

ELEVENTH EDITION



Management

LEADING & COLLABORATING IN A COMPETITIVE WORLD

Thomas S. Bateman

*McIntire School of Commerce
University of Virginia*

Scott A. Snell

*Darden Graduate School of Business
University of Virginia*





MANAGEMENT: LEADING & COLLABORATING IN A COMPETITIVE WORLD,
ELEVENTH EDITION

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

and

My parents, John and Clara Snell,
and Marybeth, Sara, Jack, and Emily

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About the Authors

THOMAS S. BATEMAN

Thomas S. Bateman is Bank of America Professor and management area coordinator in the McIntire School of Commerce at the University of Virginia. He teaches leadership courses and is director of a new leadership minor open to undergraduate students of all majors. Prior to joining the University of Virginia, he taught organizational behavior at the Kenan-Flagler Business School of the University of North Carolina to undergraduates, MBA students, PhD students, and practicing managers. He also taught for two years in Europe as a visiting professor at the Institute for Management Development (IMD), one of the world's leaders in the design and delivery of executive education. Professor Bateman completed his doctoral program in business administration in 1980 at Indiana University. Prior to receiving his doctorate, Dr. Bateman received his BA from Miami University. In addition to Virginia, UNC-Chapel Hill, and IMD, Dr. Bateman has taught at Texas A&M, Tulane, and Indiana universities.



Professor Bateman is an active management researcher, writer, and consultant. He serves on the editorial boards of the *Academy of Management Review*, the *Academy of Management Journal*, and the *Asia Pacific Journal of Business and Management*. His articles have appeared in professional journals such as the *Academy of Management Journal*, *Academy of Management Review*, *Journal of Applied Psychology*, *Organizational Behavior and Human Decision Processes*, *Journal of Management*, *Business Horizons*, *Journal of Organizational Behavior*, and *Decision Sciences*.

Tom's current consulting and research center on practical wisdom in business executives, leadership in the form of problem solving at all organizational levels, various types of proactive behavior by employees at all levels, and the successful pursuit of long-term work goals. He works with organizations including Singapore Airlines, the Brookings Institution, the U.S. Chamber of Commerce, the Nature Conservancy, and LexisNexis.

SCOTT A. SNELL



Scott Snell is Professor of Business Administration at the University of Virginia's Darden Graduate School of Business. He teaches courses in leadership, developing organizational capability, and human capital consulting. His research focuses on human resources and the mechanisms by which organizations generate, transfer, and integrate new knowledge for competitive advantage.

He is co-author of four books: *Managing People and Knowledge in Professional Service Firms*, *Management: Leading and Collaborating in a Competitive World*, *M: Management*, and *Managing Human Resources*. His work has been published in a number of journals such as the *Academy of Management Journal*, *Academy of Management Review*, *Strategic Management Journal*, *Journal of Management*, *Journal of Management Studies*, and *Human Resource Management*, and he was recently listed among the top 100 most-cited authors in scholarly journals of management. He has served on the boards of the Strategic Management Society's human capital group, the Society for Human Resource Management Foundation, the Academy of Management's human resource division, the *Human Resource Management Journal*, the *Academy of Management Journal* and the *Academy of Management Review*. Professor Snell has worked with companies such as AstraZeneca, Deutsche Telekom, Shell, and United Technologies to align strategy, capability, and investments in talent. Prior to joining the Darden faculty in 2007, he was professor and director of executive education at Cornell University's Center for Advanced Human Resource Studies and a professor of management in the Smeal College of Business at Pennsylvania State University. He received a B.A. in psychology from Miami University, as well as M.B.A. and Ph.D. degrees in business administration from Michigan State University.

Preface

Welcome to our 11th edition! Thank you to everyone who has used and learned from previous editions. We are proud to present to you our newest and most exciting edition.

Our Goals

Our mission with this text hasn't changed from that of our previous editions: to inform, instruct, and inspire. We hope to inform by providing descriptions of the important concepts and practices of modern management. We hope to instruct by describing how you can take action on the ideas discussed. We hope to inspire not only by writing in an interesting and optimistic way but also by providing a real sense of the opportunities ahead of you. Whether your goal is starting your own company, leading a team to greatness, building a strong organization, delighting your customers, or generally forging a positive future, we want to inspire you to take constructive actions.

We hope to inspire you to be both a thinker and a doer. We want you to think about the issues, think about the impact of your actions, think before you act. But being a good thinker is not enough; you also must be a doer. Management is a world of action. It is a world that requires timely and appropriate action. It is a world not for the passive but for those who commit to positive accomplishments.

Keep applying the ideas you learn in this course, read about management in sources outside of this course, and keep learning about management after you leave school and continue your career. Make no mistake about it: Learning about management is a personal voyage that will last years, an entire career.

Competitive Advantage

Today's world is competitive. Never before has the world of work been so challenging. Never before has it been so imperative to your career that you learn the skills of management. Never before have people had so many opportunities and challenges with so many potential risks and rewards.

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

compete with other firms for contracts, clients, and customers. To survive the competition, and to thrive, you must perform in ways that give you an edge over your competitors, that make the other party want to hire you, buy from you, and do repeat business with you. You will want them to choose you, not your competitor.

To survive and thrive, today's managers have to think and act strategically. Today's customers are well educated, aware of their options, and demanding of excellence. For this reason, managers today must think constantly about how to build a capable workforce and manage in a way that delivers the goods and services that provide the best possible value to the customer.

By this standard, managers and organizations must perform. Six essential types of performance, on which the organization beats, equals, or loses to the competition, are *cost*, *quality*, *speed*, *innovation*, *service*, and *sustainability*. These six performance dimensions, when managed well, deliver value to the customer and competitive advantage to you and your organization. We will elaborate on all of these topics throughout the book.

The idea is to keep you focused on a type of bottom line to make sure you think continually about delivering the goods that make both you and your organization a competitive success. This results-oriented approach is unique among management textbooks.

Leading & Collaborating

Yes, business is competitive. But it's not that simple. In fact, to think strictly in terms of competition is overly cynical, and such cynicism can sabotage your performance. The other fundamental elements in the success equation are collaboration and leadership. People working with, rather than against, one another are essential to competitive advantage. Put another way, you can't do it 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 today more than ever, companies

that traditionally were competitors engage in joint ventures and find other ways to collaborate on some things even as they compete in others. Leadership is needed to make these collaborations happen.

How does an organization create competitive advantage through collaboration? It's all about the people, and it derives from good leadership. Three stereotypes of leadership are that it comes from the top of the company, that it comes from one's immediate boss, and that it means being decisive and issuing commands. These stereotypes may contain grains of truth, but the reality is much more complex. First, the person at the top may or may not provide effective leadership—in fact, many observers believe that good leadership is far too rare. Second, organizations need leaders at all levels, in every team and work unit. This includes you, beginning early in your career, and this is why leadership is an important theme in this book. Third, leaders should be capable of decisiveness and of giving commands, but relying too much on this traditional approach isn't enough. Great leadership is far more inspirational than this and helps people both to think differently and to work differently—including working collaboratively with a focus on results.

Leadership—from your boss as well as from you—generates collaboration, which in turn creates results that are good for the company and good for the people involved.

As Always, Currency and Variety in the 11th Edition

It goes without saying that this textbook, in its 11th edition, remains on the cutting edge of topical coverage, updated via both current business examples and recent management research. Chapters have been thoroughly updated, and students are exposed to a broad array of important current topics. As but two examples, we have expanded and strengthened our coverage of sustainability and social enterprise, topics on which we were early leaders and that we continue to care about as much as today's students.

We have done our very best to draw from a wide variety of subject matter, sources, and personal experiences. We continue to emphasize throughout the book themes such as real results, ethics, cultural considerations, and leadership and collaboration. Here is just a sampling of new highlights in the 11th edition—enough to convey the wide variety of people, organizations, issues, and contexts represented throughout the text.

Chapter 1

- New Management Connection about Jeff Bezos of Amazon

- New text example of collaborating with customers via social media, focusing on L.L. Bean
- New example of car makers expanding production in the United States
- New In Practice about Mark Little, chief technology officer at GE
- New example of the importance of people skills to management success, beginning early in one's career
- New In Practice about Anne Ackerley, chief marketing officer of BlackRock, a money management firm

Chapter 2

- New Management Connection about Facebook and Mark Zuckerberg
- New Figure 2.3 on employment trends following recent recessions
- New examples throughout chapter on cola wars and efforts, especially at PepsiCo, to include more healthful products in the mix
- New example of e-readers and eBooks as complementary products
- New In Practice about the growth and challenges of using contingent workers
- New In Practice about Google's organizational culture

Chapter 3

- New Management Connection about decisions related to Boeing Dreamliner
- New example of logistics decisions to help Toys “R” Us compete with online-only retailers
- New Henry Ford example from *The Greatest Business Decisions of All Time*
- New text describing the significance of big data for decision making
- New In Practice about decision to launch Apple Maps
- New In Practice about GE and Virgin Airlines using social media to gather ideas for a “social airplane”
- New example of Pixar's ideas for boosting creative thinking
- New Concluding Case: Soaring Eagle Skate Company

Chapter 4

- New Management Connection about Walt Disney Company

- New example of New York Community Bancorp
- New In Practice about the Bill and Melinda Gates Foundation
- New example of Procter & Gamble, including A. G. Lafley on importance of strategy
- New example of Zappos.com
- New example of QlikTech, including sample graphic for a SWOT analysis
- New example of General Electric
- New In Practice about Valve's online distribution of video games at the Steam website
- New example of Bloomin' Brands
- New example of Spirit Airlines
- New Concluding Case: Wish You Wood

Chapter 5

- New Management Connection about IBM (including Smarter Planet initiative)
- New In Practice fictional example of an ethical dilemma at a sign company
- New example applying ethical principles to decisions about fracking
- New Table 5.2 with updated current examples of ethical issues in business, including health care, social media, and telework
- New In Practice about Red Frog Events
- New Table 5.4 of Unisys Corporation's code of ethics
- New example of Siemens

Chapter 6

- New Management Connection about Lenovo
- New examples (e.g., General Motors) of Chinese manufacturing shifting toward more skilled manufacturing aimed at serving its growing middle class
- South America information updated to include growth beyond Brazil
- New example of IBM finding opportunities in Africa
- New example of Cinnabon in the Middle East and Russia
- New In Practice about Starbucks
- New example of Panasonic
- New example of U.S. tariffs on Chinese solar panels
- New In Practice about Celtel
- New Concluding Case: Net-Work Docs

Chapter 7

- New Management Connection about Popchips
- New list of entrepreneurs in their 20s (Table 7.2)
- New example of Limor Fried, founder of Adafruit Industries
- New examples of SpaceX and Bigelow Aerospace
- New examples of itMD and Care at Hand—health care technology companies receiving grants in an area of new demand
- New In Practice about 3Cinteractive
- New example of Zipcar
- Material on financial needs of a start-up collected in one section, with the addition of material about crowdfunding expansion under the JOBS Act of 2012
- New In Practice about David Karp, founder of Tumblr
- New example of Neema Bahramzad and Caitlin Bales, founders of Locabal
- New Concluding Case: ScrollCo

Chapter 8

- New Management Connection about General Motors
- New In Practice about Coca-Cola's board of directors
- New example of outside directors helping companies during the Great Recession
- New example of Time Warner Cable
- New example of San Francisco Federal Credit Union
- New In Practice about enterprise social networks

Chapter 9

- New Management Connection about General Electric
- Updated Walmart example
- New In Practice about Hewlett-Packard
- New example of DreamWorks Animation
- New In Practice about clothing customization by eShakti and Bow & Drape
- New example of Toyota
- New example of Japanese companies revisiting their approach to just-in-time, following the earthquake and tsunami's impact
- New example of R. A. Jones & Co.

Chapter 10

- Updated Management Connection about Google
- New examples of Johnson & Johnson, Colgate
- New example of Ford Motor Company
- Updated Figure 10.2
- New In Practice about use of big data by Xerox and Catalyst IT Services
- Updated Table 10.1
- New example of Verizon
- Updated Figure 10.4
- Updated information about CEO pay
- New In Practice about Royal Dutch Shell

Chapter 11

- New Management Connection about NASCAR
- New Figure 11.2 about extent of diversity initiatives
- Updated information on gender gap in pay
- New information for Tables 11.1 and 11.2
- New Table 11.4
- New ranking of DiversityInc's Best Companies for Diversity
- New In Practice about CVS Caremark
- New example of Etsy
- New In Practice about Ingersoll Rand
- New Concluding Case: Niche Hotel Group

Chapter 12

- New Management Connection about Meg Whitman as leader of Hewlett-Packard
- New example of Maria Green at Illinois Tool Works
- New In Practice about Barbara Corcoran as leader of Corcoran Group
- New example of Jeff Bezos as leader of Amazon
- New In Practice about David Novak as leader of Yum Brands
- New example of John Heer as leader of Mississippi Health Services
- New Concluding Case: Breitt, Starr & Diamond LLC

Chapter 13

- New Management Connection about SAS
- New example of QuikTrip convenience-store chain

- New example of Northeast Georgia Health System
- New In Practice about RescueTime auto-analytics for performance feedback
- New example of Parasole restaurant group
- New example of Plante Moran accounting firm
- New In Practice about Mars Inc.

Chapter 14

- New Management Connection about Whole Foods Market
- New example of FLEXcon
- New example of Game Freak
- New example of Lockheed Martin
- New example of trend toward rapid team formation
- New In Practice about Menlo Innovations
- New example of National Information Solutions Cooperative
- New In Practice about Stand Up to Cancer Dream Teams
- New Concluding Case: Excel Pro Drilling Systems

Chapter 15

- New Management Connection about Yahoo
- New example of Cisco
- New example of misperception when communicating with high-tech workers
- Updated emphasis on social media in discussion of electronic media as a communications channel
- New IBM example of managing excessive e-mail
- New In Practice about Automattic
- New example of Exelon
- New In Practice about communications by Kaiser Permanente's CEO
- New example of listening
- New example of horizontal communication at National Public Radio

Chapter 16

- New Management Connection about Best Buy
- New example of La-Z-Boy
- New example of BP
- New In Practice about McDonald's
- New description of after-action reviews
- New example of Virginia Mason Medical Center

- New description of sustainability audits and the triple bottom line
- Updated In Practice about the Ritz Carlton
- New example of Ethicon

Chapter 17

- New Management Connection about Tesla Motors
- New paragraph on disruptive innovation
- New example of forces for innovation in higher education
- New In Practice about Square mobile payments
- New example of Rethink Robotics
- New example of GE's ultra-tiny electronics cooling system
- New In Practice about manufacturing transformed by 3D printers
- New description of innovations as competency enhancing or competency destroying
- New example of acquisitions by Twitter
- New example of open innovation at Elmer's Products

Chapter 18

- New Management Connection about Time Warner
- New example of resistance to a change in banking: use of universal agents with broad job descriptions
- New In Practice about change to open workspaces at American Express and other companies
- New example of Envision
- New paragraph updating Kotter's model of change leadership for turbulent times
- New Concluding Case: EatWell Technologies

A Team Effort

This book is the product of a fantastic McGraw-Hill team. Moreover, we wrote this book believing that we are part of a team with the course instructor and with students. The entire team is responsible for the learning process.

Our goal, and that of your instructor, is to create a positive learning environment in which you can excel. 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 thinking, 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 *tremendously*.

Acknowledgments

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

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Special thanks to Lily Bowles, Taylor Gray, and Meg Nexsen for contributing their knowledge, insights, and research to Appendix B: Managing in Our Natural Environment.

Our reviewers over the last ten editions contributed time, expertise, and terrific ideas that significantly enhanced the quality of the text. The reviewers of the 11th edition are

Laura L. Alderson

University of Memphis

Daniel Arturo Cernas Ortiz

University of North Texas

Claudia S. Davis

Sam Houston State University

Greg Dickens

Sam Houston State University

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Qiumei Xu
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Many individuals contributed directly to our development as textbook authors. Dennis Organ provided one of the authors with an initial opportunity and guidance in textbook writing. John Weimeister has been a friend and adviser from the very beginning. The entire McGraw-Hill Education team, starting with Executive Brand Manager Mike Ablassmeir (who spontaneously and impressively knew *Rolling Stone's* top three drummers of all time) provided great support and expertise to this new edition. Many thanks to Managing Development Editor Christine Scheid for so much good work on previous editions and for continued friendship.

And to our superb Senior Development Editor Laura Griffin, and to Elizabeth Trepkowski, marketing manager, thank you for your skills, professionalism, collegiality, good fun, and for making the new edition *rock!* What a team!

Finally, we thank our families. Our parents, Jeanine and Tom Bateman and Clara and John Snell, provided us with the foundation on which we have built our careers. They continue to be a source of great support. Our wives, Mary Jo and Marybeth, demonstrated great encouragement, insight, and understanding throughout the process. Our children, Lauren, T. J., and James Bateman and Sara, Jack, and Emily Snell, inspire us in every way.

Thomas S. Bateman
Charlottesville, VA

Scott A. Snell
Charlottesville, VA

Bottom Line

Bottom Line

With increased competition from foreign and domestic companies, managers must pay particular attention to cost. Does low cost mean low quality? Why or why not?



Bottom Line

The Internet lets customers quickly find products with the cost and quality features they want. What might “flexible processes” mean for a fast-food restaurant? For an auto company?



Bottom Line

The ability to manufacture even customized products quickly has become a competitive requirement. To meet this requirement, what qualities would a company need in its employees?



Bottom Line

Most creative ideas come not from the lone genius in the basement laboratory, but from people talking and working together. Why is listening part of stimulating creativity?



Bottom Line

In all businesses—services as well as manufacturing—strategies that emphasize good customer service provide a critical competitive advantage. Name a company that has delivered good customer service to you.



Bottom Line

As in this example, when you want to pursue sustainability, think in terms of the long-term consequences of your decisions. What might be the long-term consequences of not investing in energy efficiency?



In this ever more competitive environment, there are six essential types of performance on which the organization beats, equals, or loses to the competition: cost, quality, speed, innovation, service, and sustainability. These six performance dimensions, when done well, deliver value to the customer and competitive advantage to you and your organization.

Throughout the text, Bateman and Snell remind students of these six dimensions and their impact on the bottom line with marginal icons. This results-oriented approach is a unique hallmark of this textbook.

Questions have also now been added to this edition to emphasize the bottom line further. Answers to these questions can be found in the Instructor’s Manual.

In CASE You Haven't Noticed . . .

Bateman and Snell have once again put together an outstanding selection of case studies of various lengths that highlight companies' ups and downs, stimulate learning and understanding, and challenge students to respond.

Instructors will find a wealth of relevant and updated cases in every chapter, using companies—big and small—that students will enjoy learning about.

Management Connection
CAN MARK ZUCKERBERG STEER FACEBOOK THROUGH A TURBULENT ENVIRONMENT?

Some managers transform an industry, many others are swept up by change. Some do both. In the unprecedented pace of the Internet era, a few managers do both within a mere decade. One of those is Facebook founder Mark Zuckerberg.

Zuckerberg started Facebook in 2004, when as a Harvard student, he developed a way for his classmates to connect online. The service quickly spread from Harvard to other universities, then high schools, and eventually to anyone with an e-mail address. Today, Facebook, with more than a billion active users a month, is the largest online social network.

To carry out its mission to "make the world more open and connected," Facebook added capabilities making it easier to post photos, video clips, and links to websites. The ever-present Like button encourages users to signal their opinions to all their friends—and to Facebook's database. Facebook's user database that becomes its most precious resource. For users, Facebook can deliver more relevant links, ads, and services; it also can sell highly targeted advertising.

Driven by Zuckerberg's vision to connect individuals more and more, Facebook has redefined how we communicate socially. When we want to share a thought or picture of our vacation, we don't write an e-mail or print photos; we post to our Timeline or use Facebook's messaging service. As Facebook became part of everyday life, the only thing holding back even more enormous growth seemed to be cash from eager investors. So Facebook began making an initial public offering of stock.

Yet technology almost left Facebook behind. The Internet underwent a mobile revolution. Spurred by the launch of the powerful iPhone and iPad tablet computer, people began wanting to be online always, everywhere. While Facebook continued adding features and advertising to its main website, people were switching to mobile devices in 2011, for the first time, the number of mobile devices in use exceeded the number of personal computers (desktops and laptops). More people now access Facebook via its mobile app—the most-downloaded app for the iPhone—than at computers. Unfortunately for Facebook, most of its ads were displaying on the computer website—and what mobile advertising it did went for a lower rate. Therefore, just as the company began selling stock, investors were seeing trouble.

In the initial days of trading, Facebook's stock price fell. However, Facebook's managers scrambled to catch up to the mobile Internet. They improved their mobile site and began pushing up ad rates, in less than a year, mobile ad revenues went from 0 percent of revenues to 23 percent. Stock prices have begun to trend upward.

Does this mean the uncertainty is over for Facebook's manager? Far from it. Technology will continue advancing, and computer users will keep looking for the next big thing.¹

Technology and social behavior are just two of the forces shaping the environment in which Facebook operates. As you study this chapter, consider what other forces Facebook's managers should be monitoring and engaging with.

Management Connection
FACEBOOK'S FIERCELY COMPETITIVE ENVIRONMENT

Even as technology transformed the marketplace, Facebook's competitive environment is shifting almost as rapidly. Four Internet-era giants—Facebook, Amazon, Apple, and Google—once ruled separate domains but now are increasingly fighting for the same territory. Amazon started as a bookseller but now sells information for its Kindle e-reader, making it a competitor with Apple. Google created a social-networking service (Google+), and Facebook launched a search tool for its users. Some observers predict Google and Facebook will be players in the market for mobile devices, to drive more usage of their services.

As they seek ever-larger shares of online activity, Facebook and these competitors rely on their customer data. As you saw at the beginning of this chapter, details about consumers and their behavior make advertising on Facebook valuable. Facebook has commissioned studies of the value of social marketing in one case. It found that Facebook users were fans of Starbucks (by "liking" the brand's page and therefore getting messages from the brand), they and their friends bought from Starbucks more often. Promoting such results helps Facebook charge more for promotions on its site. The other Internet giant gathers different kinds of data. Amazon has information about product searches and purchases. Google knows what a person is searching for and not necessarily the person's opinions about the content. Until it launched Google+, Google would not have known personal details such as age, interests, and relationships adding a social network delivers a powerful combination of information sources.

No wonder, then, that Facebook launched its own search tool. But can a social search engine compete with Google? It's hard to discover what restaurants your friends like. But it won't give you a weather forecast or directions to your job interview for that. Facebook's search engine has partnered with Microsoft's Bing. Facebook's hopes that the tool will be helpful enough to keep people from leaving Facebook. If it can do so, it will have succeeded against a formidable competitor. So far, Google is taking in three-quarters of the ad spending on search ads (the links that show up beside users' search results). Some people see Facebook as a disadvantage because it wasted until recently to offer a search function; others see Google+ as far behind Facebook in the social-networking arena.²

• Are Amazon, Apple, and Google competitors in Facebook's competitive environment or sellers of complementary? Explain.

Facebook has two major links of customers: the users of its site and the advertisers on its site. What challenges does Facebook face from Google in saving each customer group?

Management Connection—Onward
FACEBOOK'S WAY FORWARD

Several actions by Mark Zuckerberg and his management team suggest the future they have forecast for Facebook. At the Facebook-sponsored 9th conference for developers of the social web a few years ago, Zuckerberg said, "Our development is guided by the idea that every year, the amount that people want to add, share, and express is increasing." Zuckerberg remains optimistic. He expects that as members use Facebook more and more from their mobile devices, the frequency of use will drive up revenues.

In addition, Facebook takes a global view of its marketplace. Recall that its mission is to make the world more open and connected. After the United States, Facebook's largest group of members is in Brazil, where social-media use has been soaring. Brazil is also the number two market for Twitter and for Google-owned YouTube. Brazil keep members engaged on Facebook longer—important in markets such as the United States and Britain, where so many people already use Facebook that there is little potential for membership growth.

Another goal is to improve Facebook's revenues. Facebook members don't have to pay to post status updates or send messages—yet. And as we saw earlier, more users are accessing Facebook with mobile devices, where advertising rates are lower. By one account, ad revenue per mobile user is only about one-fifth of ad revenue per desktop user. To explore the possibility of revenue from members, Facebook has experimented with paid messages. One test involved the option to send paid messages to people outside a member's own network; for example, sending a message to Zuckerberg or chief operating officer Sheryl Sandberg would cost \$100. In another test, members could pay \$7 to broadcast pictures or announcements to a wider audience. Concerning ad revenues, Zuckerberg remains optimistic. He expects that as members use Facebook more and more from their mobile devices, the frequency of use will drive up revenues.

In addition, Facebook takes a global view of its marketplace. Recall that its mission is to make the world more open and connected. After the United States, Facebook's largest group of members is in Brazil, where social-media use has been soaring. Brazil is also the number two market for Twitter and for Google-owned YouTube. Brazil keep members engaged on Facebook longer—important in markets such as the United States and Britain, where so many people already use Facebook that there is little potential for membership growth.

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How well do you think Facebook has been responding to its fast-changing environment? Name one or two actions it could take to improve its response.

How can Mark Zuckerberg strengthen Facebook's culture to help the company fulfill its mission?

Environmental Analysis

LO 5 If managers do not understand how the environment affects their organization or cannot identify opportunities and threats that are likely to be important, their ability to make decisions and execute plans will be severely limited. For example, if little is known about customer likes and dislikes, organizations will have a difficult time designing new products, scheduling production, or developing marketing plans. In short, timely and accurate environmental information is critical for running a business.

But information about the environment is not always readily available. For example, even economies have difficulty predicting whether an upturn or a downturn in the economy is likely. Moreover, managers find it difficult to forecast how well their own products will sell, let alone how a competitor might respond. In other words, managers often operate under conditions of uncertainty. Environmental uncertainty means that managers do not have enough information about the environment to understand or predict the future. Uncertainty arises from two related factors: complexity and dynamism. Environmental complexity refers to the number of issues to which a manager must attend as well as their interconnections. For example, industries that

CHAPTER UNFOLDING CASES

Each chapter begins with a "Management Connection: Manager's Brief" section that describes an actual organizational situation, leader, or company. The Manager's Brief is referred to again within the chapter in the "Progress Report" section, showing the student

how the chapter material relates back to the company, situation, or leader highlighted in the chapter opener. At the end of the chapter, the "Onward" section ties up loose ends and brings the material full circle for the student. Answers to Management Connection section questions can be found in the Instructor's Manual.

okay. You do not expend the time or energy to gather more information. Instead you make the expedient decision based on readily available information.

Let's say you are purchasing new equipment, and your goal is to avoid spending too much money. You would be maximizing if you checked out all your options and their prices and then bought the cheapest one that met your performance requirements. But you would be satisfying if you bought the first adequate option that was within your budget and failed to look for less expensive options.

Satisficing is sometimes a result of laziness, other times, there is no other known option because time is short, information is unavailable, or other constraints make maximizing impossible. When the consequences are not bad, satisfying can even be the ideal approach. But in other situations, when managers satisfy, they fail to consider options that might be better.

Optimizing means that you achieve the best possible balance among several goals. Perhaps, in purchasing equipment, you are interested in quality and durability as well as price. No instead of buying the cheapest piece of equipment that works, you buy the one with the best combination of attributes, even though there may be options that are better on the price criterion and others that are better on the quality and durability criteria. The same idea applies to achieving business goals. One marketing strategy could maximize sales, whereas a different strategy might maximize profit. An optimizing strategy is the one that achieves the best balance among multiple goals.

optimizing
Achieving the best possible balance among several goals.

In Practice

REPLACING GOOGLE WITH APPLE MAPS

The first versions of the Apple iPhone included Google Maps as a default app—a logical choice, given that people often use their mobile devices to get directions and Google Maps was the most popular mapping software. However, Google became more of a competitor after it financially backed and later purchased the Android operating system for smart phones. That created a tough decision for Apple when it prepared to launch iOS 6, its operating system for mobile phones. Apple terminated its agreement with Google and replaced Google Maps with its own Apple Maps. Unfortunately, Apple Maps was far from ready for the big time. Information was missing and incorrect. For example, Apple Maps posted photos of places such as the Washington Monument tagged blocks from the satellite image of it in a creepy 3D image of roads surging into the air or bridges dipping into the river. The Australian government even warned people not to use Apple Maps after police were called to rescue people misdirected into and wilderness. Consumers also complained about the lack of directions for public transit systems.

Why did Apple release its mapping application? Managers evidently considered that competing with Google outweighed the technical problems. Some believe that Google was unwilling to share data needed for the app to offer turn-by-turn directions, a feature Apple considered essential. Yet state-of-the-art mapping software requires so much data, so many functions, and so many licensing agreements on a global scale that creating a fully functional product would have taken years longer. In the end, Apple added Google Maps to its App Store.¹⁷

• Where and how did Apple fail in its decision-making processes in this example?

Implementing the Decision

The decision-making process does not end once a choice is made. The chosen alternative must be implemented. Sometimes the people involved in making the choice must not have effect. At other times, they delegate the responsibility for implementation

CONCLUDING CASE

SOARING EAGLE SKATE COMPANY

As a child, Stan Eagle just knew he loved riding his skateboard and doing tricks. By the time he was a teenager, he was so proficient in the sport that he began entering professional contests and taking home prize money. By his twenties, Eagle was so successful and popular that he could make skateboarding his career.

A skateboard maker sponsored him in competitions and demonstrations around the world.

The sponsorship and prize money paid enough to support him for several years. But then interest in the sport waned, and Eagle knew he would have to take his business in new directions. He believed skateboarding would return to popularity, so he decided to launch into designing, building, and selling skateboards under his own brand. To finance Soaring Eagle Skate Company, he pooled his own personal savings with money from a friend, Pete Williams, and came up with \$75,000. Sure enough, new young skaters began snapping up the skateboards, attracted in part by the product's association with a star.

As the company prospered, Eagle considered ideas for expansion. Another friend had designed a line of clothing he thought would appeal to Eagle's skateboarding fans, and Eagle's name on the product would lend it credibility. At the friend's urging, Eagle branched out into clothing for skateboarders. However, he discovered that the business of shirts and shoes is far different from the business of sports equipment. The price margins were tiny, and the sales channels were entirely different. Three years into the expansion, Soaring Eagle had invested millions of dollars in the line but was still losing money. Eagle decided to sell off that part of the business to a clothing company and cut his losses.

Soon after that experiment, colleague Williams proposed another idea. They should begin selling other types of sports

equipment—inline roller skates and ice skates. Selling equipment for more kinds of sports would produce more growth than the company could obtain by focusing on just one sport, Eagle was doubtful. He was considered one of the most knowledgeable people in the world about skateboarding. He knew nothing about inline skating and ice skating. Eagle argued that the company would be better off focusing on the sport in which it offered the most expertise. Surely there were ways to seek growth within the sport—or at least to avoid the losses that came from investing in industries in which the company lacked experience.

Williams continued to press Eagle to try his idea. He pointed out that unless the company took some risks and expanded into new areas, there was little hope that Williams and Eagle could continue to earn much of a return on the money they had invested. Eagle was troubled. The attempt at clothing failed, he thought, a message that they needed to be careful about expansion. But he seemed unable to persuade Williams to accept his point of view. He could go along with Williams and take the chance of losing money again, or he could use money he had earned from his business to buy Williams's ownership share in the company and then continue running Soaring Eagle on his own.

DISCUSSION QUESTIONS

1. How do the characteristics of management decisions—uncertainty, risk, conflict, and lack of avoidance—apply to the decision facing Stan Eagle?
2. What steps can Eagle take to increase the likelihood of making the best decision in this situation?

PART ONE SUPPORTING CASE

SSS Software In-Basket Exercise

One way to assess your own strengths and weaknesses in management skills is to engage in an actual managerial work experience. The following exercise gives you a realistic glimpse of the tasks faced regularly by practicing managers. Complete the exercise and then compare your own decisions and actions with those of classmates.

SSS Software designs and develops customized software for businesses. It also integrates this software with the customer's existing systems and provides system maintenance. SSS Software has customers in the following industries: wireless, automotive, financial/banking, health/hospital, consumer products, electronics, and government. The company has also begun to attract important international clients. These include the European Arab consortium and a consortium of banks and financial firms based in Kenya.

SSS Software has grown rapidly since its inception just over a decade ago. Its revenue, net income, and earnings per share have all been above the industry average for the past several years.

However, competition in this technologically sophisticated field has grown very rapidly. Recently, it has become more difficult to compete for major contracts. Moreover, although SSS Software's revenue and net income continue to grow, the rate of growth declined during the past fiscal year.

SSS Software's 220 employees are divided into several operating divisions with employees at four levels: nonmanagement, technical/professional, managerial, and executive. Nonmanagement employees take care of the clerical and facilities support functions. The technical/professional staff perform the core technical work for the firm. Most managerial employees are group managers who supervise a team of technical/professional employees working on a project for a particular customer. Staff who work in specialized areas such as finance, accounting, human resources, training, and law are also considered managerial employees. The executive level includes the 12 highest-ranking employees at SSS Software. The organization chart in Figure A illustrates SSS Software's structure. There is also an employee

sure Paul understood his job. His favorite responsibility, though, was greeting customers and listening to them carefully, trying to guess the customer needs that Best Trust might be able to meet. When customers were upset about a problem, he used to get nervous, but with experience, he became an expert at listening intently, helping the customer find the best possible solution, and speaking in a respectful tone that almost always resulted in a happy customer.

Now that Paul is an executive vice president, he rarely talks with Best Trust's customers, and more of his communications are unscripted and formal. Although he cares about attracting, motivating, and retaining employees in all positions, he knows he cannot possibly have a dialogue with 72,000 people in dozens of countries. In fact, he can't even have personal conversations with all of the HR employees—Best Trust has more than 800 of them, including several at each facility.

Consequently, Paul looks for a variety of ways to communicate. He meets weekly with all the department and functional heads involved in formulating strategy. The meeting's agenda includes reviewing HR issues such as leadership development, succession planning, diversity management, and employee satisfaction. Paul is well prepared because he meets at least weekly with each of the managers who report directly to him. In these one-on-one meetings, Paul and the manager review progress on the issues handled by that manager. Paul also uses those meetings to learn what challenges the manager is facing so he can offer coaching and encouragement. And Paul looks for ways to meet with as many employees outside HR as he can. For example, he attends an annual employee recognition gathering held to honor the company's 800 top-performing employees. There he talks to as many people as he can. He asks open-ended questions such as "What are you happy about at Best Trust? What could we do better?"

Talking one on one to employees can feel like an escape from one of the chief annoyances of his job: poorly written messages from many of the bank's middle managers. It seems that Best Trust has excelled at finding people with strong analytic and customer service skills, but many of these people stumble at presenting an idea or summarizing their progress in e-mails and reports. Paul has intense time pressure, and it's the pain a suggestion but

can't figure out the main idea of the first sentence of people, he simply passes it to one of his managers for a possible follow-up. Paul suspects that good ideas and real problems are being missed. Ranting reports and presentations loaded with jargon seem to have become a norm at Best Trust, and Paul is thinking about adding a new training program to improve writing skills.

To get out the word about the bank's policies, benefits, and other initiatives, Paul uses a variety of media. He gives presentations at events such as the employee recognition gathering and at branches around the world. Four times a year, he records a video that is posted on the bank's intranet. Topics range from a summary of HR resources to interviews with key leaders at Best Trust. Also on the intranet, Paul leads regular town hall meetings, a live video feed that allows employees to post questions and ideas, which Paul and other executives answer immediately on the video.

Promotions to the executive level are not the only reason communication has changed for Paul at Best Trust. Another source of change is technology. When Paul was a sales rep, the Internet was just a concept, and transmitting data online was a major undertaking that required computer experts. Now the Internet is a basic tool. On the plus side, it helps Paul deliver information efficiently and keep up with his colleagues. But Paul also has a whole set of policy concerns related to the Internet, such as whether to allow employees to access social networking sites and how closely to monitor blogs and other public information for company-related posts. When Paul thinks about it, he realizes that his communication skills have barely grown as fast as the communication demands of his work.

QUESTIONS

1. How has the media richness of Paul's communications changed since the days when he was a sales?
2. What under and major skills are described in this case? Which ones need improvement? Offer one suggestion for improving the weak skills.
3. How might Paul improve communication and the communication culture more generally at Best Trust?

PART FOUR SUPPORTING CASE

Leading and Motivating When Disaster Strikes: Magna Exteriors and Interiors

The name of Magna Exteriors and Interiors Corporation captures its product mix of which components that give each car or truck model its distinctive look. Some of Magna's exterior products are trim, roof systems, body panels, and front and rear end fascias. Interior products include trim, cockpit systems, and cargo management systems. Newmarket, auto companies don't make all these components but, instead, create the designs and handle the final assembly of components from suppliers such as

Magna, delivered to the auto company as needed to meet production plans.

Magna Exteriors and Interiors is a unit of Magna International, which describes itself as "the most diversified automotive supplier in the world." Magna has 283 manufacturing operations plus sales and engineering centers in 28 countries of North America, South America, Africa, Europe, and Asia. These meet the needs of more than two dozen customers, including General Motors,

IN PRACTICE

In Practice boxes have been added to this edition to reinforce concepts learned in the chapter. Answers to In Practice box questions are also included in the Instructor's Manual.

CONCLUDING CASES

Each chapter ends with a case based on disguised but real companies and people that reinforces key chapter elements and themes.

SUPPLEMENTARY CASES

At the end of each part, an additional case is provided for professors who want students to delve further into part topics.

Assurance of Learning

① This 11th edition contains revised learning objectives for each chapter, and ② learning objectives are called out within the chapter where the content begins. ③ The summary for each chapter ties the learning objectives back together as well. ④ Our test

bank provides tagging for the learning objective that the question covers, so instructors will be able to test material covering all learning objectives, thus ensuring that students have mastered the important topics.

CHAPTER 5
Ethics, Corporate Responsibility, and Sustainability

It is truly enough said that a corporation has no conscience, but a corporation of conscientious men is a corporation with a conscience.
— ROBERT DAVID THOMAS

After studying Chapter 5, you will be able to:

- LO 1 Describe how different ethical perspectives guide decision making, p. 156
- LO 2 Explain how companies influence their ethics environment, p. 159
- LO 3 Outline a process for making ethical decisions, p. 164
- LO 4 Summarize the important issues surrounding corporate social responsibility, p. 167
- LO 5 Discuss reasons for businesses' growing interest in the natural environment, p. 171
- LO 6 Identify actions managers can take to manage with the environment in mind, p. 172 and Appendix B.

Ethics

The aim of ethics is to identify both the rules that should govern people's behavior and the "goods" that are worth seeking. Ethical decisions are guided by the underlying values of the individual. Values are principles of conduct such as caring, being honest, keeping promises, pursuing excellence, showing loyalty, being fair, acting with integrity, respecting others, and being a responsible citizen.

Most people would agree that all of these values are admirable guidelines for behavior. However, ethics becomes a more complicated issue when a situation dictates that one value overrules others. An ethical issue is a situation, problem, or opportunity in which an individual must choose among several actions that must be evaluated as morally right or wrong.

Ethical issues arise in every facet of life, we concern ourselves here with business ethics in particular. Business ethics comprises the moral principles and standards that guide behavior in the world of business.

LO 1 Ethical Systems

Moral philosophy refers to the principles, rules, and values people use in deciding what is right or wrong. This is a simple definition in the abstract but often terribly complex and difficult when facing real choices. How do you decide what is right and wrong? Do you know what criteria you apply and how you apply them?

ethical issue: Situation, problem, or opportunity in
business ethics: The moral principles and standards that
moral philosophy: Principles, rules, and values people use in

KEY TERMS

business ethics, p. 156
carbon footprint, p. 172
Case Principles, p. 157
compliance-based ethics programs, p. 164
corporate social responsibility (CSR), p. 168
economic management, p. 172
economic responsibilities, p. 168
epigen, p. 158
ethical climate, p. 161
ethical issue, p. 156
ethical leader, p. 163
ethical responsibilities, p. 168
ethics, p. 154
integrity-based ethics programs, p. 164
Kohlberg's model of cognitive moral development, p. 159
legal responsibilities, p. 168
life-cycle analysis (LCA), p. 172
moral philosophy, p. 156
philanthropic responsibilities, p. 168
relativism, p. 158
Sarbanes-Oxley Act, p. 160
sustainable growth, p. 172
transcendental education, p. 169
triple bottom line, p. 168
universalism, p. 157
utilitarianism, p. 158
virtue ethics, p. 158

SUMMARY OF LEARNING OBJECTIVES

Now that you have studied Chapter 5, you should be able to:

LO 1 Describe how different ethical perspectives guide decision making.
The purpose of ethics is to identify the rules that govern human behavior and the "goods" that are worth seeking. Ethical decisions are guided by the individual's values or principles of conduct such as honesty, fairness, integrity, respect for others, and responsible citizenship. Different ethical systems include utilitarianism, egoism and utilitarianism, relativism, and virtue ethics. These philosophical systems are practiced by different individuals according to their level of cognitive moral development and other factors, underlie the ethical stances of individuals and organizations.

LO 2 Explain how companies influence their ethics environment.
Different organizations apply different ethical perspectives and standards. Ethics codes, among other things, are helpful, although they often are not enough. Ethics codes address environmental, shareholder-

LO 3 Outline a process for making ethical decisions.
Making ethical decisions requires moral awareness, moral judgment, and moral character. When faced with ethical dilemmas, the real of ignorance is a useful metaphor. More precisely, you can know various moral standards (universalism, relativism, and so on), use the problem-solving model described in Chapter 3, identify the positive and negative effects of your alternatives on different parties, consider legal requirements and the costs of unethical actions, and then evaluate your ethical duties.

LO 4 Summarize the important issues surrounding corporate social responsibility.
Corporate social responsibility is the extension of the corporate role beyond economic pursuits. It includes not only economic but also legal, ethical, and philanthropic responsibilities. Advocates believe managers should consider societal and human needs in their business decisions because corporations are members of society and carry a wide range of responsibilities. Critics of corporate responsibility believe managers' first responsibility is to increase profits for the shareholders who own the corporation. The two perspectives are potentially reconcilable, espe-

ASSURANCE OF LEARNING READY

Many educational institutions today are focused on the notion of *assurance of learning*, an important element of some accreditation standards. The edition of *Management: Leading & Collaborating in a Competitive World* is designed specifically to support your assurance of learning initiatives with a simple yet powerful solution.

Each test bank question for *Management: Leading & Collaborating in a Competitive World*, 11e, maps to a specific chapter learning outcome/objective listed in the text. You can use our test bank software, EZ Test and EZ Test Online, or *Connect Management* to query easily for learning outcomes/objectives that directly relate to the learning objectives for your course. You can then use the reporting features of EZ Test to aggregate student results in similar fashion, making the collection and presentation of assurance of learning data simple and easy.

AACSB STATEMENT

The McGraw-Hill Companies are a proud corporate member of AACSB International. Understanding the importance and value of AACSB accreditation, *Management: Leading & Collaborating in a Competitive World*, 11e, recognizes the curricula guidelines detailed in the AACSB standards for business accreditation by connecting selected questions in the text and/or the test bank to the six general knowledge and skill guidelines in the AACSB standards.

The statements contained in *Management: Leading & Collaborating in a Competitive World*, 11e, are provided only as a guide for the users of this textbook. The AACSB leaves content coverage and assessment within the purview of individual schools, the mission of the school, and the faculty. Although this book and the teaching package make no claim of any specific AACSB qualification or evaluation, we have within *Management: Leading & Collaborating in a Competitive World*, 11e, labeled selected questions according to the six general knowledge and skills areas.

Outstanding Pedagogy

Management: Leading & Collaborating in a Competitive World is pedagogically stimulating and is intended to maximize student learning. With

this in mind, we used a wide array of pedagogical features—some tried and true, others new and novel:

END-OF-CHAPTER ELEMENTS

- **Key terms** are page-referenced to the text and are part of the vocabulary-building emphasis. These terms are defined again in the glossary at the end of the book.
- A **Summary of Learning Objectives** provides clear, concise responses to the learning objectives, giving students a quick reference for reviewing the important concepts in the chapter.
- **Discussion Questions**, which follow the Summary of Learning Objectives, are thought-provoking questions on concepts covered in the chapter and ask for opinions on controversial issues.
- **Experiential Exercises** in each chapter bring key concepts to life so students can experience them firsthand.

KEY TERMS			
business strategy, p. 141	low-cost strategy, p. 141	strategic goals, p. 125	
concentration, p. 138	mission, p. 130	strategic management, p. 129	
concentric diversification, p. 138	operational planning, p. 126	strategic planning, p. 125	
conglomerate diversification, p. 139	plans, p. 122	strategic vision, p. 130	
core capability, p. 136	resources, p. 134	strategy, p. 125	
corporate strategy, p. 138	scenario, p. 123	SWOT analysis, p. 137	
differentiation strategy, p. 141	situational analysis, p. 120	tactical planning, p. 126	
functional strategy, p. 142	stakeholders, p. 132	vertical integration, p. 138	
goal, p. 121	strategic control system, p. 144		

SUMMARY OF LEARNING OBJECTIVES	
<p>Now that you have studied Chapter 4, you should be able to:</p> <p>LO 1 Summarize the basic steps in any planning process.</p> <p>The planning process begins with a situation analysis of the external and internal forces affecting the organization. This examination helps identify and diagnose issues and problems and may bring to the surface alternative goals and plans for the firm. Next, the advantages and disadvantages of these goals and plans should be evaluated against one another. Once a set of goals and a plan have been selected, implementation involves communicating the plan to employees, allocating resources, and making certain that other systems such as rewards and budgets support the plan. Finally, planning requires instituting control systems to monitor progress toward the goals.</p>	<p>procedures and processes required at lower levels of the organization.</p> <p>LO 3 Identify elements of the external environment and internal resources of the firm to analyze before formulating a strategy.</p> <p>Strategic planning is designed to leverage the strengths of a firm while minimizing the effects of its weaknesses. It is difficult to know the potential advantage a firm may have unless external analysis is done well. For example, a company may have a talented marketing department or an efficient production system. However, the organization cannot determine whether these internal characteristics are sources of competitive advantage until it knows something about how well the competitors stack up in these areas.</p>

DISCUSSION QUESTIONS	
<p>1. This chapter opened with a quote from former CEO of GE Jack Welch: "Manage your destiny, or someone else will." What does this mean for strategic management? What does it mean when Welch adds, "or someone else will"?</p> <p>2. List the six steps in the formal planning process. Suppose you are a top executive of a home improvement chain and you want to launch a new company website. Provide examples of activities you would carry out during each step to create the site.</p> <p>3. Your friend is frustrated because he's having trouble selecting a career. He says, "I can't plan because the future is too complicated. Anything can happen, and there are too many choices." What would you say to him to change his mind?</p>	<p>5. How might an organization such as Urban Outfitters use a strategy map? With your classmates and using Figure 4.3 as a guide, develop a possible strategy map for the company.</p> <p>6. What accounts for the shift from strategic planning to strategic management? In which industries would you be most likely to observe these trends? Why?</p> <p>7. Review Table 4.1, which lists the components of an environmental analysis. Why would this analysis be important to a company's strategic planning process?</p> <p>8. In your opinion, what are the core capabilities of Harley-Davidson Motor Company motorcycles? How do these capabilities help Harley-Davidson compete against foreign competitors such as Yamaha and Suzuki?</p> <p>9. How could SWOT analysis help newspaper companies</p>

EXPERIENTIAL EXERCISES	
4.1 STRATEGIC PLANNING	
<p>OBJECTIVE To study the strategic planning of a corporation recently in the news.</p> <p>INSTRUCTIONS Bloomberg Businessweek magazine frequently has articles on the strategies of various corporations. Find a recent article on a</p> <p>Strategic Planning Worksheet</p> <p>1. Has the firm clearly identified what business it is in and how it is different from its competitors? Explain.</p>	<p>corporation in an industry of interest to you. Read the article and answer the following questions. Follow your instructor's directions for turning in responses with a copy of the article or a link to the article online.</p>

Comprehensive Supplements

INSTRUCTOR'S MANUAL

Authored by Carrie Hurst, Tennessee State University, the Instructor's Manual was revised and updated to include thorough coverage of each chapter as well as time-saving features such as an outline, key student questions, class prep work assignments, guidance for using the unfolding cases, video supplements, and, finally, PowerPoint slides.

TEST BANK

The Test Bank includes more than 100 questions per chapter in a variety of formats. It has been revised for accuracy and expanded to include a greater variety of comprehension and application (scenario-based) questions as well as tagged with Bloom's Taxonomy levels and AACSB requirements. **EZ Test** is a flexible and easy-to-use electronic testing program that allows instructors to create tests from book-specific items. A downloadable desktop version can be found on the IRCD. And **EZ Test Online** (www.eztestonline.com) allows you to access the test bank from the OLC virtually anywhere and anytime. EZ Test-created exams and quizzes can be administered online, providing instant feedback for students.

POWERPOINT PRESENTATION SLIDES

Prepared by Brad Cox, Midlands Technical College, the PowerPoint presentation collection contains an easy-to-follow outline including figures downloaded from the text. In addition to providing lecture notes, the slides also include questions for class discussion as well as company examples not found in the textbook. This versatility allows you to create a custom presentation suitable for your own classroom experience.

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- Applies an intelligent concept engine to identify the relationships between concepts and to serve new concepts to each student only when he or she is ready.
- Adapts automatically to each student, so students spend less time on the topics they understand and practice more those they have yet to master.
- Provides continual reinforcement and remediation but gives only as much guidance as students need.
- Integrates diagnostics as part of the learning experience.

- Enables you to assess which concepts students have efficiently learned on their own, thus freeing class time for more applications and discussion.

Online Interactives Online Interactives are engaging tools that teach students to apply key concepts in practice. These interactives provide them with immersive, experiential learning opportunities. Students will engage in a variety of interactive scenarios to deepen critical knowledge of key course topics. They receive immediate feedback at intermediate steps throughout each exercise as well as comprehensive feedback at the end of the assignment. All interactives are automatically scored and entered into the instructor grade book.

Lecture Capture via Tegrity Campus Increase the attention paid to lecture discussion by decreasing the attention paid to note taking. For an additional charge, Lecture Capture offers new ways for students to focus on the in-class discussion, knowing they can revisit important topics later.

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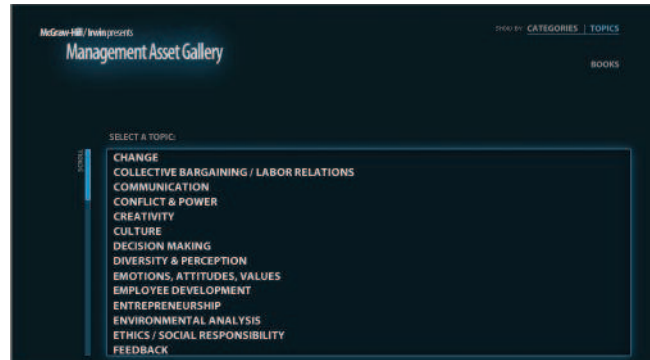
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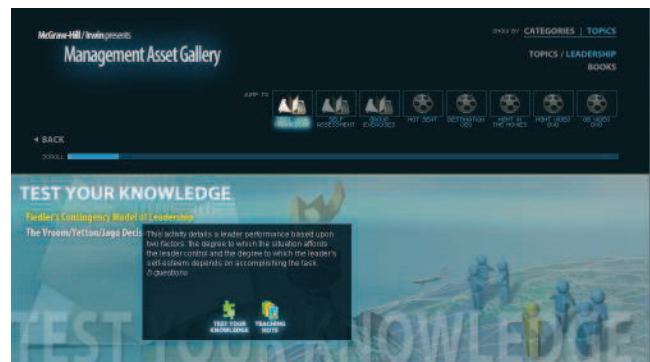
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The Asset Gallery is intuitively organized and designed, allowing instructors ease of use in previewing our wealth of resources. These resources correlate with specific asset categories and more than 40 topics in management.



The Asset Gallery includes all of our non-text-specific management resources (Self-Assessments, Test Your Knowledge exercises, videos and information, additional group and individual exercises) along with supporting PowerPoint and Instructor Manual materials. Additionally, to help incorporate the assets in the classroom, a guide is provided specific to McGraw-Hill texts. Instructors can reach the Asset Gallery through a link from the Instructor area of the Online Learning Center or on the Connect library.



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This interactive, video-based application puts students in the manager's hot seat, building critical thinking and decision-making skills and allowing students to apply concepts to real managerial challenges. Students watch as 21 real managers apply their years of experience when confronting unscripted issues such as bullying in the workplace, cyber loafing, globalization, intergenerational work conflicts, workplace violence, and leadership versus management. In addition, Manager's Hot Seat interactive applications, featuring video cases and accompanying quizzes, can be found in Connect.

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MANAGEMENT HISTORY TIMELINE

This web application allows instructors to present and students to learn the history of management in an engaging and interactive way. Management history is presented along an intuitive timeline that can be traveled through sequentially or by selected decade. With the click of a mouse students learn the important dates, see the people who influenced the field, and understand the general management theories that have molded and shaped management as we know it today.

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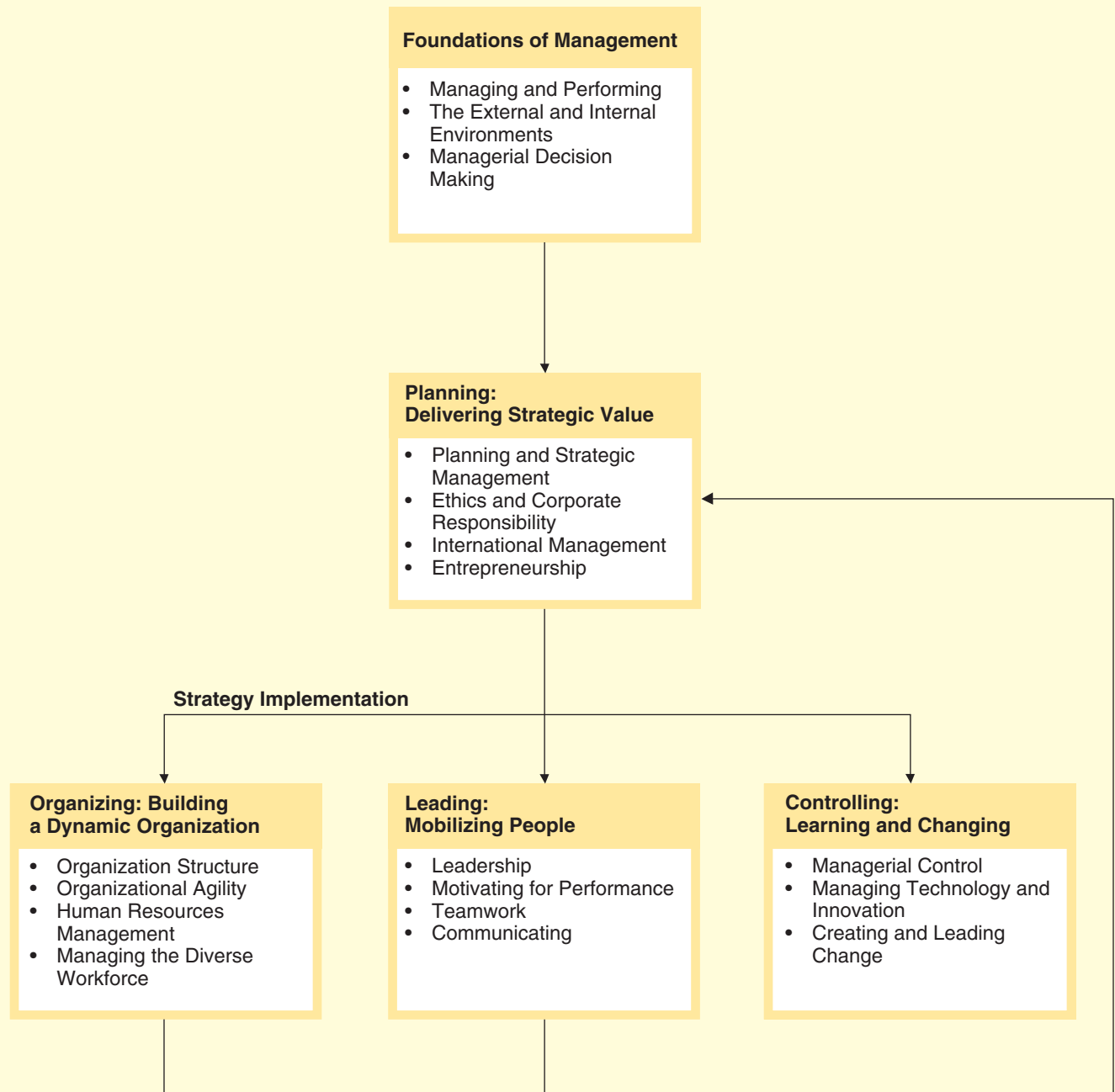
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CHAPTER I

Managing and Performing

Management means, in the last analysis, the substitution of thought for brawn and muscle, of knowledge for folklore and tradition, and of cooperation for force.

— PETER DRUCKER

After studying Chapter I, you will be able to:

- LO 1** Summarize the major challenges of managing in the new competitive landscape. p. 4
- LO 2** Describe the sources of competitive advantage for a company. p. 7
- LO 3** Explain how the functions of management are evolving in today’s business environment. p. 12
- LO 4** Compare how the nature of management varies at different organizational levels. p. 16
- LO 5** Define the skills you need to be an effective manager. p. 18
- LO 6** Understand the principles that will help you manage your career. p. 20

LEARNING OBJECTIVES

CHAPTER OUTLINE

Managing in the New Competitive Landscape

- Globalization
- Technological Change
- Knowledge Management
- Collaboration across “Boundaries”

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
- Management Skills

You and Your Career

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

Management Connection

INTRODUCING THE BEST: AMAZON'S JEFF BEZOS

What does a well-run company look like? You might say that it is popular or that its sales are high, but these can be fleeting things. You could say that it has a famous brand or a prominent leader, but familiar brands and well-publicized leaders can fall from grace. You can say that a well-managed company makes a big profit, but most business experts agree that a better measure of success is the company's long-term value.

Using long-term value as the performance measure, three professors writing for *Harvard Business Review* identified the best-performing chief executive officers (CEOs), or top managers. For each company's CEO, they looked at how the company's value changed while that person held the top job. By that measure, the best living CEO was Jeffrey P. Bezos of online retailer Amazon (number two after Apple's Steve Jobs, who recently succumbed to cancer). Since 1996, Amazon under Bezos has delivered returns of 12,266 percent on shareholders' investments, and the company's value has risen by \$111 billion.

To generate such breathtaking growth, Bezos has to get a lot of things right. As an early entrant into the then-revolutionary online marketplace, he was a visionary about the Internet's potential. At the same time, Bezos has consistently insisted to investors and employees that the company would take a long-term view, recognizing that the smartest innovations may take time to pay off. (This is especially true given Amazon's practice of keeping costs and prices as low as possible.)

But innovation alone isn't Amazon's secret. Bezos sets the tone for the company by insisting on a customers-first outlook. Putting customers first has led to some decisions that at first seemed a little crazy to outsiders.



Why would a bookseller offer an e-reader, the Kindle, if it would reduce book sales? Why would an online store create the Amazon Marketplace, where competing retailers can sell their products? The answer, says Bezos, is that those innovations benefit customers. And so far, they seem to drive ever more shoppers to Amazon, where they download e-books *and* buy print books and where they enjoy the convenience of buying an extremely broad range of goods from many sellers without Amazon needing to build more warehouses.

If you listen to Bezos, this story is all about the customer. If you are a store owner, it also is about a formidable, game-changing global competitor that didn't exist two decades ago but today sells more than \$48 billion a year. And, finally, it is a story about managers like Bezos figuring out how to build something amazing in a fast-changing world.¹

As you read this chapter, notice the wide variety of skills that Jeff Bezos needs to help Amazon meet its goals. Also, think about how managing people, money, and other resources enables Amazon and other organizations to accomplish far more than individuals acting independently could ever achieve.

Amazon's CEO, Jeff Bezos, is one of the most interesting leaders in business today. He is an innovator who combines financial know-how with a vision for the future of technology and an unswerving drive to serve customers. Together, those qualities have helped him build a business idea into a major corporation that continues to transform industry.

Bezos and the other top business leaders identified by *Harvard Business Review* are chief executives who have been far more than a flashy presence in the media; they have delivered strong performance over years at the helm. In the 2013 rankings, number one was no surprise: Steve Jobs, who took over Apple in 1997 when the company was in bad shape and then led the company to sterling returns and market value year after year. After Jobs and Bezos, other top CEOs on the list were Samsung's Yun Jong-Yong (number 3), eBay's Meg Whitman (number 9), and Cisco Systems' John Chambers (number 10).²

Consider Groupon as a contrasting example. You might have been one of its many fans if you like low prices for local goods and services. The new company was booming as it strived to become the Amazon.com of local commerce, but then its performance collapsed, and the board in 2013 fired CEO and cofounder Andrew Mason. Why did the popular company fall into such disfavor? Answers to questions like this are rarely simple, but Groupon's great deals brought businesses new one-time customers wanting rock-bottom prices, angering customers who paid full price. Not enough customers returned.

In business, there is no alternative to managing well. Companies may fly high for a while, but they cannot do well for very long without good management. It's the same for individuals: the best managers succeed by focusing on fundamentals, knowing what's important, and managing well. The aim of this book is to help you succeed in those pursuits.

Managing in the New Competitive Landscape

LO 1

When the economy is soaring, business seems easy. Starting an Internet company looked easy in the 1990s, and ventures related to the real estate boom looked like a sure thing just a few years ago. But investors grew wary of dot-com start-ups, and the demand for new homes dropped off the table when the economy crashed in late 2008. At such times, it becomes evident that management is a challenge requiring knowledge and skills to adapt to new circumstances.

What defines the competitive landscape of today's business? You will be reading about many relevant issues in the coming chapters, but we begin here by highlighting

Management is a challenge requiring knowledge and skills to adapt to new circumstances.

four ongoing challenges that characterize the current business landscape: globalization, technological change, the importance of knowledge and ideas, and collaboration across organizational boundaries.

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, where incomes are rising and demand is increasing. The change from a local to a global marketplace is gaining momentum and is irreversible.³

Fortune magazine annually publishes a list of the world's most admired companies. Whereas U.S. companies used to dominate, Switzerland-based Nestlé was the most admired maker of consumer food products in 2012, and Germany's Volkswagen was the most admired producer of motor vehicles. The company rated

best in global competitiveness was Spain's Gas Natural Fenosa, followed by McDonald's and Nestlé.⁴ Who are other or more recent leaders?

Globalization also means that a company's talent and competition can come from anywhere. As with its sales, more than half of GE's employees live outside the United States.⁵ Hollywood film studios now hire actors and choose locations in markets outside the United States; two-thirds of total box office receipts now often come from overseas (for *Life of Pi*, it was four-fifths). Bollywood movies produced in India are competing and performing at record levels, and Nollywood (Nigerian Hollywood) is now bigger than Bollywood on a per capita basis.⁶

PepsiCo's chief executive, Indra Nooyi, brings a much-needed global viewpoint to a company whose international business has been growing three times faster than sales in the United States. Nooyi, who was raised in India and educated there and in the United States, has steered the company toward more "better for you" and "good for you" snacks with acquisitions including a nut packager in Bulgaria and a hummus producer in Israel.⁷

Meanwhile Coca-Cola has higher sales in Mexico than in any other country at 665 servings per year per capita. In Kenya, the rate is 39 servings per year per capita. Coca-Cola is already Africa's largest employer, and the continent is a key to Coke's future growth. Coke's CEO Muhtar Kent says, "Africa is the untold story, and could be the big story, of the next decade, like India and China were this past decade."⁸

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 their products in the face of intense competition from foreign manufacturers. Firms today must ask themselves, "How can we be the best in the world?"

For students, it's not too early to think about the personal ramifications. In the words of CEO Jim Goodnight of SAS, the largest privately held software company in the world, "The best thing business schools can do to prepare their students is to encourage them to look beyond their own backyards. Globalization has opened the world for many opportunities, and schools should encourage their students to take advantage of them."⁹

Technological Change

The Internet's impact on globalization is only one of the ways that technology is vitally important in the business world. Technology both complicates things and creates new opportunities. The challenges come from the rapid rate at which communication, transportation, information, and other technologies change.¹⁰ For example, after just a couple of decades of widespread desktop use, customers switched to laptop models, which require different accessories.¹¹ Any company that served desktop users had to rethink its customers' wants and needs, not to mention the possibility that these customers are now working at the airport or a local Starbucks outlet rather than in an office.

Later chapters discuss technology further, but here we highlight the rise of the Internet and its effects. Why is the Internet so important to business?¹² It is a marketplace, a means for manufacturing goods and services, a distribution channel, an information service, and more. It drives down costs and speeds up globalization. It improves efficiency of decision making. It facilitates design of new products, from pharmaceuticals to financial services. Managers can watch and learn what other companies are doing—on the other side of the world. Although these advantages create business opportunities, they also create threats as competitors sometimes capitalize on new developments more than you do.



Globalization has changed the face of the workforce. Management in this new competitive landscape will need to attract and effectively manage a talent pool from all over the globe.

Things continue to change at breakneck speed. In 2003, tech guru Tim O'Reilly coined the term "Web 2.0" to describe the exciting new wave of social networking start-ups that allow users to publish and share information. But most failed or are stalled; very few, other than Facebook, make a profit.¹³ Nevertheless, Web 2.0 not only is a continuing reality, it is redefining the ways that customers and sellers, employees and employers are sharing knowledge. (And the saying is true: knowledge really is power.) Looking forward, the managers of the future will take Web 2.0 for granted and must be ready for Web 3.0, whatever that might turn out to be.

Knowledge Management

Companies and managers need good new ideas. Because companies in advanced economies have become so efficient at producing physical goods, most workers have been freed up to provide services or "abstract goods" such as software, entertainment, data, and advertising. Efficient factories with fewer workers produce the cereals and cell phones the market demands; meanwhile, more and more workers create software and invent new goods and services. 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, which we examine throughout this book. For example, determining whether they are doing a good job can be difficult because the manager cannot simply count or measure a knowledge worker's output. Also, these workers often are most motivated to do their best when the work is interesting, not because of a carrot or stick dangled by the manager.¹⁴

Because the success of modern businesses so often depends on the knowledge used for innovation and the delivery of services, organizations need to manage that knowledge. **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 is about finding, unlocking, sharing, and altogether 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, help people generate new ideas, and harness those ideas into successful innovations.

In hospitals, important knowledge includes patients' histories, doctors' orders, billing information, dietary requirements, prescriptions administered, and much more. With lives at stake, many hospitals have embraced knowledge management. For example, at Virginia Commonwealth University (VCU) Health System, a single information system lets doctors write prescriptions, look up patient information and lab results, and consult with one another. Billing also is automated as part of VCU's knowledge management system, making the process more efficient and connecting with patient data so that it can remind the physician of all the conditions being treated—and billed for.¹⁵ Hospitals can also give patients access to the knowledge management system so that they can schedule appointments, request prescription refills, and send questions to their doctors.

Collaboration across Boundaries

One of the most important processes of knowledge management is to ensure that people in different parts of the organization collaborate effectively with one another. This requires productive communications among different departments, divisions, or other subunits of the organization. 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). This emphasis on dual responsibilities for performance and knowledge sharing occurs at pharmaceutical giant GlaxoSmithKline, large German industrial company Siemens, and London-based steelmaker Ispat International.¹⁶

knowledge management

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

For example, Toyota keeps its product development process efficient by bringing together design engineers and manufacturing employees from the very beginning. Often, manufacturing employees can see ways to simplify a design so that it is easier to make without defects or unnecessary costs. Toyota expects its employees to listen to input from all areas of the organization, so this type of collaboration is a natural part of the organization's culture. Employees use software to share their knowledge—best practices they have developed for design and manufacturing.¹⁷ Thus, at Toyota, knowledge management supports collaboration and vice versa.

Collaboration across boundaries occurs even beyond the boundaries of the organization itself. Companies today must motivate and capitalize on the ideas of people outside the organization. Customers, for instance, can be collaborators. Companies must realize that the need to serve the customer drives everything else.

In the Web 2.0 era, customers *expect* to share their ideas and be heard. Companies collaborate with their customers by actively and continuously listening and responding. L.L. Bean, for example, tracks customer comments and reviews on its website; if any product averages fewer than three stars out of five, the company removes it and directs the product manager to resolve the problem.¹⁸ Businesses also pay attention to customer comments on Amazon, Zappos, Yelp, TripAdvisor, Facebook, Twitter, and many more. Customer feedback management software can search these and other sites and generate statistics and reports.

Managing for Competitive Advantage

The rise of the Internet 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 salivated, and invested heavily. The risks were often ignored or downplayed—sometimes tragically as the boom went bust. Or consider an earlier industry with similar transforming power: automobiles. There have been at least 2,000 car makers—how many 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—whether traditional, Internet-based, or a combination of both—is not just how much the industry in which it operates will affect society or how much it will grow. The key is the competitive advantage a particular company holds and how well it can sustain that advantage.

To survive and win over time, you have to gain and sustain advantages over your competitors. You gain competitive advantage by being better than your competitors at doing valuable things for your customers. But what does this mean, specifically? To succeed, managers must deliver performance. The fundamental success drivers of performance are innovation, quality, service, speed, cost competitiveness, and sustainability.

Innovation

Companies must continually innovate. **Innovation** is the introduction of new goods and services. Your firm must adapt to changes in consumer demands and to new competitors. Products don't sell forever; in fact, they don't sell for nearly as long as they used to because so many competitors are introducing so many new products all the time. Your firm must innovate, or it will die. Likewise, you have to be ready with new ways to communicate with customers and deliver the products to them. When the internet allowed merchants to bypass traditional distribution channels and reach buyers directly, traditional marketers had to learn how to innovate to remain competitive.

Innovation isn't all about tech products. Dunkin' Brands Culinary Innovation Team is a group of 18 chefs led by executive chef Stan Frankenthaler. They send out about 20 new product launches to market each year for Dunkin' Donuts and

LO 2

Bottom Line

Because it's easy for managers to get so caught up in being busy, get distracted, and 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 of these advantages do you think would be hard to deliver at the same time?



innovation

The introduction of new goods and services.

Baskin-Robbins in a constant effort to boost revenues and profits. Bagel twists are a recent success; whole wheat donuts are not. The team is working long-term to create a zero-grams trans-fat menu.¹⁹

The need for innovation is driven in part by globalization. One obvious reason is that facilities in other countries can manufacture appliances or write software code at a lower cost than facilities 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. This is a challenge as developing nations such as China increase their engineering prowess. Philips, which started out making light bulbs in the Netherlands in the 1890s, has set up research as well as manufacturing operations in China because that country is becoming a key source of technical know-how, not just cheap labor.²⁰ Nevertheless, as labor and other costs rise overseas, and as U.S. companies find ways to improve efficiency at home, the future for North American facilities is brightening. Nissan, for example, has expanded production in Smyrna, Tennessee, including assembly of its Infiniti JX luxury car and Leaf electric car. Other companies that have announced plans to expand in the U.S., especially in the South, include Toyota, General Motors, Ford, and Honda.²¹



Stan Frankenthaler, executive chef at Dunkin' Brands, tests omelette recipes in the test kitchen. The Culinary Innovation Team is constantly trying out new ideas.

Innovation is today's holy grail (2013's number one most admired company in *Fortune's* innovativeness category was Apple, and number two was Amazon).²² 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.

Quality

When Spectrum Health, a hospital chain based in Grand Rapids, Michigan, asked patients how well they were served, patients rated staff low on helpfulness and their attitude toward visitors and said they didn't get good information about procedures or how to take care of themselves after being released to go home. Spectrum set up an advisory council of patients and family members, making visiting hours more flexible, getting patient input into who was allowed to hear medical information and make decisions about treatment, and calling discharged patients at home to make sure they understood the directions they had received. Satisfaction scores of Spectrum patients improved dramatically.²³

Spectrum Health's efforts reflect a commitment to quality. In general, **quality** is the excellence of your product. The importance of quality and the standards for acceptable quality have increased dramatically in recent years. Customers now demand high-quality goods and services, and often they will accept nothing less.

Historically, quality pertained primarily to the physical goods that customers bought, and it referred to attractiveness, lack of defects, reliability, and long-term 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. But then W. Edwards Deming, J. M. Juran, 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 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 the way the company operates.²⁴

quality

The excellence of your product (goods or services).

Quality is further provided when companies customize goods and services to the wishes of the individual consumer. Choices at Starbucks give consumers thousands of variations on the drinks they can order, whether it's half-caff or all caffeine, skim milk or soy milk, or shots of espresso and any of a variety of flavored syrups. For a premium price, candy lovers can select M&M's candies bearing the message of their own creation.²⁵ Similarly, Jones Soda Company lets visitors to its website order a 12-pack of soda with their photo on the bottles. They upload the photo to the myJones website (www.myjones.com) and choose a soda flavor.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 performance standards more precisely, and deliver world-class value.

By the way, *Fortune* magazine's 2013 number one company for quality of products and services was Apple; Norstrom was number two.

Providing world-class quality requires a thorough understanding of what quality really is.

Service

As noted, important quality measures often pertain to the service customers receive. This dimension of quality is particularly important because the service sector has come to dominate the U.S. economy. In recent years, the fastest-growing job categories have been almost entirely services and retailing jobs, and the jobs with the greatest declines are primarily in manufacturing (although some manufacturing is returning to the U.S.).²⁸ Services include intangible products such as insurance, hotel accommodations, medical care, and haircuts.

Service means giving customers what they want or need, when they want it. So service is focused on continually meeting the needs of customers to establish mutually beneficial long-term relationships. Thus software companies, in addition to providing the actual programs, may help their customers identify requirements, set up computer systems, and perform maintenance.

An important dimension of service quality is making it easy and enjoyable for customers to experience a service or to buy and use products. The Detroit Institute of Arts recently hired a manager formerly with the Ritz-Carlton hotel chain, noted for its exceptional level of service, to be vice president of museum operations. As the art museum prepared for a grand reopening following a major renovation, the manager analyzed the types of customer interactions that occur in a museum, identifying ways to make the experience more pleasant. He also worked with his staff to identify ways to customize services, such as offering tours tailored to the interests of particular groups.²⁹

Speed

Google constantly improves its search product at a rapid rate. In fact, its entire culture is based on rapid innovation. Sheryl Sandberg, a Google vice president, once made a mistake because she was moving too fast to plan carefully. Although the mistake cost the company a few million dollars, Google cofounder Larry Page responded to her explanation and apology by saying he was actually glad she had made the mistake. It showed that she appreciated the company's values. Page told Sandberg, "I want to run a company where we are moving too quickly and doing too much, not being too cautious and doing too little. If we don't have any of these mistakes, we're just not taking enough risks."³⁰

Although it's unlikely that Google actually favors mistakes over moneymaking ideas, Page's statement expressed an appreciation that in the modern business

service

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