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Thomas S. Bateman Robert Konopaske

Management^{15e}

LEADING & COLLABORATING IN A COMPETITIVE WORLD



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MANAGEMENT

Leading & Collaborating in a Competitive World

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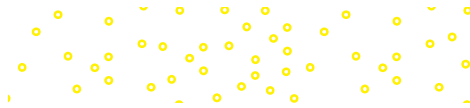
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MANAGEMENT

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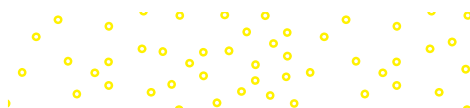
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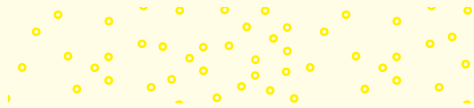
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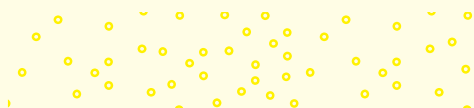




For my parents, Tom and Jeanine Bateman,
and Mary Jo, Lauren, T.J., James, and Rinska

and

My parents, Art and Rose Konopaske,
and Vania, Nick, and Isabella



About the Authors

THOMAS S. BATEMAN

Thomas S. Bateman is professor emeritus (now living in Maine) with the McIntire School of Commerce at the University of Virginia. For many years prior to his two decades at UVA teaching leadership and organizational behavior to students of every level, he taught at the University of North Carolina–Chapel Hill; the Institute for Management Development (IMD) in Lausanne, Switzerland; and Texas A&M University.



Dan Addison/UVA University Communications

Professor Bateman earned his doctorate in business administration at Indiana University, and his BA from Miami University.

Tom is a long-time researcher, writer, and consultant. His editorial board memberships have included the *Academy of Management Review*, the *Academy of Management Journal*, and *Journal of Management*. His articles appear in journals such as the *Academy of Management Journal*, *Academy of Management Review*, *Journal of Applied Psychology*, *Organizational Behavior and Human Decision Processes*, *Journal of Organizational Behavior*, *Human Relations*, *Journal of Macromarketing*, and *Proceedings of the National Academy of Sciences*.

Tom's long-time research interests center on proactive behavior (including leadership) by employees at all levels, with a recent turn toward proactivity that targets climate action and sustainability. Proaction—long-term-oriented behaviors intended to change current trajectories, avoid future problems, and create better futures—is a significant emphasis in this textbook.

Tom blogs for *Psychology Today*, and his recent work on psychological aspects of climate action appears in *Nature Climate Change*, *Global Environmental Change*, *GreenBiz*, and *The Conversation*. Tom's consulting work has included a variety of organizations, including Akima, Singapore Airlines, the Brookings Institution, Nokia, the U.S. Chamber of Commerce, the Nature Conservancy, LexisNexis, Weber Shandwick, the Association of Climate Change Officers, and Chicago's Field Museum of Natural History.

ROBERT KONOPASKE




Robert Konopaske

Rob Konopaske is an associate professor of management and principles of management core course coordinator in the McCoy College of Business at Texas State University. At the College, he also serves as the director of the Institute for Global Business. A passionate educator who cares deeply about providing students with an exceptional learning experience, Rob has taught numerous undergraduate, graduate,

and executive management courses, including Principles of Management, Organizational Behavior, Human Resource Management, International Human Resources Management, and Cross-Cultural Management. He has received numerous teaching honors while at Texas State University, including the 2016 Presidential Distinction Award, 2014 Gregg Master Teacher Award, and 2012–2013 Namesake for the PAWS Preview new student socialization program (an honor bestowed annually upon 8 out of approximately 2,000 faculty and staff). Rob earned his doctoral degree in business administration (management) at the University of Houston, a master's in international business studies (MIBS) degree from the University of South Carolina, and a bachelor of arts degree from Rutgers University, where he was inducted into the Phi Beta Kappa honor society. He has taught at the University of Houston, the University of North Carolina at Wilmington, and Florida Atlantic University.

Rob is co-author of several editions of popular textbooks: *Management: Leading & Collaborating in a Competitive World*, *M: Management, Organizational Behavior and Management*, *Human Resource Management*, and *Organizations: Behavior, Structure, Processes*. The eleventh edition of *Organizations* won a McGuffey Award (for longevity of textbooks and learning materials whose excellence has been demonstrated over time) from the national Text and Academic Authors' Association.

Rob's research has been published in such outlets as the *Journal of Applied Psychology*, *Academy of Management*



Executive, Management International Review, Business Horizons, Human Resource Management, Journal of Business Research, Journal of Management Education, Nonprofit Management and Leadership, Journal of Managerial Psychology, and Human Resource Management Review. Rob currently serves on the editorial board of the International Journal of Human Resource Management.

Rob has lived and worked internationally, speaks three languages, and has held management positions with a large nonprofit organization and a *Fortune* 500 multinational firm. He consults, trains, and conducts research projects for a wide range of companies and industries. Past clients include Credit Suisse, PricewaterhouseCoopers, and Occidental Oil.



Preface

Welcome to our 15th edition! Thanks to all for your long-standing and recent support, plus a warm welcome to our latest new adopters. We are proud and exceptionally enthusiastic to offer you our best-ever learning experience.

Our Goals

Our threefold mission with this text is to inform, instruct, and inspire. We strive to *inform* students about the important concepts, practices, and leaders in the world of management. We hope to *instruct* readers by helping them identify their options, make good decisions, and take effective action. To *inspire* is no small aspiration, but we aspire to do so by providing a real sense of the challenges, possibilities, and opportunities that lie ahead.

Inspiring is a word not often used to describe textbooks, but it's a long-standing goal for us. Whether your personal goals include teaching or learning or both, starting your own company, leading a team to greatness, building an enduring organization, delighting your customers, or generally forging a gratifying career, we hope to help you find fulfilling futures.

We hope to inspire you to be both a thinker and a doer. We want you to know the important issues, consider the consequences of your actions, and think before you act. But good thinking is not enough; management is a world of action, reaction, and adaptation, and then more of the same.

Competitive Advantage

Students and future leaders need to understand certain realities. The world of management is competitive. It also is rich with important collaborative opportunities that can strengthen the performance of individuals, teams, and organizations.

Furthermore, managers have never faced so many tough challenges with so many potential risks and rewards. Never before has it been so imperative to your career that you learn the skills of management.

You will compete with other people for jobs, resources, and promotions. Your employer will compete with others

for contracts, clients, customers, and employees. To survive the competition, and to thrive, you must perform in ways that give you an edge and make others want to hire you, buy from you, and do repeat business with you. Now and over time, you will want them to choose you, not the competition.

So, managers and their employers must *perform*. In this book we emphasize essential performance dimensions: *cost, quality, speed, innovation, service, and sustainability*. When managed well, these performance “deliverables” offer value to customers and competitive advantage to you and your organization.

More than other management textbooks, we try to keep you focused on delivering important “bottom-line” results. We want you to think continually about providing the goods (products and services) that make both you and your organization successful.

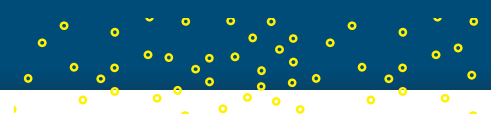
Good management practices and processes are keys to producing what you and your employer want. This results-oriented focus is a unique highlight you will take away from this book.

Leading & Collaborating

Yes, business and the world at large are competitive. But it's not that simple. In fact, to think strictly in terms of competition is overly cynical and often self-limiting, sometimes—sooner or later—sabotaging performance.

Along with a realistic perspective on competitive realities, vital managerial skills sets include *collaboration* and *leadership*. To succeed, teams and organizations need people to work *with* rather than against one another. Put another way, you can't perform alone—the world is too complex, and business is too challenging.

You need to work with your teammates. Leaders and followers need to work as collaborators more than as adversaries. Work groups throughout your organization need to cooperate with one another. Business and government, often viewed as antagonists, can work productively together. And intense competitors collaborate on some things—for example, joint ventures—even as they compete in other arenas.



How does an organization create competitive advantage through collaboration? It's all about the people, and it derives from good leadership.

Leadership, Clichés, and Stereotypes

Three stereotypes about leadership are that the top executives will provide it, that your immediate boss will provide it, and that you as a leader need to be decisive and commanding. These beliefs contain some truth, but are seriously flawed. They can misrepresent, mislead, and subvert potential. Realities are far more complex; striving for deeper understanding is essential.

Top executives and your immediate bosses may or may not provide effective leadership—in fact, truly good leadership is far too rare. Organizations need leaders at all levels, in every team and work unit. This includes you, beginning early in your career, which is why leadership is a vital theme in this book. Leaders should be capable of being decisive, but relying heavily on sheer authority—commanding and controlling—isn't good enough. Great leadership involves inspiring people to think and work differently—including working collaboratively on complex challenges to deliver outstanding results.

True leadership—from your bosses as well as from you—inspires collaboration, which in turn generates positive results for you, your employer, and your customers.

Leadership is an overused word, rarely understood and delivered to full potential. Like all professions, the management field is populated by buzzwords and clichés. Throughout this text and in your course you will learn to recognize commonly used terms and concepts, but we urge you to go further to learn about them in greater depth, with the goal of working with them to their full potential. That is, to others' advantage as well as your own.

As Always, Currency and Variety in the 15th Edition

This new edition is again on the leading edge of topical coverage. We have updated throughout with current business examples, recent events that affect business, and new research. COVID-19 is the biggest and most consequential event since our previous edition; we have worked hard to describe its impact on organizations and their people, how managers have responded, and lessons we have learned. We have also tried to strike the right balance and not overdo this pandemic coverage, because things keep changing and students will have plenty of other challenges on their minds.

In each edition, we scour top journals for the latest studies and review articles that will add value to our text, and

of course we include them in the references. Meanwhile, we continue to proudly emphasize bottom-line results, diversity and inclusiveness, and sustainability—themes on which we were early leaders and remain very current.

While still organizing the chapters around the classic management functions, we modernize those functions with a realistically dynamic orientation. Looking constantly at change and the future, we describe the management functions as Delivering Strategic Value (traditionally, Planning), Building a Dynamic Organization (Organizing), Mobilizing People (Leading), and last but hardly least, Learning and Changing (Controlling).

Special Features

The new 15th edition provides the most comprehensive and current management coverage. While we always update our content with compelling and current examples, we also listen to those who use our text on a daily basis. We value this feedback and strive to adjust our text accordingly. As a result, each edition becomes stronger in ways that go beyond updates.

While we continue to offer many of the iconic features of our text, we have also changed how certain information is presented. In previous editions, we included examples of inclusivity in the form of a boxed feature. Inclusivity must be the norm rather than a periodic highlight, so rather than highlight what should be a constant practice and policy, we have integrated diversity and inclusivity into every chapter's content.

Another important change for which we can thank our reviewers is a new, streamlined feature titled “**Spotlight on. . .**” In these boxes throughout the text we offer contemporary takes on social entrepreneurship, the digital world, careers, sustainability, and many more relevant topics. More on this below.

Finally, we have added a new career readiness feature in most chapters. Titled “**Take Charge of Your Career,**” these boxed items provide helpful information to students as they look toward and pursue their professional goals.

Features in Detail

“**Management in Action**” is a hallmark feature, presenting unfolding, three-part cases about today's business leaders and companies. The first part, “Manager's Brief,” encourages students at the start of each chapter to begin thinking about one or more chapter themes in the context of the current business scene. The second element, “Progress Report,” appears partway through each chapter and adds more themes to the narrative. Here, we offer questions for class discussion, group work, or simply reflection. Closing out each unfolding theme at the end of the chapter is “Onward.” This element

also includes questions for further consideration and perhaps additional research.

Most of these “Management in Action” stories depict a single company and/or leader and unfold chronologically as they illustrate various chapter themes. New and revised examples include:

- Lynsi Snyder: Managing In-N-Out to Success
- Assessing Uber’s Management Decisions
- Management and Ethics: The New Landscape
- Alibaba: Going Global
- Entrepreneurs Are Not Them, They’re Us
- Mary Barra: Changing GM’s Structure with the Times
- Netflix’s Agile Culture
- Communication during Difficult Times

“**Spotlight on . . .**” feature offers chapter-relevant, topical, and timely themes. Some come from outside the private sector, as so many students are deeply interested in how business collaborates with organizations in other sectors, particular in the realms of social enterprise, social entrepreneurship, and sustainability. Another recurring theme in this feature is how companies and others employ digital advances such as artificial intelligence, blockchain, and social media—areas that students will relate to and in the process, learn of practices most relevant to managerial decision making. Instructors might learn a lot as well! Examples include:

- AI: Help or Hindrance in Communicating?
- Social Entrepreneurship: Business for the Better
- Worldwide Competition for Student Entrepreneurs
- Science + Business = Limitless Possibilities?
- Combatting Climate Change
- How AI Affects Leadership
- Global Virtual Teams
- Co-working: Is It Here to Stay?
- Measuring Social Impact

In addition to this new feature and at the request of our reviewers, we have included more questions for students to consider and discuss.

“**Take Charge of Your Career**” feature provides helpful information for students about the steps they can take now in order to excel in their chosen career. Students will find useful tips and advice on an array of topics including:

- Assessing “fit” with an employer’s organization culture
- Finding an ethical employer
- Landing an internship
- Receiving constructive feedback
- Finding a mentor
- Honing one’s leadership skills
- Building teamwork skills

Concluding Cases offer an opportunity for students to read about and discuss disguised-but-real companies and people, reinforcing key chapter concepts and themes. Examples include:

- A New Manager at USA Hospital Supply
- PRGA Motors
- Soaring Eagle Skate Company
- Wish You Would Toy Store
- Oré Earth Skin Care Tries to Stay Natural
- A Global Launch for Treasure Cup
- Rolling Out Soft Scroll
- Stanley Lynch Investment Group
- DIY Stores
- Invincibility Systems
- Niche Hotel Group
- Leadership Change Hurts Breit, Starr & Diamond LLC
- Big Bison Resorts: Finding the Right Motivators
- Un-Teamwork at Quadra
- Communicating at Best Trust Bank
- Growly Grizzly Bear Lodge
- Innovating at Worldwide Games
- Eatwell Technologies

Supporting Cases at the end of Chapters 3, 7, 11, 15, and 18 offer additional topics for students who want to delve further into concepts covered in the book’s five parts.

Bottom Line feature throughout the text calls out the six essential types of performance deliverables on which an organization beats, equals, or loses to the competition: cost, quality, speed, innovation, service, and sustainability. These performance dimensions, when done well, deliver value to the customer and competitive advantage to you and your organization. Periodic icons remind students of their impact on the bottom line.

Bottom Line

It's easy to become so focused on maximizing one goal that you lose sight of other important goals. You're optimizing if you make sure that no important result is ignored. *What could be the negative consequences of making decisions that maximize only quality?*



Bottom Line

"Costs" aren't exactly synonymous with "ethics." But by considering the potential costs to all parties, you can make high-quality ethical decisions that you can more effectively sell to others. *What are some costs of treating employees or customers unethically?*



Bottom Line

A diverse workforce can lead to greater responsiveness. *Why might a customer who wants something new get a faster response from a company that tolerates different styles?*



Bottom Line

Innovation can improve all bottom-line practices. *How can innovation support a differentiation strategy?*



Bottom Line

Make sure that you reward the right things, not the wrong things. Sound obvious? You'd be surprised how often this principle is violated! *What is rewarding, and not rewarding, about feedback from your manager?*



Bottom Line

Aspire to become world class at every one of your competitive goals. *What does it mean to be world class at a goal such as quality or sustainability?*



The Instructor's Manual includes answers to questions that further emphasize the bottom line.

End-of-Chapter Discussion Questions have been strengthened and new ones added based upon reviewer feedback. We not only provide questions about the chapter concepts, but also encourage students to contextualize and consider them at a personal level. We also periodically follow examples of companies and current events by asking students to find current updates about the companies, their changing competitive environments, and relevant societal and political developments. Some examples of new discussion questions include:

- Identify three suggestions [from Chapter 1] for managing your career that you want to remember and never forget.
- What diversity-related incidents have you seen that you and others should think about more and discuss? How can you make such a discussion productive and not counterproductive?
- Why is it so hard to make decisions that weight long-term more than short-term considerations? What examples, personal and in current events, can you think of?
- Do you suspect that cross-cultural differences are increasing or decreasing? What evidence do you draw from?

That's the big picture. We believe the management stories throughout light up the discussion and connect the

major themes of the new edition with the many real worlds students will enter soon.

Chapter-by-Chapter Changes

We have thoroughly reviewed and revised every chapter, finding new ways to present the material more efficiently, clearly, and memorably. Each chapter has new business examples, updated statistics where appropriate, new photos and captions, new features, and recent events that affect business globally or domestically (COVID-19 is the prime example, but we've added plenty of others having global and domestic impact and lessons). Of course, we have included the most up-to-date knowledge from the best journals—new concepts and practices, plus important academic references that help instructors stay current with review articles, meta-analyses, and special issues.

Chapter 1

- New "Management in Action" on Lynsi Snyder of In-N-Out Burger
- New content on competition and collaboration in battling COVID-19, including why the world lost to the pandemic and society's grand challenges

- New “Spotlight on . . .” featuring Facebook and Bill Drayton (the founder of the social entrepreneurship movement)
- Information on biology-based technologies; self-directed (protean) careers; and tips on surviving in the gig economy
- Predictions by McKinsey Global Institute, as well as CEO predictions for how we will work in the future
- New material on sustainable cross-sector collaborations for global social impact; the most admired global companies; and the evolution of corporate responsibility and sustainability
- New Discussion Questions

Chapter 2

- Revised and updated “Management in Action” on Amazon and WeWork
- New focus on culture throughout the chapter
- New “Spotlight on . . .” about combating climate change
- New references throughout, including *Business Education as If the Planet and People Really Matter*, by Andrew Hoffman; *Paradigm Lost: Reinvigorating the Study of Organization Culture*, by J. Chatman and C. O’Reilly; and “Improving Pandemic Preparedness: Lessons from COVID-19,” by T. Bollyky and S. Patrick
- New labor force data and updated information on the Affordable Care Act
- New examples, including culture at Purdue Pharmaceuticals; use of predictive analytics at colleges and universities; high-profile computer hacks; acquisitions and divestitures; and the impact of the BP Gulf oil spill
- New “Take Charge of Your Career” on assessing an organization’s culture
- New Discussion Questions

Chapter 3

- New “Management in Action” on Uber
- New sections on risk and uncertainty, which clarifies their similarities and differences
- New material on swarm intelligence, stock market uncertainties and incremental decision making, and cognitive biases, including motivated reasoning and confirmation bias
- New “Spotlight on . . .” discussing predictive analytics

- New references, including “Radical Uncertainty: Decision Making for an Unknowable Future,” by J. Kay and M. King
- Five potential global scenarios for 2030
- New “Take Charge of Your Career” on strategically managing the job search
- A new Part One Supporting Case on Mark Zuckerberg and Facebook

Chapter 4

- Thoroughly revised and updated “Management in Action” on Disney
- New examples and updates on Novo Nordisk, Chipotle, and Austin, Texas, strategic vision
- New “Spotlight on . . .” covering the triple bottom line and managing technology’s impact

Chapter 5

- New “Management in Action” on the new landscape of management ethics
- New content on informal ethics, businesses that engage in more cross-sector collaborations, and the positive impact of business participation in disaster relief
- New “Spotlight on . . .” box on digital monitoring to ensure ethics and India’s Barefoot College
- Updates and developments on the Wells Fargo ethics scandal and Sarbanes-Oxley
- New material on layoffs and ethics during the COVID-19 pandemic
- New addition on Business Roundtable Statement of the Purpose of the Corporation
- New references, including “Corporate Corruption: A Review and an Agenda for Future Research,” by A. Castro, N. Phillips, and S. Ansari; and “Beyond Good Intentions: Designing CSR Initiatives for Greater Social Impact,” by M. Barnett, I. Henriques, and B. Husted
- New content on the United Nations Sustainable Development Goals
- New “Take Charge of Your Career” on finding an ethical employer

Chapter 6

- New “Management in Action” on Alibaba
- New section on global strategy

- New coverage of bottom of the pyramid, international differences in handling the pandemic, and the new Panasonic headquarters in China
- New “Spotlight on . . .” about global email etiquette
- New examples of Harley-Davidson overseas, Project Globe leadership findings, and the top 10 global firms
- Updated data on manufacturing sectors, EU, and USMCA (which replaced NAFTA)
- New “Take Charge of Your Career” on studying abroad

Chapter 7

- New “Management in Action” on three female entrepreneurs and their respective companies
- New information on company founders and CEOs
- New content on the pandemic’s impact on small companies, the potential for China–United States collaborations on space commercialization
- New “Spotlight on . . .” features on how entrepreneurship in Senegal is tackling poverty, student social entrepreneurs, crowdfunding, and tech start-ups
- New “Take Charge of Your Career” on becoming an entrepreneur as a student

Chapter 8

- New “Management in Action” on Mary Barra and GM
- New references, including “Editors’ Comments: The Future of Organization Theory,” by J. A. C. Baum and H. A. Haverman
- New “Spotlight on . . .” box featuring Kiva
- New “Take Charge of Your Career” on landing an internship

Chapter 9

- Newly titled as “The Adaptive Organization,” this chapter covers responding with agility to demands from the external environment, including a customer focus via speed, quality, technology, and innovation
- New “Management in Action” on agility at Netflix, 3M and its manufacturing partnerships during COVID-19, and Walmart
- New coverage of organizational ambidexterity and ordinary plus dynamic capabilities
- New “Spotlight on . . .” about scaling and increasing the impact of social enterprises, including multisector collaborations
- New examples, including Nike’s direct-to-customer model, which invests heavily in data science and

predictive analytics, and 9001 ISO new COVID-inspired standards for ventilator safety and efficacy

Chapter 10

- Thoroughly revised and updated “Management in Action” on Google
- New section on equal pay and comparable worth
- New content on labor relations, including unionization attempt by Amazon employees
- New “Spotlight on . . .” box on social consciousness
- New references, including “Evaluating the Effects of Performance Management: A 30-Year Conceptual Integrative Review,” by D. Schleicher, H. Baumann, D. Sullivan, and J. Yun
- New examples, including a sexual harassment and retaliation lawsuit, Walmart’s cash bonuses to all U.S.-based associates during the pandemic, and work-related safety risks
- Updates about training costs per employee/learner and CEO-to-average-worker pay ratios; changes in pension plans and health insurance
- New “Take Charge of Your Career” on strategically managing your job search

Chapter 11

- Newly titled as “Cultivating Diversity and Inclusiveness,” this chapter has been completely revised, with close attention to contemporary language
- Thoroughly revised and updated “Management in Action” on Julie Sweet and Accenture
- New section on the changing workforce
- New content on leading companies, executives, and constructive practices; cognitive diversity; and religious inclusivity and age discrimination
- New references, including “Diversity Initiative Effectiveness: A Typological Theory of Unintended Consequences,” by L. M. Leslie
- New “Take Charge of Your Career” on finding a mentor
- New Discussion Questions

Chapter 12

- Thoroughly revised and updated “Management in Action” on Kenneth Frazier and Merck
- New examples of vision statements; special appreciation for Frances Hesselbein as a visionary servant leader, still active as a centenarian
- New content on managing versus leading and distributed leadership

- New “Spotlight on . . .” featuring disaster-resilient homes
- New references, including “The Dark Side of Transformational Leader Behaviors for Leaders Themselves: A Conservation of Resources Perspective,” by S.-H. Lin, B. Scott, and F. Matta; and “A Multilevel Investigation of Predictors and Outcomes of Shared Leadership,” by K. Klasmeier and J. Rould
- New “Take Charge of Your Career” on honing your leadership skills

Chapter 13

- New “Management in Action” on motivation strategies and tactics at Google, Salesforce, Apple, SAS, and Hilton
- New “Spotlight on . . .” about using duty as a source of motivation and using technology to motivate
- New references, including “A Look Back and a Leap Forward: A Review and a Synthesis of the Individual Work Performance Literature,” by J. Carpini, S. Parker, and M. Griffin; and “The Energizing Nature of Work Engagement: Toward a New Need-Based Theory of Work Engagement,” by P. Green Jr., E. Finkel, G. Fitzsimons, et al.
- New “Take Charge of Your Career” on being motivated to find a job you love

Chapter 14

- Thoroughly revised and updated “Management in Action” on Whole Foods
- New references, including “Leadership in Virtual Teams: A Multilevel Perspective,” by C. Liao; “Instigating, Engaging In, and Managing Group Conflict: A Review of the Literature Addressing the Critical Role of Leadership in Group Conflict,” by S. Zhaos, M. B. Thatcher, and K. Jehn
- New “Spotlight on . . .” discussing global virtual teamwork and co-working
- New “Take Charge of Your Career” on building your teamwork skills

Chapter 15

- New “Management in Action” on SoundCloud and Bumble
- New material on open-book management
- New “Spotlight on . . .” featuring AI and communicating to create change
- New examples on communicating, including in restaurants during the pandemic

- New “Take Charge of Your Career” on tips for effective public speaking
- New Discussion Questions

Chapter 16

- Thoroughly revised and updated “Management in Action” on controlling health care costs and a variety of employee behaviors
- New content on the possible negative overseas impact of social entrepreneurship, controlling office romances, and Chipotle’s improved food safety operations
- New “Spotlight on . . .” about measuring social impact
- New “Take Charge of Your Career” on how to control without being controlling

Chapter 17

- Thoroughly revised and updated “Management in Action” on Elon Musk
- New section on organizing for innovation
- New “Spotlight on . . .” feature on unconscious biases of technology
- New information on the UNESCO World Water Development Report and CRISPR technology
- Updates on drug development and patent expirations; the partnership between rivals Gilead and Merck; and Facebook’s acquisition of Kustomer, a CRM start-up

Chapter 18

- Thoroughly revised and updated “Management in Action” on Shell and Siemens
- New content on the most innovative cities in the world; department store closings; and breakthrough technologies
- New data highlighting *IndustryWeek*’s survey of increased optimism among U.S. manufacturers
- New “Spotlight on . . .” about leveraging AI
- New references, including “Successful Organizational Change: Integrating the Management Practice and Scholarly Literatures,” by J. Stouters, D. Rousseau, and D. DeCremer; and “Proactivity at Work: Making Things Happen in Organizations, edited by S. Parker and U. Bindl

A Team Effort

This book is the product of a fantastic McGraw Hill team. Moreover, we produced it believing that we are part of a team

with the course instructor and with students. The entire team is responsible for the learning process.

For students, our goal, like that of other instructors, is to create a positive learning environment. But in the end, the raw material of this course is just words. It is up to you to use them as a basis for further reflection, deep learning, and constructive action.

What you do with the things you learn from this course, and with the opportunities the future holds, *counts*. As a manager, you can make a dramatic difference for yourself and for other people. What managers do matters greatly.

Acknowledgments

This book could not have been written and published without the valuable contributions of many individuals.

Our reviewers for the previous 14 editions contributed time, expertise, and terrific ideas that significantly enhanced the quality of the text. In addition, we thank those who provided helpful feedback on the new 15th edition:

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—*Long Beach*

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Richard Sarkisian, *Camden County College*

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Thomas S. Bateman
Rockport, ME

Robert Konopaske
San Marcos, TX



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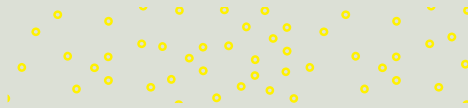
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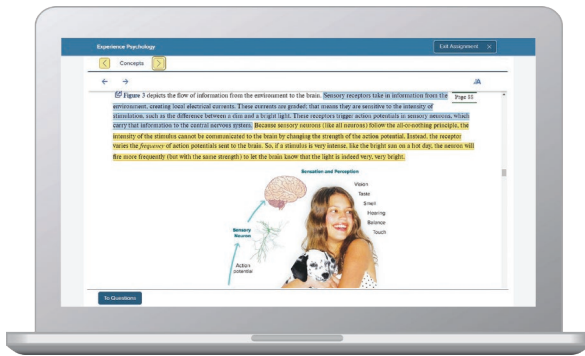
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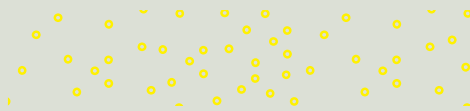
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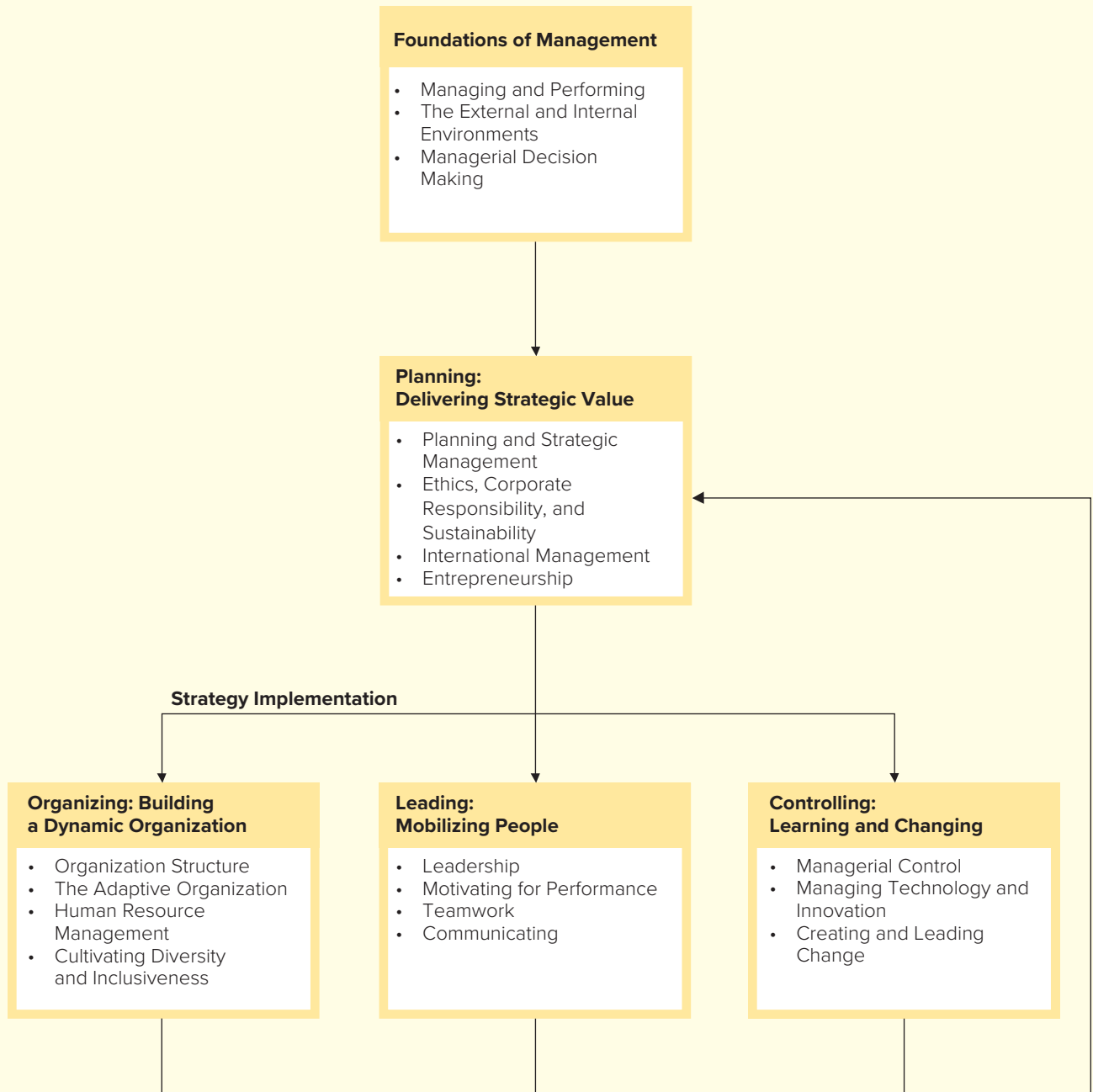
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The Management Process



CHAPTER 1

Managing and Performing

Above all else, management is a practice where art, science, and craft meet. To be sure, managers need specialized knowledge. But more important, they need wisdom—the ability to weave together and make use of different kinds of knowledge.

—Henry Mintzberg

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Learning objectives

After studying this chapter, you will be able to:

- LO 1-1** Summarize the major challenges of managing in the new competitive landscape.
- LO 1-2** Describe the sources of competitive advantage for a company.
- LO 1-3** Explain how the functions of management are evolving in today's business environment.
- LO 1-4** Compare how the nature of management varies at different organizational levels.
- LO 1-5** Define the skills you need to be an effective manager.
- LO 1-6** Understand the principles that will help you manage your career.

chapter outline

Managing in a Competitive World

- Globalization
- Technological Change
- Knowledge Management
- Collaboration

Managing for Competitive Advantage

- Innovation
- Quality
- Service
- Speed
- Cost Competitiveness
- Sustainability
- Delivering All Types of Performance

The Functions of Management

- Planning: Delivering Strategic Value
- Organizing: Building a Dynamic Organization
- Leading: Mobilizing People
- Controlling: Learning and Changing
- Performing All Four Management Functions

Management Levels and Skills

- Top-Level Managers
- Middle-Level Managers
- Frontline Managers
- Working Leaders with Broad Responsibilities
- Must-Have Management Skills

You and Your Career

- Be Both a Specialist and a Generalist
- Be Self-Reliant
- Connect with People
- Actively Manage Your Relationship with Your Organization
- Survive and Thrive

Management in Action

LYNSI SNYDER: MANAGING IN-N-OUT TO SUCCESS

What does a manager do? Dream up a bold new vision for the company? Build a corporate structure that ensures success? Lead and inspire others? Keep the company on track toward its goals?

Most managers perform all these functions to some degree. The best managers in companies all over the world lead, plan, organize, and control to help employees reach their potential so organizations can thrive in the highly competitive global marketplace. Lynsi Snyder, CEO of fast-food chain In-N-Out Burger, has proven to be an effective leader by doing all these things. In fact, Snyder was recently ranked as one of the top five CEOs in the United States.¹

Over the past decade, Snyder expanded In-N-Out Burger's devoted following to over 300 stores. She's done so, in part, by creating a constructive and positive work environment. In-N-Out offers strong job-training programs and benefit plans for part- and full-time staff. It also pays its employees an average of \$13 an hour, 25 percent more than most competitors.

Says Snyder, "[M]y hope is that anyone who spends time as an In-N-Out Associate finds the experience valuable."² Clearly the employees seem to feel appreciated,



Ethan Pines/The Forbes Collection/Contour RA/Getty Images

as In-N-Out Burger was recently ranked as the fourth best workplace in the United States.³

In this chapter, you will see how Snyder applies each of the four main functions of management—leading, planning, organizing, and controlling—to ensure her company's success.

In business, there is no alternative to managing well. Companies like In-N-Out Burger, featured in the “Management in Action: Manager’s Brief,” may fly high for a while, but they cannot thrive for very long without good management.

It’s the same for everyone reading this book and intending to work for a living: The best performers succeed by being good at fundamentals, knowing what else is important, and managing well. The aim of this book is to help you succeed in those pursuits.

Managing in a Competitive World

LO 1-1 Summarize the major challenges of managing in the new competitive landscape.

When the economy is soaring, business seems easy. Investing in the stock market seems like a sure bet when the bulls are carrying the market higher and higher. But the reality is that things change.

The great economic recession of 2008 eradicated the real estate boom of the early 2000s and crushed stock prices and company profits, leading to widescale layoffs and high unemployment. The economy slowly but steadily recovered during the 2010s. Employment across all sectors of the economy hit record highs, wages rose, and stocks enjoyed the longest bull run in history.⁴ This historic expansion came to a devastating halt when the COVID-19 pandemic forced the economy to shut down in March and April of 2020, putting millions of people out of work overnight and forcing all companies, from *Fortune* 500 multinationals to local mom-and-pop stores, to rethink how they do business.

At such times, it becomes clear that managing is a challenge requiring knowledge, strategic thinking, and skills to adapt to new circumstances.

What defines the competitive landscape of business? You will be reading about many relevant issues in the coming chapters, but we begin here by highlighting four ongoing challenges that characterize the business landscape: globalization, technological change, the importance of knowledge and ideas, and collaboration across organizational boundaries.

Effective managers must continually acquire knowledge and skills to adapt to new circumstances.

Globalization

Far more than in the past, today’s enterprises are global, with offices and production facilities in countries all over the world. Corporations operate worldwide, transcending national borders. Companies that want to grow often need to tap international markets. The global marketplace presents big opportunities for small companies too.⁵

Globalization also means that a company’s talent and competition can come from anywhere. *Fortune* magazine annually publishes a list of the world’s most admired companies. For the 13th straight year, Apple was the most admired company overall in 2020. Meanwhile, companies from around the world achieved top ranks in most sectors. Switzerland-based Nestlé was the most admired maker of consumer food products in 2020, for example. Japan’s Toyota Motor was the most admired producer of motor vehicles, and Ireland’s Accenture was the most admired provider of information technology services.⁶ According to *Fortune’s* 2020 Global 500 list, the five largest firms are Walmart (United States), Sinopec Group (China), State Grid (China), China National Petroleum (China), and Royal Dutch Shell (United Kingdom–the Netherlands).⁷

Globalization affects small companies as well as large. Many small companies export their goods. Many domestic firms assemble their products in other countries. And companies are under pressure to improve and lower the price of their products in the face of intense competition from foreign manufacturers. Managers today must ask themselves, “How can we be the best in the world?”

Technological Change

Online customer engagement, artificial intelligence and machine learning, data protection and privacy, and 5G are only some of the ways that technology is vitally important in the business world.⁸ Technology both complicates things and creates new opportunities. The challenges come from the rapid rate at which communication, transportation, information, and other technologies change.⁹ For example, after just a couple of decades of widespread desktop use, customers switched to laptop models, which required different accessories. Then, users turned to mini-laptops, tablets, smartphones, and smartwatches to meet their mobility technology needs.¹⁰ Good managers anticipate and respond to changing customers' wants and needs.

How are these forces impacting business?¹¹ The Internet is a global and digital marketplace, a means for manufacturing goods and services, a distribution channel, a platform for connecting customers, an information service, an arena for social activism,¹² and more. It drives down costs and accelerates globalization. It improves efficiency of decision making. Managers can use it to learn in real time what companies around the world are doing.

These advantages create business opportunities; they also create threats from hackers and computer viruses, ethical dilemmas, competitors that capitalize sooner on new developments than you do, and Internet activists who unfairly harm public images. More constructively, Internet activism also offers a powerful way to expose corrupt or harmful practices and motivate organizations to change their ways for the better.¹³

What's next for the digital frontier? It's hard to predict with precision, but as billions of people and businesses worldwide will demand more personalized and connected experiences, artificial intelligence will affect the interfaces between humans and technology and society (see the nearby "Spotlight On" feature). The McKinsey Global Institute predicts that the next generation of connectivity technologies and network upgrades will bring billions of new users online in developing economies and create trillions of dollars in advanced economies worldwide.¹⁴

And here's a vital point about technology: it's not all about information technologies. As one important example—which heavily employs information technologies—biology-based innovations will transform the way we eat, dress, and produce goods. For instance, the McKinsey Global Institute predicts that biology-based technologies will help build 60 percent of all physical inputs to the global economy, and 30 percent of all research and development (R&D) spending could go toward biology-related industries.¹⁵ Huge opportunity exists in health care, as we learn how biology can better help us address old and evolving new diseases.

Knowledge Management

Companies in advanced economies are now efficient at producing physical goods, so most employees have been freed up to provide creative, innovative new services or "abstract goods"—examples include software, entertainment, data management, consulting, and advertising. These workers, whose primary contributions are ideas and problem-solving expertise, are often referred to as *knowledge workers*. Managing these workers poses some particular challenges,¹⁶ which we examine throughout this book.

Companies and managers always need good new ideas.¹⁷ **Knowledge management** is the set of practices aimed at discovering and harnessing an organization's intellectual resources—fully using the intellects of the organization's people. Knowledge management



Globalization has changed the face of the workforce. Managers in this competitive environment need to attract and effectively manage a talent pool from all over the world.

Pitju/iStock/Getty Images

knowledge management

Practices aimed at discovering and harnessing an organization's intellectual resources.



SPOTLIGHT ON...

Making Decisions with Technology

Mark Zuckerberg, founder and CEO of Facebook, achieved tremendous success driven by technological prowess and a marketable idea. Less visible are the myriad management challenges he faced early on, and the many different challenges he faces now.

It's been quite a journey, and you can read more about it in "Facebook's Mark Zuckerberg: Can He Manage through Turbulent Times?," the case at the end of Part 1 (end of Chapter 3). Here, as we write this in mid-2021, we mention some serious controversies: security breaches, discriminatory analytics, accusations of 2016 election meddling, spreading of misinformation, amplifying of extremism and political polarization, mental health issues among Facebook users, and reliance on unfair algorithms to predict human behavior—decisions previously made by the company's humans.

These famous difficulties, which hurt financially and reputationally, emerged then and continue

spreading now from ever-evolving technologies and managerial decisions about how to deploy them.

Despite the risks, the potential of artificial intelligence (AI) and other technologies remains vast. Zuckerberg believes AI will soon bring countless improvements to organizations, society, and quality of life. Moreover, using technology responsibly can help earn the trust of communities—users, customers and clients, employees, and beyond.

For these and other reasons, some of our Spotlight on . . . features will highlight management decision making about technologies—not technical details but complex organizational, human, and societal impacts and considerations. We urge you to think hard about how you can best apply your "human" skills as you work hard to make good choices. You will be learning more about this throughout this management book and your course.

is about finding, unlocking, sharing, and capitalizing on the most precious resources of an organization: people's expertise, skills, wisdom, and relationships.

Knowledge managers find these "human assets," help people collaborate and learn, generate new ideas, and harness those ideas into successful innovations.

Collaboration

Leveraging knowledge for maximum impact requires people in different departments, divisions, or subunits of the organization to collaborate and communicate effectively. For example, "T-shaped" managers break out of the traditional corporate hierarchy to share knowledge freely across the organization (the horizontal part of the T) while remaining committed to the bottom-line performance of their individual business units (the vertical part).¹⁸ Consulting firm McKinsey originally developed this T-shaped concept as a way for its employees to view clients' problems from both broad and deep perspectives.¹⁹

Collaborations can occur beyond the boundaries of the organization, between businesses or between sectors²⁰—private sector (business), government, and nonprofit and non-governmental organizations (NGOs). Companies today sometimes work with rather than against their competitors (you'll read some examples later) in a dynamic sometimes called **coopetition**.²¹

Perhaps there's no more vivid and useful example of these dynamics than the international efforts to combat pandemics. Well-coordinated global collaborations, including between the United States and China, defeated the H1N1 pandemic in 2009 and later prevented Ebola pandemics. But when COVID-19 hit, relations between those two countries were worse. This and other factors—political discord and intense competition for medial supplies—severely delayed and damaged the global response.²²

On a more positive note, a 2020 survey showed that CEOs expect interorganizational collaborations to increase in the future, inspired partly by the ones that so quickly developed

coopetition

Simultaneous competition and cooperation among companies with the intent of creating value.

the vaccines that combat COVID-19. Managers, governments, and organizations in every sector compete, largely over scarce resources (budgets, customers, power, natural resources, and more) of every kind. But they also discover plenty of reasons to create partners and alliances; for instance, attaining power in numbers, combining knowledge, learning from one another, reducing costs, innovating faster, and tackling important societal issues.²³

Managing for Competitive Advantage

The early Internet years (1990s) turned careers (and lives) upside down. Students dropped out of school to join Internet start-ups or start their own. Managers in big corporations quit their jobs to do the same. Investors pounced, and invested heavily. The risks were often ignored or downplayed—sometimes tragically as the boom went bust in 2000.

Consider also an earlier industry with similar transforming power: the automobile industry. Over the years entrepreneurs started at least 2,000 car companies—and very few remain.

What is the lesson to be learned from the failures in these important transformational industries? A key to understanding the success of a company is how well it both *creates* and *sustains* competitive advantage.

To survive and win over time, you have to gain and maintain advantages over the competition. You do this by being better at doing valuable things for your customers. But what does this mean, specifically? The fundamental drivers of competitive advantage—contributors to bottom-line organizational performance—are innovation, quality, service, speed, cost competitiveness, and sustainability. You will be expected to perform on these dimensions.

Innovation

Products don't sell forever; in fact, they don't sell for nearly as long as they used to because competitors are continuously introducing new products. Your firm must continually innovate, or it will die.

Innovation is the introduction of new goods and services. Your firm must adapt to changes in consumer demands and to new competitors.

The need for innovation is driven in part by globalization. One reason is that facilities in other countries can manufacture appliances or write software code at a lower cost than those in the United States; U.S. facilities thus operate at a disadvantage. Therefore, they must provide something their foreign competitors can't—and often that requires delivering something new.

Innovation is today's holy grail. Like the other sources of competitive advantage, innovation comes from people, it must be a strategic goal, and it must be managed properly. Later chapters show you how great companies innovate.

When people think of innovative companies, Apple often springs to mind. But innovation is not just a tech thing. *Fast Company's* top 10 innovators for 2021 included Moderna and Pfizer-BioNTech (tied for number one), Shopify, SpringHill Company, Epic Games, Netflix, Tock, and Graphika.²⁴

Quality

Most companies claim that they are committed to quality. In general, **quality** is the excellence of your product. Customers expect high-quality goods and services, and often they will accept nothing less.

Historically, quality pertained primarily to the physical goods that customers bought; it referred to attractiveness, lack of defects, and dependability. The traditional approach to quality was to check work after it was completed and then eliminate defects, using inspection and statistical data to determine whether products were up to standards. Later, W. Edwards Deming, J. M. Juran, Phil Crosby, and other quality gurus convinced managers to take a more complete approach to achieving *total* quality. This includes *preventing* defects before they occur, *achieving zero defects* in manufacturing, and *designing* products

LO 1-2 Describe the sources of competitive advantage for a company.

Bottom Line

Because it's easy for managers to be so busy that they lose sight of what really drives performance, you will periodically see icons as bottom-line reminders of the need for innovation, quality, service, speed, cost competitiveness, and sustainability. *Which two or more of these advantages do you think would be hardest to deliver at the same time—and most importantly, why?*



innovation

The introduction of new goods and services; a change in method or technology; a positive, useful departure from previous ways of doing things.

quality

The excellence of your product (goods or services).



Ariel Skelley/Getty Images

When you're out of quality, you're out of business.

—Phil Crosby

for quality. The goal is to solve and eradicate from the beginning all quality-related problems and to live a philosophy of *continuous improvement* in how the company operates.²⁵

Additional quality appears when companies customize goods and services to the wishes of the individual consumer. Starbucks gives consumers thousands of drink options; Gatorade GX allows customers to create customized bottles; Nike's 90/10 pack sneakers give customers the opportunity to participate in designing their own shoes; and Icon Meals permits customers to create custom meal plans online.²⁶

Providing world-class quality requires a thorough understanding of what quality really is.²⁷ Quality can be measured in terms of product performance, customer service, reliability (avoidance of failure or breakdowns), conformance to standards, durability, and aesthetics. Only when you move beyond broad, generic concepts such as "quality" and identify specific quality requirements can you identify problems, target needs, set precise performance standards, and deliver world-class value.

Service

service

The speed and dependability with which an organization delivers what customers want.

Important quality measures often pertain to the service customers receive. **Service** means giving customers what they want or need, when they want it. World-class service focuses on continually meeting the needs of customers and establishing mutually beneficial long-term relationships.²⁸ Thus cloud computing companies, in addition to providing online access to software, applications, and other computer services, also help their customers store and analyze large amounts of customer and employee data.

An important aspect of service quality is making it easy and enjoyable for customers to experience a service or to buy and use goods. At all its parks and resorts, Disney trains employees to treat every customer as a VIP (Very Individual Person) by personalizing guest experiences to make them feel special. Disney Institute teaches business professionals "exceptional service, though carefully architected backstage, should look spontaneous and personalized on stage." Spontaneous interactions with customers can create long-lasting memories and affirm the company's brand promise.²⁹

Speed

speed

Fast and timely execution, response, and delivery of products.

Google constantly and rapidly improves its search product. In fact, its culture is based on speedy innovation. In the modern business environment, **speed**—fast execution, response, and delivery—often separates the winners from the losers. How fast can you develop and get a new product to market? How quickly can you respond to customer requests? You are far better off if you are faster than the competition—and if you can respond quickly to your competitors' actions. Author Eric Ries stated about moving quickly: "The only way to win is to learn faster than anyone else."³⁰

Speed isn't everything—you can't get sloppy in your quest to be first. But other things being equal, faster companies are more likely to be the winners, slow ones the losers. Even pre-Internet, companies were getting products to market and in the hands of customers faster than ever. Now the speed requirement has increased exponentially. Everything, it seems, is on fast-forward.

Speed is no longer just a goal of some companies; it is a strategic imperative. In 2018, Quicken Loans (owned by Rock Holdings Inc.) supplanted Wells Fargo as the largest provider of mortgage loans in the United States.³¹ Quicken marketed its new, self-service mortgage product, Rocket Mortgage,³² as fast, secure, and completely online.³³

Cost Competitiveness

Needless to say, if you can offer a desirable product at a lower price, it is more likely to sell. Walmart keeps driving hard to find new ways to cut billions of dollars from its already very low distribution costs. Walmart's efforts are aimed at **cost competitiveness**, which means keeping costs low enough so that the company can realize profits and price its products (goods or services) at levels that are attractive to consumers.

Of course, the pricing of any good or service is tied to demand. The COVID-19 pandemic decimated the airline industry worldwide as countries restricted cross-national travel and people feared catching the virus when flying. To cover their costs by drumming up demand, many airlines offered steeply discounted airfares. Ireland-based Ryanair ran a buy one, get one free promotion; Alaska Air offered a similar deal. Other airlines, such as Malaysia's AirAsia, offered unlimited flights at a fixed price.³⁴ These firms are competing not only with each other, but for revenues to exceed costs, and to survive.

In the digital age, every company must pay close attention to cost because consumers can easily compare prices from thousands of competitors. Consumers looking to buy popular items, such as cameras, printers, and plane fares, easily go online to find the best models and the best deals. If you don't control costs and offer attractive prices, you can't compete.

Sustainability

Cutting energy waste can cut costs and help the bottom line while also helping the environment. Such efforts are just one way to minimize the use and loss of resources, especially those that are polluting and nonrenewable. This is a core goal of **sustainability**, an important form of competitive advantage, and more vital than ever before.

Although sustainability means different things to different people,³⁵ in this text we emphasize a long-term perspective on sustaining the natural environment and building tomorrow's business opportunities while effectively managing today's business.³⁶

In the United States, corporate sustainability efforts fluctuate as environmental laws are strengthened or loosened. Overall, the worldwide trend has been in the direction of greater concern for sustainability. Many companies discover that addressing sustainability issues can produce bottom-line benefits.

Companies with strong sustainability performance are increasingly becoming financial winners, and investors are catching on. Most global asset managers now factor in how businesses score on environmental, social, and governance (ESG) metrics. Merrill summarized studies showing that firms with higher ESG ratings produced higher rate of returns than their lower ranking peers.³⁷

Patagonia, for example, does not want customers to discard their outdoor gear that has a broken zipper, tear in the sleeve, or chewed-up Velcro closure. Known as the Worn Wear program, the company hopes to keep its products out of landfills by offering free repairs with no questions asked. The program is working. In 2017, 14 employees from its Reno, Nevada, service center made more than 50,000 clothing repairs.³⁸

Sustainability is about protecting our options.³⁹ Done properly, sustainability allows people to live and work in ways that can be maintained over the long term (generations) without destroying or harming our environmental, social, and economic resources.



Quicken Loans became quicker than before and quicker than many others when it introduced Rocket Mortgage.

dpa picture alliance/Alamy Stock Photo

cost competitiveness

Keeping costs low to achieve profits and be able to offer prices that are attractive to consumers.

sustainability

A long-term perspective on sustaining the natural environment and building tomorrow's business opportunities while effectively managing today's business.