizations are changing. These changes are due to a number of factors. More and more pressure is being felt by those in organizations to act in socially acceptable ways. Our world is shrinking in terms of communication and organizational interaction. New organizations are constantly being created. For those reasons, coverage of *ethics and social responsibility*, *international management*, and *small business and entrepreneurship* has been expanded in this edition of *Contemporary Management*.

Second, feedback from students, instructors, and reviewers told me that the four criteria used for the first edition—that the book be *understandable*, *interesting*, *up-to-date*, and *accurate*—had been met. My goal in writing both the first and second editions of *Contemporary Management* has been to present the principles and practices of management while conveying its importance and excitement. Meeting those four criteria has brought me closer to my goal. In the second edition, I have continued to use a writing style that is interesting to students, I have updated the material to reflect current theories and recent events, and I have added several new pedagogical elements to make the book even more accessible to students.

This edition, then, is designed to reflect the important changes taking place in today's organizations, as well as to uphold the standards that were set in the first edition of *Contemporary Management*.

Understandable

The material in *Contemporary Management* is organized for smooth and logical flow from topic to topic. The writing style is one that is accessible to students; it is a personal one, intended to involve readers in the material. Straightforward and precise language, careful sequencing of material, and numerous analogies and examples help make ideas clear to the reader. Beyond the accessible writing, clarity is enhanced through the liberal use of drawings, tables, photographs, and other aids to understanding.

Interesting

The text continues to keep readers involved and interested by using examples of real people and organizations from around the world. All of the cases represent real organizations so that students can see the realism and relevance of the concepts presented in the chapters. Because the examples used in the text and the companies highlighted in the cases are recognizable, and because they deal with small and large firms, business and nonbusiness organizations, successes and failures, student interest is enhanced.

Up-to-date

All of the cases in the second edition are new and are based on the most current references available. In addition, the research-based text material has been updated to ensure that students are not being presented with concepts that recent research has negated.

Accurate

This text is firmly grounded in academic research and current theory. However, consistent with the readability criterion, strings of references are not included in the body of the material. To keep students' attention directed at the concepts, rather than at memorizing names and dates for tests, citations are used in the running text only when absolutely necessary. Detailed reference notes are located at the end of each chapter.

ORGANIZATION

To respond to reviewer feedback and improve accessibility, a few changes have been made in the organization of *Contemporary Management*. Users of the first edition felt that the material on careers should be included in an appendix rather than an early chapter in the book. That change has been made. They also felt that the importance of ethics merited an early introduction; that material is now in the first part of the book. Other changes in the contents include the addition of two new chapters—"Information Systems" and "Productivity and Quality." Other slight adjustments have also been made to enhance continuity.

Contemporary Management continues to be organized around the traditional management functions: planning and decision making, organizing, leading, and controlling. These four functions effectively capture the main characteristics of the manager's job, while providing an excellent framework for the presentation of basic principles, current practice, and ongoing research.

Part One defines management, introduces the manager's job including managerial ethics and social responsibility, and provides an historical perspective on management. The four chapters in Part Two deal with environments,

goals, planning, strategies, and decision making. Part Three contains chapters on basic organizing concepts, organization design, human resource management, and information systems. Part Four describes current thinking on leadership, motivation, interpersonal processes (including groups), and interpersonal communication. The four chapters in Part Five cover the controlling function, control techniques, operations management, and productivity and quality. Finally, Part Six deals with several special issues: organization change and development, international management, and the future of management.

SPECIAL FEATURES

Management Practice

The concepts discussed in *Contemporary Management* are related to management practice in several ways. Each chapter opens with a *Prelude Case* that describes an actual situation or event, thereby setting the stage for the concepts to be presented in the chapter. *Prelude Case Updates*, which are found throughout each chapter, more clearly link concepts to the Prelude Case material. In addition, numerous examples throughout the text illustrate chapter concepts in terms of well-known organizations. Many chapters also contain boxed inserts entitled *Management Today: Management in Practice*. These boxes present longer, more detailed examples for students. Finally, at the end of each chapter, students are asked to apply the concepts of the chapter to both the Prelude Case (through the *Prelude Case Wrap-Up* and questions) and an *Enhancement Case* (with questions), which is yet another real world example of the material in the chapter.

Ethics

As I have already noted, ethics is important in our increasingly complex society. For that reason, it is given special attention in this edition. About half of the chapters contain boxed inserts entitled *Management Today: Ethical Dilemmas of Management* that present detailed examples of ways in which the chapter concepts have raised ethical issues for managers. In addition, Chapter 3 is completely devoted to the topics of ethics and social responsibility. Finally, some issues that may have ethical implications are noted in the final chapter, “Management in the Future.”

International Management

Global economic conditions are also increasingly important. In recognition of this, over two-thirds of the chapters contain boxed inserts entitled *Management Today: The World of Management*, which present detailed examples of the chapter concepts in an international or global setting. In addition, Chapter 21 is completely devoted to the topic of international management. Finally,

wherever relevant, international examples are used to illustrate the material being discussed.

Small Business and Entrepreneurship

The role and importance of small businesses and entrepreneurship in our economy are recognized and stressed in several ways. First, over half of the chapters contain boxed inserts entitled *Management Today: Small Business and Entrepreneurship* that present detailed examples of how the chapter concepts apply to small business owners and/or entrepreneurs. Second, each major part of the text concludes with a section entitled, *The Entrepreneurial Spirit*. This section links the concepts of that part of the book to entrepreneurs and their special problems and opportunities.

Pedagogical Aids

Contemporary Management is designed to make learning as effective as possible. Each chapter begins with a *Chapter Outline* and a set of *Learning Objectives* to serve as a “road map” through the chapter and point out its “landmarks.” New to this edition are *Learning Checks*, which are located throughout each chapter to call students’ attention to major points they should have learned as they progress through the chapter. As noted earlier, *Prelude Case Updates* are placed throughout each chapter to link specific chapter concepts to the introductory case. Each chapter ends with five additional aids. There is a *Chapter Summary*, which covers the major points of the chapter. Next is a list of important terms in *The Manager’s Vocabulary*; these terms are defined in the chapter and are included in the *Glossary* at the end of the text. The key terms are followed by a *Prelude Case Wrap-Up* and questions tying the case to the chapter material as a whole. Then come questions—*Review Questions*, *Analysis Questions*, and *Application Questions and Exercises*—designed to extend the student’s understanding and appreciation of the chapter material. Finally, the *Enhancement Case*, with its own questions, concludes the chapter. Additional pedagogical aids include *marginal notes* and the use of *photographs* with informative captions to reinforce the learning process and make it more interesting.

SUPPLEMENTARY MATERIALS

A complete instructional package is available to supplement this text and reinforce the reader’s understanding of management concepts. All parts of the package were revised and coordinated by Dr. Fraya W. Andrews so that they form a truly integrated whole. The students’ *Study Guide* includes information on how best to use the text. It outlines each chapter in some detail and provides space for the user to add his or her own notes as well. Practice test questions (along with answers) are included to assist users in preparing for examinations, and a series of exercises helps users learn about themselves as managers and about the handling of managerial situations.

ACKNOWLEDGMENTS

Although only one name appears on the cover, the title page indicates that this edition was a collaborative effort between Ricky Griffin and me. As noted in the Preface to the First Edition, Ricky assisted me through that project; in this edition, his assistance was substantial and went from planning the edition all the way through reading galleys and page proofs. I am deeply indebted to Ricky, for, without his generous help, relocating a family and starting a new job at the same time as preparing a new edition might have been simply impossible.

In addition, colleagues over the years have influenced my thinking. The more significant of those are: Bob Albanese, Gary Anders, Bruce Baldwin, Art Bedeian, Don Hellriegel, Tom Howard, Roger Hutt, Hans Jensen, Al Keally, Jack Larsen, John Moore, Greg Moorhead, Tim Peterson, Kyle Reed, Art Thompson, Gary Yukl, and Dick Woodman. In addition, I want to thank Otis Baskin and the other people at Arizona State University, West Campus who created a climate that encouraged personal development and stimulated my writing.

Many colleagues contributed to the final form of this book through their reviews and comments, and I would like to thank each of these reviewers individually, by name:

Dave Aiken
Hocking Technical College

James Baird
Community College of Finger Lakes

Roger K. Baker
Illinois Central College

Becky Tyler Bechtel
Cincinnati Technical College

M. Lou Cisneros
Austin Community College

Benjamin Findley, Jr.
University of Sarasota

Elaine Fry
Nicholls State University

Matthew Gross
Moraine Valley Community College

Lisa Gundry, Ph.D.
DePaul University

Anthony Jurkus
Louisiana Technical University

Sylvia Keyes
Bridgewater State College

Kenneth Lacho
University of New Orleans–Lakefront

David Lang
*City University of New York—
Kingsborough Community College*

Rick A. Lester
University of North Alabama

Dr. Fredric L. Mayerson
Kingsborough Community College

Coenraad L. Mohr, Ph.D.
Illinois State University

Lee H. Neumann
Bucks County Community College

Joseph O'Grady
Champlain College

James W. Peelle
Carl Sandburg College

Donald Pettit
Suffolk County Community College

Gary Poorman
Normandale Community College

Deborah A. Reed
Community College of Beaver County

Susanne Schmalz
University of Southwestern Louisiana

Gene Schneider
Austin Community College

Thomas J. Shaughnessy
Illinois Central College

Dr. Deborah L. Wells
Creighton University

Douglas Wozniak
Ferris State College

Penny Wright
San Diego State University

John Zeiger
Bryant College

As I have noted, the ancillaries for *Contemporary Management* were prepared by Dr. Fraya W. Andrews. Fraya worked closely with me and with the staff of Houghton Mifflin to ensure that each supplement is of the highest quality. She is delightful to work with, and the ancillaries are exceptional teaching and learning aids.

I also want to acknowledge the help of my family. Writing a text is hard on one's family; mine had to put up with the pressures of writing and publishing as much as I, if not more. We learned to share our love for one another in new ways during this time, and that made it all possible.

B R I E F C O N T E N T S

PART ONE

MANAGEMENT: AN INTRODUCTION 2

- Chapter 1** *The World of Management and Managers* 4
Chapter 2 *Management Theory: Past and Present* 32
Chapter 3 *Managerial Ethics and Social Responsibility* 62

PART TWO

PLANNING AND DECISION MAKING 92

- Chapter 4** *Organizational Environments and Goals* 94
Chapter 5 *Managerial Planning* 122
Chapter 6 *Strategy and Strategic Planning* 148
Chapter 7 *Decision Making* 176

PART THREE

ORGANIZING 204

- Chapter 8** *Organizing Concepts* 206
Chapter 9 *Organization Design* 234
Chapter 10 *Staffing and Human Resources* 262
Chapter 11 *Information Systems* 292

PART FOUR

LEADING 320

- Chapter 12** *Leadership* 322
Chapter 13 *Employee Motivation* 350
Chapter 14 *Interpersonal Processes* 378
Chapter 15 *Interpersonal Communication* 408

PART FIVE**CONTROLLING****434**

- Chapter 16** Organizational Control 436
Chapter 17 Control Techniques and Methods 462
Chapter 18 Operations Management 488
Chapter 19 Productivity and Quality 514

PART SIX**SPECIAL CHALLENGES OF MANAGEMENT****542**

- Chapter 20** Organization Change and Development 544
Chapter 21 International Management 568
Chapter 22 Management in the Future 594

APPENDIX**MANAGERIAL CAREERS****619**

- Glossary** 635
Name and Company Index 652
Subject Index 663

CONTENTS

Preface xxi

PART ONE MANAGEMENT: AN INTRODUCTION 2



1 The World of Management and Managers 4

*Prelude Case: Disney Manages
for the Future 6*

What Is Management?	8
A Definition of Management	8
The Complexity of Management	9
The Pervasiveness of Management	10
Kinds of Managers	11

Levels of Management	11
Areas of Management	13

*Management Today Small
Business and Entrepreneurship:
Entrepreneurs Overcontrol 14*

The Manager's Job	15
Planning and Decision Making	15
Organizing	16
Leading	16
Controlling	17

Management Roles and Skills	17
Management Roles	18
Management Skills	20

Successful Management	22
Efficiency	22
Effectiveness	23

How Do Managers Become Successful?	23
Education	23
Experience	24

*Management Today The World
of Management: Business Schools
in Europe 25*

Plan for the Book	25
Chapter Summary	27

*Enhancement Case: American Airlines
Takes Off 29*

2 Management Theory: Past and Present 32

<i>Prelude Case: Intel Is on Top</i>	34
The Importance of History and Theory	36

The Origins of Management Theory 37

Management Today *Management in Practice: Wells Fargo Remembers Its Past* 38

Ancient Management 38
Precursors of Modern Management 40

The Classical School 40

Scientific Management 40
Administrative Management 43
Assessment of the Classical School 45

The Behavioral School 45

The Hawthorne Studies 45
Human Relations 46
Contemporary Behavioral Science 47
Assessment of the Behavioral School 48

The Quantitative School 48

Management Science 48
Operations Management 49
Management Information Systems 49
Assessment of the Quantitative School 49

Contemporary Management Theory 50

Systems Theory 50

Management Today *The World of Management: Lloyd's Means More than Coffee* 51

Contingency Theory 53
Emerging Perspectives 54

Chapter Summary 56

Enhancement Case: Kmart Keeps on Pushing 59

3

Managerial Ethics and Social Responsibility 62

Prelude Case: Exxon Spills 64

The Nature of Ethics 66

The Meaning of Ethics 66
The Formation of Ethics 67

Managerial Ethics 68

Ethics and Management 68

Management Today *The World of Management: In Japan Politics Means Money* 71

The Ethical Context of Management 71

Managing Ethics 73

Top-Management Support 73
Codes of Conduct 73

The Nature of Social Responsibility 74

Historical Development 74
Arguments About Social Responsibility 76

Approaches to Social Responsibility 78

Social Obligation 78
Social Reaction 79
Social Involvement 80

Management Today *Small Business and Entrepreneurship: New Companies Clean Up* 81

Areas of Social Responsibility 83

The Government and Social Responsibility 83

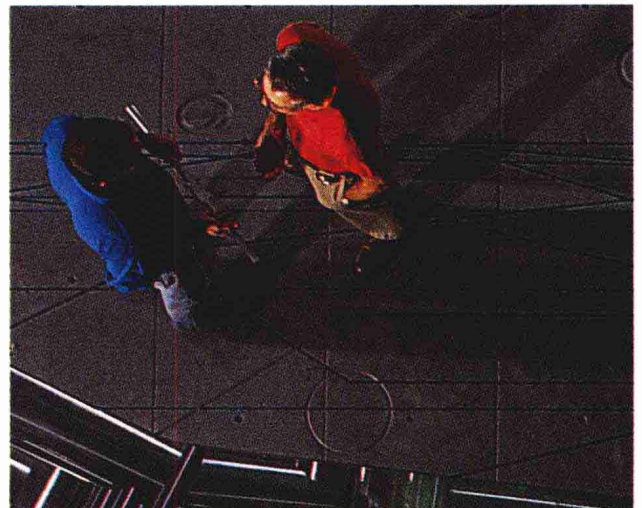
Government Regulation of Business 83
Business Influence on Government 84

Chapter Summary 85

Enhancement Case: Ashland Spills 87

The Entrepreneurial Spirit 90

PART TWO PLANNING AND DECISION MAKING 92



4

Organizational Environments and Goals

94

Prelude Case: Kellogg Comes Roaring Back 96

The Nature of Organizational Goals 98

Definition and Purpose of Goals 98

Steps in Goal Setting 98

Organizational Environments and Goal Setting 101

Management Today Small Business and Entrepreneurship: Incubators Provide Buffer from Environment 101

The General Environment 101

The Task Environment 104

Environments and Goals 106

Management Today Ethical Dilemmas of Management: Westinghouse Plans for a Nuclear Future 107

Managing Multiple Goals 108

Kinds of Goals 108

Goal Optimization 110

Effective Goal Setting 111

Barriers to Effective Goal Setting 111

Overcoming the Barriers to Goal Setting 113

Management by Objectives 115

Management Today The World of Management: Cypress Cranks with Turbo MBO 115

The Nature of MBO 115

The Mechanics of MBO 116

The Effectiveness of MBO 116

Chapter Summary 117

Enhancement Case: American Express Walks a Tightrope 119

5

Managerial Planning

122

Prelude Case: Woolworth Changes Course 124

Planning in Organizations 126

Why Managers Plan 126

Responsibilities for Planning 126

Management Today Small Business and Entrepreneurship: Baking Success at Mrs. Fields 128

Kinds of Planning 128

Strategic Planning 129

Tactical Planning 130

Operational Planning 130

Time Frames for Planning 132

Long-Range Planning 132

Intermediate Planning 133

Short-Range Planning 133

Integrating Time Frames 133

Contingency Planning 134

The Nature of Contingency Planning 134

Management Today The World of Management: Fiat Adjusts its Course 135

Contingency Events 136

Managing the Planning Process 137

Roadblocks to Effective Planning 137

Avoiding the Roadblocks 139

Tools and Techniques for Planning 140

Forecasting 140

Other Planning Techniques 142

Using Planning Tools and Techniques 142

Chapter Summary 144

Enhancement Case: Black & Decker Turns Around 145

6

Strategy and Strategic Planning

148

Prelude Case: Mars, The Venerable Candy Maker 150

The Nature of Strategic Planning 152

The Components of Strategy 152

Strategy Formulation and Implementation 153

The Levels of Strategy 153

Environmental Analysis 155

Environmental Forces 155

The Organization-Environment Interface 157

Corporate Strategy 158

Grand Strategies 158

Portfolio Approaches 158

Management Today *Management in Practice: Hershey Sweetens Bottom Line* 159

Management Today *The World of Management: Daimler-Benz, German Juggernaut* 163

Business Strategy 163

The Adaptation Process 163

Competitive Strategies 165

Functional Strategies 166

Management Today *Small Business and Entrepreneurship: Liz Claiborne Targets Success* 167

Strategy Implementation 170**Chapter Summary 171**

Enhancement Case: *Borden Switches Strategies* 173

Management Today *Ethical Dilemmas of Management: Beech-Nut's Not-So-Natural Apple Juice* 191

Evaluating the Results 191

Innovation and Decision Making 192

Encouraging Innovation 192

The Innovation Process 193

Decision-Making Techniques 194

The Payoff Matrix 195

Decision Trees 196

Other Techniques 197

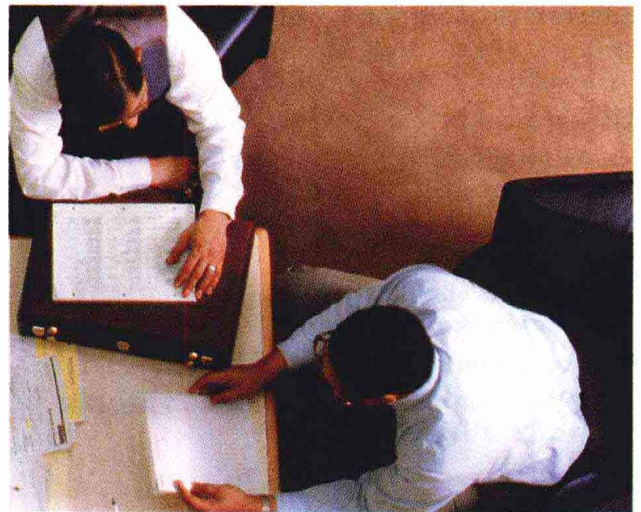
Chapter Summary 198

Enhancement Case: *Compaq Computer's Think Tank* 200

The Entrepreneurial Spirit 202

PART THREE ORGANIZING

204



7 Decision Making 176

Prelude Case: *General Electric's Bold Decision Maker* 178

The Nature of Decision Making 180

Decision Making Versus Problem Solving 180

Decision-Making Conditions 181

Approaches to Decision Making 183

The Rational Model 183

The Behavioral Model 184

Other Behavioral Processes 185

Management Today *Management in Practice: ABC's Miniseries: Too Much of a Good Thing* 186

The Decision-Making Process 187

Defining the Situation 187

Generating Alternatives 188

Judging Alternatives 189

Choosing the Best Alternative 190

Implementing the Alternative 190

8 Organizing Concepts 206

Prelude Case: *McDonnell Douglas's Brave New World* 208

The Nature of Organizing	210
The Organizing Process	210
Key Organizing Components and Concepts	211

Designing Jobs	211
Job Specialization	212
Alternatives to Specialization	213

Grouping Jobs	215
Departmentalization by Function	216
Departmentalization by Product	217
Departmentalization by Location	218
Other Considerations in Departmentalization	218

Authority and Responsibility	219
Delegation	219
<i>Management Today Small Business and Entrepreneurship: Fantastic Sam's Far-Flung Empire</i>	220

Decentralization	221
<i>Management Today The World of Management: Samsung's Formula for Success</i>	223

The Span of Management	223
Wide and Narrow Spans	224
Tall and Flat Organizations	224
Factors Influencing Group Effectiveness	224

Line and Staff Positions	227
---------------------------------	------------

Chapter Summary	228
<i>Enhancement Case: IBM Downsizes and Upgrades</i>	231

9 Organization Design 234

<i>Prelude Case: The Unlimited Limited</i>	236
The Nature of Organization Design	238
The Meaning of Organization Design	238
The Role of Organization Charts	238
Early Approaches to Organization Design	240
The Bureaucratic Design	240
System 4 Design	241
Contingency Factors Affecting Organization Design	243

Size	243
Technology	243
Environment	245
Contemporary Organization Design Alternatives	247
The Organic Design	247
The Matrix Design	247
The Divisional Design	250

Management Today The World of Management: ICI's Divisional Headaches 252

Other Designs	253
Corporate Culture	253
Determinants of Culture	254
Components of Culture	254
Consequences of Culture	255

Management Today Ethical Dilemmas of Management: Too Much Innovation at Johnson & Johnson? 256

Chapter Summary	257
<i>Enhancement Case: Pepsico's High-Performance Design</i>	259

10 Staffing and Human Resources 262

<i>Prelude Case: Toyota Takes Its Time</i>	264
The Nature of Staffing	266
The Staffing Process	266
Legal Constraints	267
Human Resource Planning	268
Job Analysis	268

Management Today The World of Management: Expansion and Contraction Problems 269

Forecasting Supply and Demand	269
Matching Supply and Demand	270
The Selection of Human Resources	271
Recruiting	271
Selection	273
Orientation	275

Training and Development	276
Assessing Training and Development Needs	276
Popular Training and Development Techniques	276
Evaluating the Effectiveness of Training	276
Performance Appraisal	278
Objective Measures	278
Judgmental Methods	278
Management by Objectives	279
Feedback	280
Compensation and Benefits	280
Wage and Salaries	280
Benefits	282
Labor Relations	283
How Unions Are Formed	283
<i>Management Today</i> Ethical Dilemmas of Management: Problems in Paradise	285
Collective Bargaining	285
Chapter Summary	287
<i>Enhancement Case: AT&T's New People Approach</i>	289

11

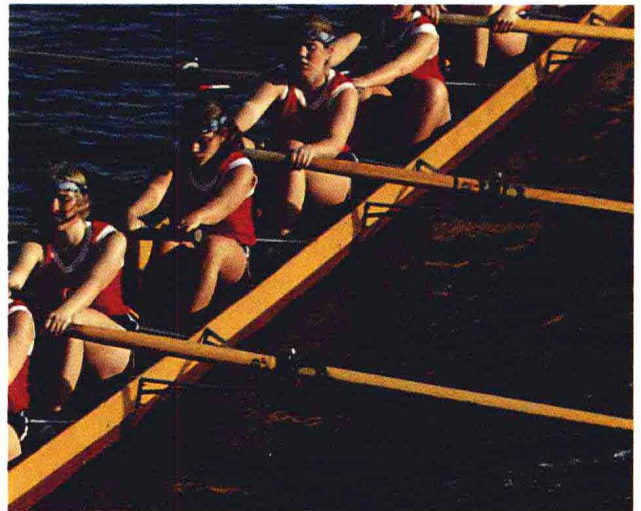
Information Systems 292

<i>Prelude Case: Benetton's Instant Information System</i>	294
The Nature of Information Systems	296
Information Systems and the Manager's Job	297
Effective Information	298
Basic Components of Information Systems	298
Developing Information Systems	299
Information System Needs	299
Kinds of Information Systems	301
<i>Management Today</i> The World of Management: KLM: A Quality System	302
Matching Needs and Systems	303
Managing Information Systems	305
Integrating Systems	305
Using Systems	306

Information Systems and Organizations	307
Effects	307
<i>Management Today</i> Management in Practice: Westinghouse Goes Around the World with E-Mail	309
Limitations	309
New Information Technologies	310
Computer Software	311
Telecommunications	311
Artificial Intelligence	312
Hypertext	313
Chapter Summary	313
<i>Enhancement Case: Federal Express: Keeping Track of Everything</i>	316

The Entrepreneurial Spirit 319

PART FOUR LEADING 320



12

Leadership 322

<i>Prelude Case: Bill Marriott—Leader, Manager, or Both?</i>	324
--	-----