

FOURTH EDITION

MANAGEMENT

Principles and Applications



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Fourth Edition

MANAGEMENT:

Principles and Applications

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Len —To my family, Risa, Joshua, and David
O.C. & Linda—George Ferrell

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Preface

INTRODUCTION

Management: Principles and Applications provides engaging, comprehensive coverage of contemporary management. This student-friendly text and teaching package embraces the latest perspectives on traditional concepts, newer concepts, and the challenges that managers face in business today. Our focus is the understanding and application of the concepts students will need to be successful. We have minimized complex explanations and illustrations to maximize straightforward understanding and application. Most students will need to utilize management knowledge in their entry-level job, and our goal is to prepare them to be grounded for more advanced management courses and career success.

Our research indicates that the organization and chapter content that we have selected are an excellent fit for how most management principles courses are taught. Management professors want to cover the development of management thought, but this knowledge has to be placed in the context of today's environment and challenges. Today, technology issues, global connectedness, cultural diversity, and social responsibility are changing the manager's environment. For example, in the technology area, the Internet and social media have had a revolutionary impact on the conduct of global businesses. Businesses that were once at the heart of day-to-day life, like the daily local newspaper, are going by the wayside. New business models are changing how management develops and implements strategies. For example, the sharing economy has provided a new business model that created Uber and AirBnB. Internet giants, such as Amazon and Alibaba, are challenging traditional retail stores. Artificial intelligence has the potential to transfer the business environment and create the need for new strategies and protection. Social responsibility issues such as sustainability, corporate governance, consumer protection, and other social issues are changing the manager's responsibilities. This revised edition addresses the movement for equal treatment and respect in the workplace. We specifically address current issues related to gender discrimination, sexual misconduct, and abusive and intimidating behavior in the workplace.

This text is organized into six parts and 16 chapters, plus an appendix on entrepreneurship. To facilitate

learning, each chapter contains an opening vignette that provides examples of the real world of management, as well as *Business Dilemma* and *Management Insights* features to familiarize students with managerial decision making. End-of-chapter summaries help students to review important concepts in the chapter, while the learning tools and cases make the text come alive for students. Students are placed in a decision-making setting and learn how to apply management concepts through engagement exercises. Students can use these tools to relate to the types of environments and issues faced in any organization.

FEATURES OF THE BOOK

Management: Principles and Applications is structured to excite students about the field of management. This text will help students learn essential management concepts and how to apply them practically. We have structured the book in a format that helps students learn effectively and efficiently:

- A *chapter outline* at the beginning of each chapter provides a blueprint of the chapter.
- *Objectives* at the start of each chapter indicate what students are expected to learn as they go through the content.
- Every chapter begins with an opening vignette titled *Inside Management*. This feature provides examples of the real world of management that relate to the chapter topic. After reading the vignette, the student should be motivated to learn more about concepts and strategies that relate to the varying topics. Students will learn about businesses such as Dollar General, Alibaba, Timberland, Best Buy, Chick-fil-A, and King Arthur Flour.
- *Boxed features*—*Business Dilemma* and *Management Insights*—help students to think through the challenges and decisions that face managers daily.
- The *Business Dilemma* boxes ask students to take on the role of the manager in a hypothetical business dilemma. After reading the content, students will answer three questions about how

they believe the manager in the scenario should proceed. These scenarios will help students develop their critical-thinking skills in approaching management dilemmas.

- The *Management Insights* boxes introduce students to such topics as decision making in different cultures, virtual corporate cultures, sustainability, and social entrepreneurship. Featured companies include Rebecca Ray Designs, the Rainforest Alliance, Facebook, SeaWorld, Yammer, and ATA Engineering.
- *Key term definitions* appear in the margins to help students build their business vocabulary.
- Figures, tables, and photographs increase comprehension and stimulate interest.
- A complete *Summary and Review* covers the major topics discussed and is organized based upon the chapter objectives.
- The list of *Key Terms and Concepts* provides another end-of-chapter study aid to expand students' management vocabulary.
- *Ready Recall* requires students to answer questions about the chapter content. This section helps students review their understanding of what they have read.
- *Expand Your Experience* encourages students to practice their newfound knowledge in a real-world setting.
- *Strengthen Your Skills* provides exercises related to the chapter content to help students expand their knowledge.
- Each chapter has an end-of-chapter case to help students understand the application of chapter concepts. All of the cases represent real company situations and are new to this book. Companies highlighted in the cases include Apple, Whole Foods, Zappos, Starbucks, Wells Fargo, and New Belgium Brewing.
- An *appendix* discusses the topic of entrepreneurship, including the types of industries that attract small businesses, why small businesses succeed or fail, and how to go about starting a small business.

TEXT ORGANIZATION

We have organized the six parts of *Management: Principles and Applications* to give students a theoretical and practical understanding of managerial decision making.

Part 1 An Overview and History of Management In Chapter 1, we discuss the nature of management and explore

several key concepts, including management decision making, management roles, and situational differences in management activities. In Chapter 2, we look at the history of management. This chapter reviews the evolution of management as well as the key thinkers and theories that have contributed to the field of business as we know it today.

Part 2 Environmental and Social Issues in Management In Chapter 3, we examine the environment of management, including the task environment, general environment, internal environment, and the stakeholder view of the environment. In Chapter 4, we discuss the importance of management ethics and social responsibility. This chapter examines the process of ethical decision making and the growing concern for corporate social responsibility. Chapter 5 describes managing in the global environment, an essential topic in today's global and interconnected world.

Part 3 Planning We examine the planning process and the different levels of strategy in Chapter 6. The differences between corporate and business-level strategy are explained in this chapter. In Chapter 7, we explore decision making in management, including the decision-making process, decision-making models, decision-making styles, and group decision making.

Part 4 Organizing In Chapter 8, we introduce the importance of organizing jobs, departments, and the overall company. We define human resource management in Chapter 9, including recruiting, selecting, training, appraising, and compensating employees. In Chapter 10, we consider organizational change and innovation. Because change and innovation are essential for firm survival, different models of planned change and organizational development are examined.

Part 5 Leading In Chapter 11, we look at employee leadership. This highly significant topic examines different approaches and models of leadership as well as emerging trends in the leadership field. Chapter 12 explores employee motivation, including different motivational theories and how to include motivation in job design. In Chapter 13, we study effective team management. The definitions of groups and teams are provided as well as how to enhance their effectiveness. Chapter 14 considers the importance of communication in organizations.

Part 6 Controlling We discuss the management control process in Chapter 15. Controlling the activities and processes of an organization is a critical requirement for managers. In Chapter 16, we analyze how to manage operations and productivity. Quality, productivity, and inventory control are discussed in detail.

Appendix The Appendix covers the topic of entrepreneurship. Specifically, it discusses the importance of small businesses and steps for starting a small business.

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This fourth edition of *Management: Principles and Applications* is available in multiple versions: online and in print as either a paperback or loose-leaf text. The most affordable version is the online book, with upgrade options including the online version bundled with a print version. What's nice about the print version is that it offers you the freedom of being unplugged—away from your computer. The people at Academic Media Solutions recognize that it's difficult to read from a screen at length and that most of us read much faster from a piece of paper. The print options are particularly useful when you have extended print passages to read.

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- **Study Guide**—A printable version of the online study guide is available via downloadable PDF chapters for easy self-printing and review.

YOUR COMMENTS AND SUGGESTIONS ARE VALUED

As authors, our major focus has been on teaching and preparing learning materials for introductory management students. We have traveled extensively to work with students and to try and understand the needs of professors of introductory management courses.

We invite your comments, questions, and criticisms. We want to do our best to provide materials that enhance the teaching and learning of management concepts and strategies. Your suggestions will be sincerely appreciated. Please email Len Bierman at LBierman@mays.tamu.edu, O.C. Ferrell at OCF0003@auburn.edu, and/or Linda Ferrell at LKF0009@auburn.edu.

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An Overview of Management

CHAPTER

1

Chapter Outline

Introduction

The Nature of Management

The Impact of Management

The Functions of Management

Management Decision Making

Management Roles

Management Skills

Situational Differences in
Management Activities

Emerging Trends in Management

Can You Learn Management in
Class?



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After reading this chapter, you will be able to:

- Define management and describe its purpose in organizations.
- Determine the effect that management actions have on the manager and others in the organization.
- List the major functions of managers.
- Explain the importance of decision making in management activities.
- Describe the many roles managers play in an organization.
- Specify why different managers perform different job activities.
- Identify some emerging trends in management.
- Review what you can reasonably learn from a textbook about how to perform management activities.
- Evaluate a small business owner's management skills and propose a future course of action for the firm.

Chick-fil-A Excels at Managing Success

From the day it was founded, Chick-fil-A has served communities differently than other fast-food chains. The founder, Truett Cathy, established his first restaurant in 1946, called the Dwarf Grill. It was the roots of the first Chick-fil-A restaurant that opened in 1967. Cathy used his resources both efficiently and effectively to reach objectives, illustrating the importance of management to an organization. He engaged in the four management functions of planning by setting performance goals, organizing by designing jobs for employees, leading by motivating employees to achieve management objectives, and controlling by collecting and analyzing information about work performance.

Truett Cathy once said, “We should be about more than just selling chicken. We should be a part of our customers’ lives and the communities in which we serve.” This inspired the need for high standards of customer service at Chick-fil-A. Chick-fil-A believes it has such consistent customer service because it invests more in employee training than comparable companies and helps its employees to advance.

The company’s strong employee orientation demonstrates that it supports the concept of social responsibility, or obligations to maximize its positive impact and minimize its negative impact on society. To this date, Chick-fil-A has provided \$35 million in college scholarships to Chick-fil-A team members wanting to pursue higher education. Managers of Chick-fil-A restaurants across the United States have found that employees are more motivated when the company demonstrates that it cares for their well-being.

Having previously worked in the restaurant industry, Cathy decided that he did not want his restaurants open seven days a week or 24 hours a day. He saw the importance of being closed on Sundays so that employees could set aside one day to rest or engage in religious activities if they desire. This practice continues today. The management decisions made by Dan Cathy, current chief executive officer (CEO)/president and son of Truett Cathy, are still based on this same foundation. The business is not about being a part of the food industry; it is about the people who are a part of Chick-fil-A. This includes both the customers and the employees.

Chick-fil-A also takes a different approach to the prep work method of its food: “Cook less, more often.” Quality is emphasized over quantity. This allows their



Source: Jonathan Weis/Shutterstock

chicken sandwiches to stand out from the competition. The restaurant’s name has a hidden meaning to show they are the best in quality. The name is a take on *chicken fillet* with a capital A at the end. The A stands for top quality.

Although it still holds true to its founding principles, Chick-fil-A recognizes the emerging trend of e-business, or the use of digital technology to achieve management goals. To better connect with customers, the company created an app called Chick-fil-A One. The app allows customers who may be in a hurry to pre-order their meals and bypass the line to receive their food. The app also allows customers to pay at the counter by scanning their phones for a fast and easy experience. Chick-fil-A’s foray into mobile technology is just one of many initiatives it has adopted to provide top-notch customer service.

As Chick-fil-A has grown, management roles in the areas of information technology and interpersonal communication have advanced significantly. This has resulted in the need for different levels of managers. At companies like Chick-fil-A, first-line or lower-level managers operate the restaurants, middle managers implement the strategy, and upper-level managers develop policy. The ability of the different management levels to work together cohesively to achieve management goals has contributed to Chick-fil-A’s current status as the eighth-largest fast-food chain in the nation. Today Chick-fil-A’s success can be seen with more than 2,100 restaurants all over the country and \$5.1 billion in sales.¹

Introduction

The different skills and the creativity that Chick-fil-A founder Truett Cathy possessed illustrate the diversity in management activities, which is one reason why management seems difficult to teach and learn. We believe that general principles or concepts exist that

can be applied to all these different activities. Not surprisingly, our purpose is to share with you these general principles, which are important for understanding and learning management.

Our basic idea in this chapter is that, in order to understand what management is, it is necessary to know how it is similar and different across organizations. There are a number of similarities. All managers make decisions about the use of organizational resources to reach organizational goals; engage in the same basic activities of planning, organizing, leading and controlling; and act in the same general roles for their organizations. On the other hand, the specific task activities of managers can vary greatly due to differences—such as size and industry—in the characteristics of the organizations to which they belong.

The Nature of Management

Management is a set of activities designed to achieve an organization's objectives by using its resources effectively and efficiently in a changing environment. Resources are used to accomplish the manager's intended purpose. **Effectively** means having the intended result; **efficiently** means accomplishing the objectives with a minimum of resources. Both are part of good management—reaching objectives with a minimum of cost. On the other hand, reducing costs without considering the impact on customers and the organization will not permit reaching goals effectively. One factor that makes management difficult is that the work situation constantly changes. That is, such factors as employees, technology, competition, and cost vary greatly. This requires managers to be flexible and adapt to the environment. **Managers** are individuals who make decisions about the use of the organization's resources, and are concerned with planning, organizing, leading, and controlling the organization's activities so as to reach its objectives.

Although it may seem that management activities are quite diverse, they share some common characteristics. First, all activities occur within the context of an organization. **Organizations** are groups of individuals who work together to achieve the goals or objectives that are important to these individuals. For example, the New York Yankees is an organization that tries to win baseball games and is in the sports and entertainment business. The Red Cross tries to attract donations and volunteers to assist with disasters. General Motors makes and sells vehicles that satisfy customers. Thus, these organizations must have managers who are essential to their success.

Second, managers are in charge of the organization's **resources**—people, equipment, finances, data—and of using these resources to help the organization reach its objectives. How well managers coordinate organizational activities and use resources determines not only how well the organization accomplishes its objectives but also how the manager will be judged in terms of job performance. Firms such as Google, Apple, and Walmart are examples of companies where managers made good decisions and created success.

The Impact of Management

The management practices of an individual affect more than just one person. Management is characterized by leadership, decision making, and the implementation of work tasks. Because such activities are not carried out in isolation, management reaches several different groups connected with the organization. Like a well-synchronized athletic team, most decisions could be viewed as a team sport. Everyone has to carry out his or her responsibilities. When management is an effective team, positive performance outcomes occur. On the other hand, poorly coordinated managerial decisions often lead to organizational failure.

Leadership is the process of influencing the activities of an individual or a group toward the achievement of a goal. Howard Schultz of Starbucks envisioned a coffee chain that would be the third most common place to go after home and work. With this vision in mind, he led employees toward creating a customer-centered culture that makes customers feel special through customized drinks and a comfortable environment. Decision making is the process of choosing among alternative courses of action to resolve a problem.

management: A set of activities designed to achieve an organization's objectives by using its resources effectively and efficiently in a changing environment.

effectively: Using resources in a way that produces a desired result.

efficiently: Accomplishing the objectives with a minimum of resources.

managers: Individuals who make decisions about the use of the organization's resources, and are concerned with planning, organizing, leading, and controlling the organization's activities so as to reach its objectives.

organizations: Groups of individuals who work together to achieve the goals or objectives that are important to these individuals.

resources: People, equipment, finances, and data used by an organization to reach its objectives.