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# Modern Management

*Concepts and Skills*

FOURTEENTH EDITION

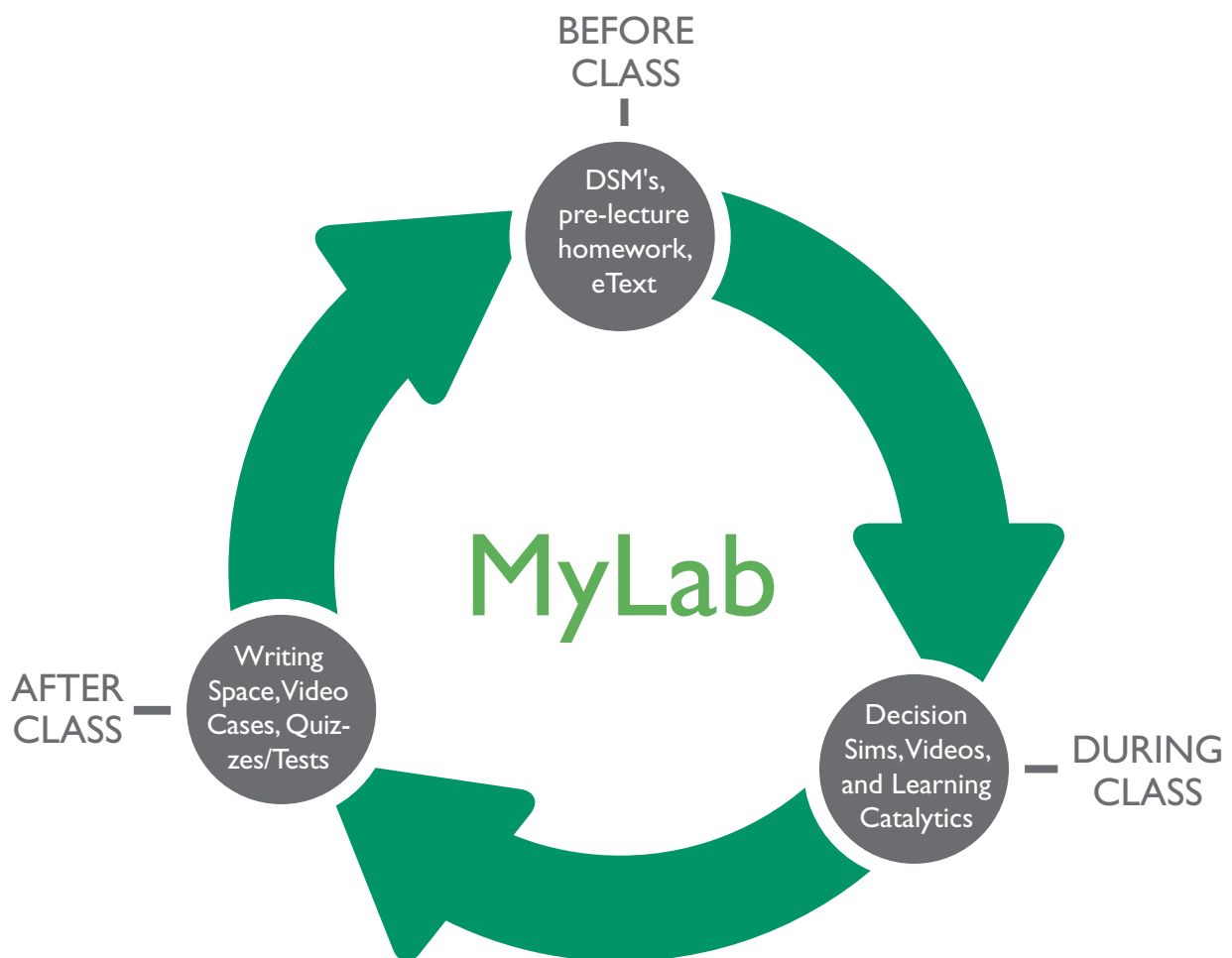
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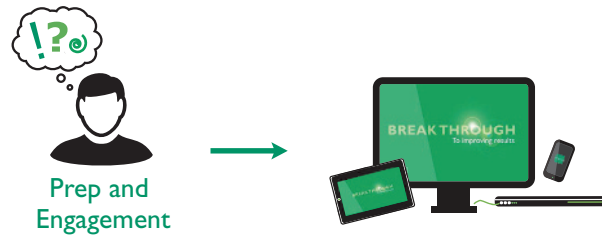
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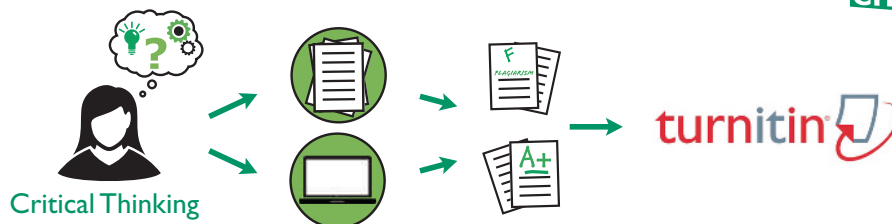
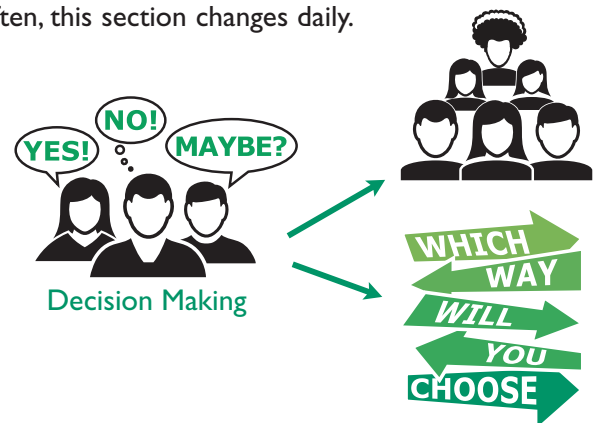
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# Modern Management

CONCEPTS AND SKILLS

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# Modern Management

CONCEPTS AND SKILLS

FOURTEENTH EDITION

GLOBAL EDITION

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**PEARSON**

**Samuel C. Certo**

*To Mimi: My best friend for life!*

**S. Trevis Certo**

*To Melissa, Skylar, Lexie, and Lando*

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# Brief Contents

**Preface 19**

**About the Authors 31**

**PART 1 Introduction to Modern Management 33**

**1** Introducing Modern Management: Concepts and Skills 33

**PART 2 Modern Management Challenges 56**

**2** Managers, Society, and Sustainability 56

**3** Management and Diversity 83

**4** Managing in the Global Arena 110

**PART 3 Planning 137**

**5** Plans and Planning Tools 137

**6** Making Decisions 163

**7** Strategic Planning: Strategies, Tactics,  
and Competitive Dynamics 184

**PART 4 Organizing 207**

**8** Fundamentals of Organizing 207

**9** Responsibility, Authority, and Delegation 229

**10** Human Resource Management 250

**11** Changing Organizations: Stress, Conflict,  
and Virtuality 272

**PART 5 Influencing 297**

**12** Influencing and Communication 297

**13** Leadership 321

**14** Motivation 350

**15** Groups and Teams 374

**16** Managing Organization Culture 399

**PART 6 Controlling 422**

**17** Controlling, Information, and Technology 422

**18** Production and Control 447

**Appendix 1: Managing: History and Current Thinking 476**

**Appendix 2: Management and Entrepreneurship: Handling Start-Ups  
and New Ventures 498**

**Appendix 3: Encouraging Creativity and Innovation 516**

**Glossary 541**

**Author Index 553**

**Subject Index 560**

# Contents

**Preface 19**

**About the Authors 31**

## **PART 1 Introduction to Modern Management 33**

### **1 Introducing Modern Management: Concepts and Skills 33**

Management Skill 33

**CHALLENGE CASE: An IBM Success Story: Rodney Adkins 34**

The Modern Management Challenge 34

A Manager's Task 35

The Role of Management 36

Defining Management 36

The Management Process: Management Functions 37

Management Process and Organizational Resources 38

■ **Practical Challenge: Attaining Goals:** Lawrence Jones Motivates Employees at UKFast 39

Management and Organizational Resources 39

The Universality of Management 41

Management Skill: The Key to Management Success 41

Defining Management Skill 41

Management Skill: A Classic View 42

Management Skill: A Contemporary View 42

■ **Steps for Success: Developing Human Skills 43**

Management Skill: A Focus of This Book 43

Management Careers 45

A Definition of Career 46

Career Stages, Life Stages, and Performance 46

Promoting Your Own Career 47

■ **Tips for Managing around the Globe:** Making the Most of International Experience 47

Special Career Issues 48

**Challenge Case Summary 50**

Class Preparation and Personal Study 51

Management Skill Exercises 52

## **PART 2 Modern Management Challenges 56**

### **2 Managers, Society, and Sustainability 56**

Social Responsibility Skill 56

**CHALLENGE CASE: IKEA Builds on Its Commitment to the Environment 57**

The Social Responsibility Challenge 57

Fundamentals of Social Responsibility 58

Areas of Social Responsibility 58

Varying Opinions on Social Responsibility 58

Conclusions about the Performance of Social Responsibility Activities by Business 59

Social Responsiveness 61

Determining Whether a Social Responsibility Exists 61

Social Responsiveness and Decision Making 62

■ **Tips for Managing around the Globe:**

**Are Clothing Retailers Responsible for Bangladeshi Garment Workers? 62**

Approaches to Meeting Social Responsibilities 63

The Social Audit Challenge 64

The Philanthropy Challenge 65

The Sustainable Organization Challenge 66

Defining Sustainability 66

Defining a Sustainable Organization 66

Why Sustainability? 67

Steps for Achieving Sustainability 68

■ **Practical Challenge: Achieving Sustainability:** Free Recycled Water in Abu Dhabi 68

Managers and Ethics 70

A Definition of Ethics 70

Why Ethics Is a Vital Part of Management Practices 70

A Code of Ethics 71

Creating an Ethical Workplace 72

■ **Steps for Success: Creating an Ethical Work Environment 73**

Following the Law: Sarbanes–Oxley Reform Standards 74

**Challenge Case Summary 75**

Class Preparation and Personal Study 76

Management Skill Exercises 77

### **3 Management and Diversity 83**

Diversity Skill 83

**CHALLENGE CASE: Diverse Employees Contribute to GE Lighting's Bright Future 84**

The Diversity Challenge 85

Defining Diversity 85

The Social Implications of Diversity 85

Advantages of Diversity in Organizations 85	The Workforce of Multinational Corporations 117
Gaining and Keeping Market Share 86	Types of Organization Members Found in Multinational Corporations 118
Cost Savings 86	Workforce Adjustments 118
Increased Productivity and Innovation 87	Adjusting to a New Culture 118
Better Quality Management 87	Repatriation 118
Challenges that Managers Face in Working with Diverse Populations 88	Management Functions and Multinational Corporations 119
Changing Demographics 88	Planning in Multinational Corporations 119
Multi-Generation Workforce 89	Organizing Multinational Corporations 122
Ethnocentrism and Other Negative Dynamics 89	Influencing People in Multinational Corporations 124
■ <b>Practical Challenge: Neutralizing Stereotypes:</b> BAE Systems Battles Stereotyping with Awareness 90	■ <b>Steps for Success:</b> Leading in Other Cultures 126
Negative Dynamics and Specific Groups 91	Controlling Multinational Corporations 126
Strategies for Promoting Diversity in Organizations 93	Transnational Organizations 127
Promoting Diversity through Hudson Institute Strategies 94	International Management: Special Issues 127
Promoting Diversity through Equal Employment and Affirmative Action 94	Maintaining Ethics in International Management 127
Promoting Diversity through Organizational Commitment 95	■ <b>Tips for Managing around the Globe:</b> Oxfam's Push for Ethical Practices 128
Promoting Diversity through Pluralism 97	Preparing Expatriates for Foreign Assignments 129
■ <b>Tips for Managing around the Globe:</b> Promoting Diversity Globally: The Sodexo Example 97	<b>Challenge Case Summary 129</b>
How Managers Promote Diversity 99	Class Preparation and Personal Study 130
Planning 99	Management Skill Exercises 131
Organizing 99	
Influencing 99	
■ <b>Steps for Success:</b> Motivating across the Generations 100	
Controlling 100	
Management Development and Diversity Training 101	
<b>Challenge Case Summary 103</b>	
Class Preparation and Personal Study 104	
Management Skill Exercises 105	
<b>4 Managing in the Global Arena 110</b>	
Global Management Skill 110	
<b>CHALLENGE CASE: McDonald's Is Lovin' Global Growth 111</b>	
The Global Management Challenge 111	
Fundamentals of International Management 112	
Categorizing Organizations By Level of International Involvement 113	
Domestic Organizations 114	
International Organizations 114	
Multinational Organizations: The Multinational Corporation 114	
Multinational Corporations 114	
Complexities of Managing the Multinational Corporation 115	
■ <b>Practical Challenge: Managing Risk:</b> Risk Management Synergy 117	
Risk and the Multinational Corporation 117	
	<b>PART 3 Planning 137</b>
	<b>5 Plans and Planning Tools 137</b>
	Planning Skill 137
	<b>CHALLENGE CASE: Wal-Mart Plans to Have What You Want 138</b>
	The Planning Challenge 138
	General Characteristics of Planning 139
	Defining Planning 139
	Purposes of Planning 139
	Planning: Advantages and Potential Disadvantages 139
	Primacy of Planning 140
	Types of Plans 140
	Standing Plans: Policies, Procedures, and Rules 140
	■ <b>Steps for Success:</b> Writing Effective Policies and Procedures 141
	Single-Use Plans: Programs and Budgets 142
	Steps in the Planning Process 143
	Organizational Objectives: Planning's Foundation 144
	Definition of Organizational Objectives 144
	Areas for Organizational Objectives 146
	Working with Organizational Objectives 146
	Guidelines for Establishing Quality Objectives 147
	Management by Objectives (MBO) 147
	Factors Necessary for a Successful MBO Program 148
	MBO Programs: Advantages and Disadvantages 148

Planning Tools	149
Forecasting	149
■ <b>Tips for Managing around the Globe:</b>	
Forecasting Supply of Raw Materials:	
Mars Inc.	150
Scheduling	153
■ <b>Practical Challenge: Meeting Deadlines:</b>	
Asian Banks Provide Relief Measures	154
Why Plans Fail	155
<b>Challenge Case Summary</b>	<b>156</b>
Class Preparation and Personal Study	157
Management Skill Exercises	158

## 6 Making Decisions 163

Decision-Making Skill	163
<b>CHALLENGE CASE: Whole Foods Decides to Open in Detroit</b>	<b>164</b>
The Decision-Making Challenge	164
Fundamentals of Decisions	165
Definition of a Decision	165
Types of Decisions	165
The Responsibility for Making Organizational Decisions	166
■ <b>Tips for Managing around the Globe:</b>	
Shaw Industries Paves the Way for Good Decisions	166
Elements of the Decision Situation	167
The Rational Decision-Making Process	168
Identifying an Existing Problem	169
Listing Alternative Solutions	169
Selecting the Most Beneficial Alternative	170
Implementing the Chosen Alternative	171
Gathering Problem-Related Feedback	171
Bounded Rationality	171
■ <b>Practical Challenge: Decision Making and Intuition: Tony Fernandes Is Not a Rational Thinker (Or Maybe He Is)!</b>	<b>171</b>
Decision Making and Intuition	172
Decision-Making Heuristics and Biases	172
Decision-Making Conditions: Risk and Uncertainty	172
Decision-Making Tools	173
Probability Theory	173
Decision Trees	174
Group Decision Making	175
Advantages and Disadvantages of Using Groups to Make Decisions	175
■ <b>Steps for Success: Facilitating Group Decisions</b>	<b>176</b>
Processes for Making Group Decisions	176
Evaluating Group Decision-Making Processes	177
<b>Challenge Case Summary</b>	<b>178</b>
Class Preparation and Personal Study	179
Management Skill Exercises	180

## 7 Strategic Planning: Strategies, Tactics, and Competitive Dynamics 184

Strategic Planning Skill	184
<b>CHALLENGE CASE: Facebook Positions Itself to Stay Relevant</b>	<b>185</b>
The Strategic Planning Challenge	185
Strategic Planning and Strategy	186
Strategic Management Process	187
Environmental Analysis	187
The General Environment	187
The Industry Environment	190
The Internal Environment	191
Establishing Organizational Direction	191
Determining Organizational Mission	191
Developing a Mission Statement	192
The Importance of an Organizational Mission	192
The Relationship Between Mission and Objectives	192
Strategy Formulation: Tools	192
Critical Question Analysis	192
■ <b>Steps for Success: Ask the Right Questions</b>	<b>193</b>
SWOT Analysis	193
Business Portfolio Analysis	193
Strategy Formulation: Types	196
Sample Organizational Strategies	196
Strategy Implementation	197
■ <b>Tips for Managing around the Globe: Be Flexible: Tata Motors</b>	<b>197</b>
Strategic Control	198
Tactical Planning	198
Comparing and Coordinating Strategic and Tactical Planning	198
Competitive Dynamics	199
■ <b>Practical Challenge: Competitive Dynamics for Oil: Shale Boom Shakes the Sheiks</b>	<b>199</b>
<b>Challenge Case Summary</b>	<b>201</b>
Class Preparation and Personal Study	202
Management Skill Exercises	203

## PART 4 Organizing 207

### 8 Fundamentals of Organizing 207

Organizing Skill	207
<b>CHALLENGE CASE: Microsoft Tries to Program Unity with Its New Structure</b>	<b>208</b>
The Organizing Challenge	208
Definitions of Organizing and Organizing Skill	209
The Importance of Organizing	209
The Organizing Process	210
Classical Organizing Theory	210

Weber's Bureaucratic Model 211  
 Division of Labor 211  
 Advantages and Disadvantages of Division of Labor 212  
 Division of Labor and Coordination 212  
 Follett's Guidelines on Coordination 212  
 ■ **Practical Challenge: Coordination:** How the MBTA Moved Forward with Security 213

Structure 213  
 Informal Organizational Structures 213  
 Vertical Dimensioning 214  
 Horizontal Dimensioning 216  
 Types of Departmentalization 216  
 ■ **Tips for Managing around the Globe:** Reorganizing for Mature Businesses: Yum Brands 216  
 Departments Based on Function 217  
 Departments Based on Product or Service 218  
 Departments Based on Geography 218  
 Departments Based on Customer 219  
 Departments by Matrix 220

■ **Steps for Success:** Managing in a Matrix Structure 221

#### **Challenge Case Summary 222**

Class Preparation and Personal Study 224  
 Management Skill Exercises 224

## **9 Responsibility, Authority, and Delegation 229**

Responsibility and Delegation Skill 229  
**CHALLENGE CASE: Toyota to Delegate Authority 230**  
 The Responsibility and Delegation Challenge 230  
 Responsibility and Job Descriptions 231

■ **Steps for Success:** Writing a Well-Crafted Job Description 231

Dividing Job Activities 232  
 The Functional Similarity Method 232  
 Functional Similarity and Responsibility 232  
 Clarifying Job Activities of Managers 233  
 Management Responsibility Guide 233

Authority 234  
 Authority on the Job 234  
 Acceptance of Authority 235  
 Types of Authority 235  
 Accountability 237

Delegation 238  
 ■ **Practical Challenge: Accountability:** Airport Authority Hong Kong and Accountability 238  
 Steps in the Delegation Process 239  
 Obstacles to the Delegation Process 239  
 Eliminating Obstacles to the Delegation Process 240

Centralization and Decentralization 240

Decentralizing an Organization: A Contingency Viewpoint 241

■ **Tips for Managing around the Globe:** Decentralizing for Diverse Markets: The Four Seasons Example 241

Decentralization at Massey-Ferguson: A Classic Example from the World of Management 242

#### **Challenge Case Summary 243**

Class Preparation and Personal Study 245  
 Management Skill Exercises 245

## **10 Human Resource Management 250**

Human Resource Management Skill 250

#### **CHALLENGE CASE: Cisco Recruits the Best Minds in...Cisco 251**

The Human Resource Management Challenge 251

Defining Appropriate Human Resources 252

Recruitment 252

Knowing the Job 252

Knowing Sources of Human Resources 253

Sources Outside the Organization 256

■ **Tips for Managing around the Globe:** European Companies Need Women on Their Boards 257

Knowing the Law 257

Selection 258

Testing 258

Assessment Centers 259

Training 259

Determining Training Needs 260

Designing the Training Program 261

Administering the Training Program 261

■ **Steps for Success:** Preparing for Computer-Based Training 262

Evaluating the Training Program 262

Performance Appraisal 263

Why Use Performance Appraisals? 263

■ **Practical Challenge: Politicized Appraisals:** Is Organizational Politics a Fact of Life? 264

Handling Performance Appraisals 264

Potential Weaknesses of Performance

Appraisals 264

#### **Challenge Case Summary 265**

Class Preparation and Personal Study 267

Management Skill Exercises 267

## **11 Changing Organizations: Stress, Conflict, and Virtuality 272**

Organizational Change Skill 272

#### **CHALLENGE CASE: How Huntington Hospital Introduced Electronic Health Records 273**

The Organizational Change Challenge 274



Fundamentals of Changing an Organization	274
Defining Changing an Organization	274
Change Versus Stability	275
Factors to Consider When Changing an Organization	275
The Change Agent	275
Determining What Should Be Changed	276
The Kind of Change to Make	277
Individuals Affected by the Change	279
■ <b>Tips for Managing around the Globe:</b> Try Out Change in One Country First: Avon's Experience	281
Evaluation of the Change	281
Change and Stress	281
Defining Stress	281
The Importance of Studying Stress	282
Managing Stress in Organizations	282
■ <b>Steps for Success:</b> Managing Stress	283
Change and Conflict	285
Defining Conflict	285
Strategies for Settling Conflict	285
■ <b>Practical Challenge: Managing Conflict:</b> Southwest Airlines Embraces Positive Conflict	285
Virtuality	287
Defining a Virtual Organization	287
Degrees of Virtuality	287
The Virtual Office	288
<b>Challenge Case Summary</b>	<b>289</b>
Class Preparation and Personal Study	291
Management Skill Exercises	292

## PART 5 Influencing 297

### 12 Influencing and Communication 297

Communication Skill	297
<b>CHALLENGE CASE: How Evernote's Phil Libin Keeps Communication Flowing</b>	<b>298</b>
The Communication Challenge	298
Fundamentals of Influencing	299
Defining Influencing	299
The Influencing Subsystem	299
Emotional Intelligence	301
■ <b>Practical Challenge: Emotional Intelligence:</b> PepsiCo Pilot Project	301
Communication	302
Interpersonal Communication	303
■ <b>Tips for Managing around the Globe:</b> Overcoming Cultural Barriers: The Lenovo Example	305
■ <b>Steps for Success:</b> Communicating with Eye Contact	309
Interpersonal Communication in Organizations	309
Formal Organizational Communication	310

Informal Organizational Communication	311
Encouraging Organizational Communication	313
<b>Challenge Case Summary</b>	<b>314</b>
Class Preparation and Personal Study	315
Management Skill Exercises	316

### 13 Leadership 321

Leadership Skill	321
<b>CHALLENGE CASE: Iwata Faces Many Different Issues at Nintendo</b>	<b>322</b>
The Leadership Challenge	322
Defining Leadership	323
Leader Versus Manager	323
Early Approaches to Leadership	324
The Trait Approach to Leadership	324
Behavioral Approaches to Leadership	324
More Recent Approaches to Leadership	326
■ <b>Tips for Managing around the Globe:</b> Leadership Perceptions Vary by Culture, Say Researchers	326
The Life Cycle Theory of Leadership	327
Fiedler's Contingency Theory	328
The Path-Goal Theory of Leadership	330
A Special Situation: How Leaders Make Decisions	331
The Tannenbaum and Schmidt Leadership Continuum	331
The Vroom-Yetton-Jago Model	334
Leaders Changing Organizations	335
The Tasks of Transformational Leaders	336
Leaders Coaching Others	336
■ <b>Steps for Success:</b> Becoming a Transformational Leader	336
Coaching Behavior	337
Leadership: Emerging Concepts for Modern Times	338
Servant Leadership	338
Level 5 Leadership	339
■ <b>Practical Challenge: Leading for Greatness:</b> The 30% Club Is Now In Hong Kong	340
Authentic Leadership	340
<b>Challenge Case Summary</b>	<b>342</b>
Class Preparation and Personal Study	344
Management Skill Exercises	344

### 14 Motivation 350

Motivation Skill	350
<b>CHALLENGE CASE: American Express Taps the Full Potential of Its Employees</b>	<b>351</b>
The Motivation Challenge	351
Defining Motivation	352
Process Theories of Motivation	352
The Needs-Goal Theory of Motivation	352

The Vroom Expectancy Theory of Motivation 353  
 Equity Theory of Motivation 354  
 The Porter-Lawler Theory of Motivation 355  
 Content Theories of Motivation: Human  
 Needs 355  
 Maslow's Hierarchy of Needs 356  
 Alderfer's ERG Theory 356

■ **Practical Challenge: Developing Rewards:**  
 Excellence in Motion—Jaguar Land Rover  
 Graduate Rewards 357

Argyris's Maturity-Immaturity Continuum 357  
 McClelland's Acquired Needs Theory 358  
 Importance of Motivating Organization  
 Members 358  
 Strategies for Motivating Organization  
 Members 359

Managerial Communication 359  
 ■ **Tips for Managing around the Globe:**  
 Communicating Rewards That Align with  
 Values 360

Theory X-Theory Y 360  
 Behavior Modification 363  
 Likert's Management Systems 364

■ **Steps for Success: Making Motivation  
 Work 365**

Monetary Incentives 366  
 Nonmonetary Incentives 366

#### **Challenge Case Summary 367**

Class Preparation and Personal Study 368  
 Management Skill Exercises 369

## **15 Groups and Teams 374**

Team Skill 374

**CHALLENGE CASE: Better Teamwork Makes  
 Numerica Credit Union a Winner 375**

The Team Challenge 376

Groups 376

Kinds of Groups in Organizations 376

Formal Groups 376

■ **Steps for Success: Leading Group  
 Development 381**

Informal Groups 381

Managing Work Groups 382

Determining Group Existence 382

Understanding the Evolution of Informal Groups 384

Teams 384

Groups Versus Teams 384

Types of Teams in Organizations 385

■ **Practical Challenge: Solving Problems as  
 a Team: Malaysian Team Synergy and Problem  
 Solving 385**

Stages of Team Development 387

Forming 387

Storming 387

Norming 387

Performing 387

Adjourning 388

Team Effectiveness 388

Trust and Effective Teams 389

■ **Tips for Managing around the Globe:**

Establishing Trust in International Teams 390

#### **Challenge Case Summary 391**

Class Preparation and Personal Study 392

Management Skill Exercises 393

## **16 Managing Organization Culture 399**

Organization Culture Skill 399

**CHALLENGE CASE: Zappos Doesn't Sell Shoes—It  
 "Delivers WOW" 400**

The Organization Culture Challenge 400

Fundamentals of Organization Culture 401

Defining Organization Culture 401

The Importance of Organization Culture 401

■ **Tips for Managing around the Globe:**

Marriott International's Code of Conduct 402

Functions of Organization Culture 402

Types of Organization Culture 403

Building a High-Performance Organization  
 Culture 405

■ **Practical Challenge: Building a High-  
 Performance Culture: Xerox Emirates'  
 Proactive Approach 407**

Keeping Organization Culture Alive and Well 407

Establishing a Vision of Organization Culture 408

Building and Maintaining Organization Culture  
 Through Artifacts 410

■ **Steps for Success: Telling a Company's  
 Stories 411**

Integrating New Employees into the Organization  
 Culture 412

Maintaining the Health of Organization Culture 414

#### **Challenge Case Summary 415**

Class Preparation and Personal Study 416

Management Skill Exercises 417

## **PART 6 Controlling 422**

### **17 Controlling, Information, and Technology 422**

Controlling Skill 422

**CHALLENGE CASE: Sperry Van Ness: Harnessing  
 Technology for Business Success 423**

The Controlling Challenge 423

The Fundamentals of Controlling 424

Defining Control 424

The Controlling Subsystem 424

The Controlling Process 424

Measuring Performance 424

Comparing Measured Performance to Standards	425
Taking Corrective Action	427
Power and Control	428
A Definition of Power	428
Total Power of a Manager	429
Steps for Increasing Total Power	429
■ <b>Tips for Managing around the Globe:</b> Exercising Power across Cultures	429
Making Controlling Successful	430
Essentials of Information	431
Factors Influencing the Value of Information	431
■ <b>Steps for Success:</b> Getting a Handle of “Big Data”	433
Evaluating Information	434
The Information System (IS)	435
Describing the IS	435
■ <b>Practical Challenge: Using Data from Social Media:</b> Big Data Scoring	436
Managing Information Systems	437
<b>Challenge Case Summary</b>	<b>440</b>
Class Preparation and Personal Study	441
Management Skill Exercises	442

## 18 Production and Control 447

Production Skill	447
<b>CHALLENGE CASE: Better Production Planning Saves Money for 3M</b>	<b>448</b>
The Production Challenge	448
Production and Productivity	449
Defining Production	449
Productivity	449
Quality and Productivity	450
Focus on Continual Improvement	450
Focus on Quality and Integrated Operations	450
■ <b>Practical Challenge: Continual Improvement:</b> At Wisconsin Hospitals, Costs Fall as Quality Rises	451
Automation	452
Strategies, Systems, and Processes	453
Operations Management	454
Defining Operations Management	454
Operations Management Considerations	454
■ <b>Tips for Managing around the Globe:</b> Choosing a Factory Location: Volkswagon Picks North America	456
Operations Control	459
Just-in-Time Inventory Control	459
Maintenance Control	460
Cost Control	461
Budgetary Control	461
■ <b>Steps for Success:</b> Controlling with a Budget	462
Ratio Analysis	463
Materials Control	464
Operations Control Tools	464
Using Control Tools to Control Organizations	464
Inspection	465
Management by Exception	465
Management by Objectives	466
Break-Even Analysis	466
Other Broad Operations Control Tools	468
<b>Challenge Case Summary</b>	<b>469</b>
Class Preparation and Personal Study	471
Management Skill Exercises	472
<b>Appendix 1 Managing: History and Current Thinking 476</b>	
Comprehensive Management Skill	476
<b>CHALLENGE CASE: How Management Innovation Keeps Ford Moving Ahead</b>	<b>477</b>
The Comprehensive Management Skill Challenge	477
The Classical Approach	478
Lower-Level Management Analysis	479
■ <b>Practical Challenge: Improving Productivity:</b> Tracking Sensors Take Work Measurement to a New Level	480
Comprehensive Analysis of Management	482
Limitations of the Classical Approach	483
The Behavioral Approach	483
The Hawthorne Studies	484
Recognizing the Human Variable	484
■ <b>Steps for Success:</b> Understanding Employees	485
The Human Relations Movement	485
The Management Science Approach	486
The Beginning of the Management Science Approach	486
Management Science Today	486
Characteristics of Management Science Applications	487
The Contingency Approach	487
The System Approach	488
Types of Systems	488
Systems and “Wholeness”	488
The Management System	488
Information for Management System Analysis	489
Learning Organization: A New Approach?	490
■ <b>Tips for Managing around the Globe:</b> IBM’s “Crowded” Learning Environment	491
<b>Challenge Case Summary</b>	<b>491</b>
Class Preparation and Personal Study	492
Management Skill Exercises	493
<b>Appendix 2 Management and Entrepreneurship: Handling Start-Ups and New Ventures 498</b>	
Entrepreneurship Skill	498

**CHALLENGE CASE: Patagonia's Idealistic Entrepreneur 499**

The Entrepreneurship Challenge 499  
 Fundamentals of Entrepreneurship 500  
 Types of Opportunities 500  
 Opportunity Identification 501  
 Opportunity Evaluation 502

■ **Steps for Success:** Testing Business Ideas 503

Opportunity Exploitation 504  
 Financing Exploitation 505  
 Corporate Entrepreneurship 506

■ **Practical Challenge: Raising Funds:**

Bohemian Guitars Tests the Waters of "Crowdfunding" 506

Social Entrepreneurship 507  
 How Do Commercial and Social Entrepreneurship Differ? 508

■ **Tips for Managing around the Globe:**

Taking a Global View of Opportunities: One Earth Designs 508

Success Factors in Social Entrepreneurship 509

**Challenge Case Summary 509**

Class Preparation and Personal Study 510  
 Management Skill Exercises 511

**Appendix 3 Encouraging Creativity and Innovation 516**

Creativity and Innovation Skill 516

**CHALLENGE CASE: MidwayUSA Hits the Target with Innovation Aimed at Quality 517**

The Creativity and Innovation Challenge 518

Creativity 518

Defining Creativity 518

Creativity in Organizations 518

Creativity in Individuals 518

■ **Practical Challenge: Enabling Creativity:**

UN Development Program Backs Creative Responses to Crises 519

Increasing Creativity in Organizations 520

Innovation and Creativity 523

Defining Innovation 523

Linking Innovation and Creativity 524

The Innovation Process 524

■ **Steps for Success:** Inviting Inventions at a Hackathon 525

Catalyst for Creativity and Innovation: Total Quality Management 527

Essentials of Total Quality Management 527

■ **Tips for Managing around the Globe:**

Michelin's Quality Advantage 528

The Quality Improvement Process 529

Creative Ideas Based on TQM

Expertise 532

**Challenge Case Summary 534**

Class preparation and Personal Study 535

Management Skill Exercises 536

**Glossary 541****Author Index 553****Subject Index 560**

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# Preface

We can't thank you enough for your kind words and encouragement over the years. *Modern Management* has helped hundreds of thousands of students around the world to grow into prepared, practicing managers. Close to its fourth decade of life, our book allows us to combine the most seminal perspectives on management with the most current research in the field. *Modern Management* has established a reputation for presenting comprehensive, easily read, and pragmatic content, and the 14th edition continues this tradition.

Managers of today continue to face new, exciting opportunities and challenges. These opportunities include highly promoted tasks, such as Google introducing contact lenses that contain cameras, Tesla Motors manufacturing premium electric vehicles, and Brookstone's Laser Projection Virtual Keyboard, which lets anybody turn any surface into a computer keyboard. At the same time, other companies face intense challenges, such as Wendy's trying to make a comeback against McDonald's, Jeep trying to make it back into the mainstream automobile market, and Samsung, a South Korean company, trying to win relevance in the Chinese market. Because these opportunities and challenges are so formidable, perhaps managers today should be paid salaries higher than those of managers at any other time in history.

## TEXT: THEORY OVERVIEW

As with all previous editions, decisions about which concepts to include in this revision were difficult to make. Such decisions were heavily influenced not only by colleague and student feedback but also by information from accrediting agencies such as the Association to Advance Collegiate Schools of Business (AACSB), professional manager associations such as the American Management Association (AMA), and academic organizations such as the Academy of Management.

This edition follows the tradition of dividing management concepts into the following six main sections: Introduction to Modern Management, Modern Management Challenges, Planning, Organizing, Influencing, and Controlling. The following sections discuss the changes we made in this edition to continue the tradition of stressing the *modern* in *Modern Management*.

This edition also continues previous editions' focus on helping students not only learn management concepts but also develop the skills related to those concepts. Students can develop these skills by completing specially designed, innovative learning activities, which appear both in the text and through MyManagementLab. Further, this edition continues the authors' commitment to help students develop the management skills that they will need in the world of organizations.

This 14th edition of the *Modern Management Learning Package*—this text and its ancillaries—continues a recognized and distinctive tradition in management education. As in all previous editions, this edition of the *Modern Management Learning Package* focuses on two objectives: maximizing student learning of critical management concepts and developing related management skills. All revisions reflect instructor and student feedback regarding ways to further enhance this student development. Starting with the text, the following sections explain each major component of this revision.

## MYMANAGEMENTLAB SUGGESTED ACTIVITIES

For the 14th edition, we, the authors, are excited that Pearson's MyManagementLab has been integrated fully into the text. These new MyManagementLab features are outlined below. Making assessment activities available online for students to complete before coming to class will allow you, the professor, more discussion time during class to review areas that students are having difficulty comprehending.

## Assessing Your Management Skill

Previously found at the end of each chapter, this activity is now located in MyManagementLab. For every Challenge Case Summary, students can access questions that ask them how they would deal with the situation discussed in the Challenge Case located in the beginning and at the end of each chapter. This feature provides feedback based on the way students answer the questions.

## Learn It

Students can be assigned the Chapter Warm-Up before coming to class. Assigning these questions ahead of time will ensure that students come to class prepared.

## Watch It

This activity includes a video clip that can be assigned to students for outside-the-classroom viewing or watched in the classroom. The video clip corresponds to chapter material and is accompanied by multiple-choice questions that reinforce students' comprehension of chapter content.

## Try It

This activity includes a simulation that can be assigned to students as an outside-the-classroom activity or used in the classroom. After students watch the simulation, they are asked to make choices based on the scenario presented. At the end of the simulation, students receive immediate feedback based on the answers they gave. These simulations reinforce the concepts of the chapter and students' comprehension of those concepts.

## Assisted Graded Questions

These are short essay questions that students can complete as an assignment and submit to you, the professor, for grading.

## NEW TO THIS EDITION

Professors and students need and deserve textbooks that are modern. In this context, *modern* involves adding the latest concepts and empirical research as well as including the most recent examples of management in the business world. *Modern* also refers to how the text material is presented—the pedagogy used to help students learn the concepts. This edition of the *Modern Management Learning Package* is undoubtedly modern in terms of *both* management concepts and pedagogy. Overall, this new edition includes the following features:

- The core material in this edition, like all previous editions, focuses on planning, organizing, influencing, and controlling; but the total number of chapters has been reduced to 18. For courses that need to include more coverage and topics, additional, optional learning appendices have been included. The appendices focus on management history, entrepreneurship, and creativity and innovation.
- Nine of the chapter-opening Challenge Cases are new, and related Challenge Case Summaries have been revised accordingly.
- Nine of the end-of-chapter cases are new to this edition.
- A new Steps for Success highlight has been added to each chapter.
- A new Tips for Managing around the Globe highlight has been added to each chapter.
- A new Practical Challenge highlight has been added to each chapter.
- Each chapter has been generally revised to reflect up-to-date, significant, and relevant research.
- Photos have been updated to make the pedagogy more relevant and inviting.



## Chapter-by-Chapter Changes

### PART 1: INTRODUCTION TO MODERN MANAGEMENT

This section contains the foundation concepts necessary to obtain a worthwhile understanding of management.

- **Chapter 1, “Introducing Modern Management: Concepts and Skills”** This chapter introduces the primary activities that modern managers perform and discusses the skills that help managers to be successful throughout their careers. The new Practical Challenge highlight discusses how Lawrence Jones attains goals at UKFast and the new Steps for Success highlight gives practical tactics on how to develop your own human skills. The new Tips for Managing around the Globe highlight gives practical insights about how to manage international experiences to best build international expertise. New material has also been added describing the salary levels of top managers.

### PART 2: MODERN MANAGEMENT CHALLENGES

- **Chapter 2, “Managers, Society, and Sustainability”** This newly named chapter has been extensively revised and includes an added focus on sustainability. It opens with a new Challenge Case, “IKEA Builds on Its Commitment to the Environment.” Major management and social topics like good corporate citizenship, social responsibility, social responsiveness, social responsibility challenges, philanthropy, sustainability, and ethics are all emphasized. New highlights include discussion about whether or not clothing retailers are responsible for Bangladeshi garment workers, Free Recycled Water in Abu Dhabi and steps for building an ethical work environment.
- **Chapter 3, “Management and Diversity”** This chapter, which opens with a new Challenge Case regarding diversity at GE Lighting, focuses on how to establish and maintain a workforce that includes a diverse assortment of human characteristics, all of which aid an organization in goal attainment. New coverage includes a discussion of the X, Y, Baby Boomer, and Silent generations. Freshness has been added to the chapter in the form of how to neutralize ethnocentrism, the presentation of Sodexo as an example of how to promote diversity globally, and tips on how to motivate a multigenerational workforce.
- **Chapter 4, “Managing in the Global Arena”** This chapter focuses on managing company operations across various countries. The chapter opens with a Challenge Case on McDonald’s and its global exploits. New coverage in this chapter emphasizes managing risk globally, leading in other cultures, and focusing on ethics in global situations. The chapter ends with a new case, “Coca-Cola’s Effort to Refresh the Whole World.”

### PART 3: PLANNING

This section elaborates on planning as a primary management function.

- **Chapter 5, “Plans and Planning Tools”** This chapter provides a focused and unified presentation of the essentials of planning. The new Challenge Case explores how Wal-Mart uses planning concepts to improve performance. The chapter also includes a new example illustrating how Audi establishes production goals. The new Steps for Success feature reviews key steps that companies can take to write effective policies and procedures. The new Tips for Managing around the Globe feature shows how Mars Inc. uses forecasting to predict cocoa production levels. The chapter also provides recent and relevant examples related to the product life cycle. The new Practical Challenge highlight illustrates how Asian Banks used relief measures to encourage financial institutions to meet deadlines.
- **Chapter 6, “Making Decisions”** This chapter details the primary concepts involved with decision making. The new Tips for Managing around the Globe feature illustrates the



processes used by Shaw Industries to make good decisions around the globe. The new Practical Challenge feature reviews how Tony Fernandes used his intuition while making decisions for AirAsia and meeting his company's goals. The new Steps for Success highlight presents key steps to improve group decision making.

- **Chapter 7, “Strategic Planning: Strategies, Tactics, and Competitive Dynamics”** This chapter includes the latest research on strategic planning. The new Challenge Case focuses on how Facebook uses its strategy to gain a competitive advantage over its rivals. The chapter includes new coverage of the Affordable Care Act and its relationship to strategy. The chapter also includes a new example to illustrate how Hershey's is using strategy to expand internationally. The new Steps for Success feature outlines how asking the right questions can help in the strategy formulation process. The new Tips for Managing around the Globe feature illustrates how Tata Motors has adapted its strategy to succeed internationally. The new Practical Challenge highlight illustrates the changing competitive dynamics taking place in the oil industry with the U.S. on way to becoming self-sufficient in oil production. The chapter concludes with a new end-of-chapter case that examines Nucor's strategy and mission statement.

## PART 4: ORGANIZING

This section discusses organizing activities as a major management function.

- **Chapter 8, “Fundamentals of Organizing”** This chapter details the key concepts involved with organizing. The chapter begins with a new Challenge Case exploring how Microsoft adopted a new organizational structure to adapt to its competitive environment. The new Practical Challenge highlight illustrates how the Massachusetts Bay Transportation Authority centralized information to coordinate its security activities. The new Tips for Managing around the Globe highlight shows how Yum Brands established an international division to better serve its employees and customers around the world. The new Steps for Success highlight explains how companies can better implement matrix organizational structures; the chapter also includes new material on organic versus mechanistic organizational structures. The chapter concludes with a new end-of-chapter case illustrating the role of organizational structure in the success of Shutterstock.
- **Chapter 9, “Responsibility, Authority, and Delegation”** This chapter details the importance of responsibility, authority, and delegation in managerial effectiveness. The new Practical Challenge highlight illustrates how the Airport Authority of Hong Kong promotes accountability within their unit and departments. The new Tips for Managing around the Globe highlight shows how Four Seasons Hotels and Resorts uses decentralization to succeed in international markets. The new Building Your Management Skills Portfolio exercise discusses the management challenges facing Charlie Strong, the new head football coach at the University of Texas.
- **Chapter 10, “Human Resource Management”** This chapter covers the primary concepts involved in understanding effective human resource management. The chapter provides discussion regarding the EEOC's updated rules, which prohibit discrimination based on sexual orientation and genetic information. The chapter offers a new example of how the Moneta Group is handling its CEO succession process. The new Tips for Managing around the Globe feature reviews how European companies are adding more females to their boards of directors. The new Steps for Success highlight illustrates the advantages and challenges of computer-based training techniques. The new Practical Challenge highlight discusses politicized appraisals and measures used to keep this in check.
- **Chapter 11, “Changing Organizations: Stress, Conflict, and Virtuality”** This chapter discusses ways in which managers change organizations and the possible impacts of factors like stress, conflict, and virtuality in taking such action. The new Tips for Managing around the Globe highlight presents an account of how Avon tested introducing a change in one country before implementing the change in other countries, and the new Steps for Success highlight outlines how to manage stress caused by change. The new Practical Challenge highlight focuses on the method that Southwest Airlines uses to manage conflict. The new end-of-chapter case explores the use of virtual offices at Business Management Resource Group, an accounting firm.

## PART 5: INFLUENCING

This section discusses ways that managers should deal with employees. Reflecting the spirit of the AACSB guidelines, which encourage the thorough coverage of human factors in business curriculum, the influencing section is quite comprehensive.

- **Chapter 12, “Influencing and Communication”** This chapter introduces the topic of managing people, defines interpersonal communication, and presents organizational communication as the primary vehicle managers use to interact with employees. The chapter opens with a new case, entitled “How Evernote’s Phil Libin Keeps Communication Flowing.” Other new coverage focuses on leaders making use of their emotional intelligence, overcoming cultural barriers in foreign countries, and using eye contact in the communication process.
- **Chapter 13, “Leadership”** This chapter covers various established approaches to leadership: the trait approach, the behavioral approach, and the situational approach, which includes the life cycle theory of leadership, Fiedler’s contingency theory of leadership, and the path–goal theory of leadership. Emerging leadership thought is also discussed: servant leadership, Level 5 leadership, transformational leadership, and authentic leadership. New coverage explores how leadership might vary from one country to another, what it takes to become a transformational leader, and how to lead for greatness. The new end-of-chapter case is “Jeff Bezos Is the Force of Nature behind Amazon.”
- **Chapter 14, “Motivation”** This chapter defines motivation, describes the motivation process, and provides useful strategies that managers can use to motivate organization members. Both content and process theories of motivation are discussed in detail. New material focuses on using rewards to motivate people, communicating rewards that align with organizational values, and making motivation work in organizations.
- **Chapter 15, “Groups and Teams”** This chapter emphasizes managing clusters of people as a means of accomplishing organizational goals. Coverage focuses on managing teams and on groups versus teams, virtual teams, problem solving, self-managed and cross-functional teams, stages of team development, empowerment, the effectiveness of self-managed teams, and factors contributing to team effectiveness. The chapter opens with a new Challenge Case, “Better Teamwork Makes Numerica Credit Union a Winner.” The new Steps for Success highlight focuses on leading group development, and the new Practical Challenge highlight focuses on solving problems as a team. The new Tips for Managing around the Globe highlight explores trust in international teams, and the new end-of-chapter case is “How Yum Brands Fosters Team Spirit.”
- **Chapter 16, “Managing Organization Culture”** The chapter opens with a new Challenge Case titled “Zappos Doesn’t Sell Shoes—It ‘Delivers WOW.’” Major topics include defining organization culture, the importance of organization culture, and building a high-performance organization culture. Special discussion focuses on cultural artifacts: organizational values, myths, sagas, language, symbols, ceremonies, and rewards. New material has been included on Marriott International’s code of conduct, how a team-oriented culture supports high performance, and telling stories to build corporate culture. The new end-of-chapter case is “Testing the Health of Goldman Sachs’s Culture.”

## PART 6: CONTROLLING

This section presents control as a major management function. Major topics include fundamentals of control, controlling production, and information technology.

- **Chapter 17, “Controlling, Information, and Technology”** This chapter presents the latest research on controlling, information, and technology. The new Tips for Managing around the Globe highlight discusses how individuals exercise power differently in different countries because of cultural differences. The new Steps for Success highlight illustrates how companies use technology to harness “big data.” The new Practical Challenge highlight illustrates how Big Data Scoring collect and exploit data from social media.
- **Chapter 18, “Production and Control”** The chapter describes Amazon’s use of robots to illustrate how companies incorporate automation to improve efficiency and reduce costs.

The new Practical Challenge highlight explores how International Terminals in Hong Kong use continuous improvement to improve quality. The new Tips for Managing around the Globe feature reviews how Volkswagen chooses its manufacturing sites across the globe. The new Steps for Success highlight illustrates the role of budgets in the controlling process.

## Learning Modules

- **Learning Module 1, “Managing: History and Current Thinking”** This appendix presents the historical development of management thought that proceeds up to modern times. A new Challenge Case focuses on how CEO Alan Mulally emphasizes innovation to keep Ford Motor Company moving ahead. The new Practical Challenge highlight discusses how Bank of America redesigned work areas to improve productivity, while the new Steps for Success highlight provides advice on how to better understand employees. The new Tips for Managing around the Globe highlight describes crowdfunding, an innovative way that IBM encourages global innovation. A new appendix-ending case focuses on managing UPS in an Internet economy.
- **Learning Module 2, “Management and Entrepreneurship”** This appendix focuses on the discovery, evaluation, and exploitation of business opportunities. The new Practical Challenge highlight illustrates how Bohemian Guitars used crowdfunding to raise capital. The new Tips for Managing around the Globe feature shows how a student at MIT capitalized on an idea for a solar-powered stove to help rural residents in other countries cook their food. The new Steps for Success highlight describes the key steps an entrepreneur should take to start a new business. The appendix-ending case explains how one entrepreneur’s part-time job became a \$40 million business called Drybar.
- **Learning Module 3, “Encouraging Creativity and Innovation”** This appendix presents new research on creativity and innovation and reports on the efforts of the most innovative companies in America. Integrated throughout the appendix is an example demonstrating how Netflix used innovative techniques to produce dramas that are available only to its subscribers. The new Tips for Managing around the Globe feature describes how Michelin uses innovation and quality control to create tires that appeal to consumers all over the world. The new Practical Challenge highlight shows how the United Nations used creativity to help rebuild Indonesia after the 2004 tsunami. The Steps for Success feature describes how organizations use hackathons to spur innovation.

## MODERN MANAGEMENT 14TH EDITION: THE SKILLS

From a pedagogy standpoint, the 14th edition of *Modern Management* continues its unique-in-the-marketplace focus of developing students’ management skills *across all of the primary management functions*. Each chapter opens by identifying a specific management skill on which the chapter focuses. The remainder of the chapter contains several purposefully placed features designed to help students develop that skill.

This focus on skill development is consistent with the recommendation of the Association to Advance Collegiate Schools of Business (AACSB), which provides higher-education professionals with well-founded standards for maintaining excellence in management education. The AACSB standards indicate that excellence in modern management education is achieved when students acquire both *knowledge* about management concepts and *skill* in applying that knowledge. According to these standards, management educators must help students understand and appreciate both the “why” and the “how” of management.

The following sections discuss the pedagogical features in this text that help students learn management theory and how to apply it.

1. **Chapter Target Skill:** Each chapter opens by identifying and defining the target management skill that is emphasized in that chapter. By focusing on this target skill early in the chapter, students immediately have a context for learning chapter concepts. For an example of a chapter’s target skill, see the definition of “social responsibility skill” on page 56.

2. **Learning Objectives:** In each chapter, a list of learning objectives follows the Chapter Target Skill. These objectives expand on the chapter target skill to help students further focus on learning critical chapter concepts.
3. **Challenge Case:** Each chapter opens with a Challenge Case. The purpose of the Challenge Case is to introduce students to real challenges faced by real managers and to demonstrate the usefulness of the chapter's concepts and related management skills in meeting those challenges. Each case summarizes a set of issues for a manager within a company and asks students how they would resolve the issues. Nine of the cases in this edition are new and focus on companies such as Ford Motor Company, IKEA, GE Lighting, and Facebook.
4. **Practical Highlights:** Market research revealed that instructors are particularly interested in highlights throughout the book that focus on practical applications of management concepts. New to this edition, each chapter contains one Steps for Success highlight, one Tips for Managing around the Globe highlight, and one Practical Challenge highlight. The primary objective of these highlights is to illustrate how practicing managers can apply management ideas to deal with everyday problems. As an example of a Tips for Managing around the Globe highlight, Chapter 16 shows how Marriott International crafted a code of conduct to help mold its corporate culture. As an illustration of a Practical Challenge highlight, Chapter 13 explains how the 30% Club at Hong Kong helps women face challenges when taking the lead in a business. The Steps for Success highlight in Chapter 2 lists tactics that managers can take to create an ethical work environment. Taken together, the real-life examples illustrated in these highlights throughout the book help to reinforce the development of critical management skills.
5. **Challenge Case Summary:** Each chapter ends with a Challenge Case Summary. This section provides extensive narrative on how chapter concepts relate to the issues presented in the chapter-opening Challenge Case. To better understand this pedagogical feature, see the Challenge Case Summary for the chapter-opening "How Evernote's Phil Libin Keeps Communication Flowing" case on page 298.
6. **Developing Management Skill Activities:** Each chapter also ends with a rich array of learning activities that help students better understand management concepts and develop skills in applying those concepts. Specific activities are listed and explained below.
  - A. **Class Preparation and Personal Study:** This section gives students a series of activities to help them become adequately prepared to discuss the chapter in the classroom.
    1. **Reflecting on Target Skill.** Here, students are asked to refer back to the learning objectives at the beginning of the chapter to make sure that they've reached those objectives.
    2. **Know Key Terms** is a section in which a chapter's key terms are listed along with the page numbers on which the terms are discussed. For an example Know Key Terms section, see page 202 in the Strategic Planning chapter.
    3. **Know How Management Concepts Relate** contains essay questions related to chapter material. These questions help students focus on the interrelationships among chapter concepts and how those concepts relate to the management process. For a sample Know How Management Concepts Relate, see page 316 in the Influencing and Communication chapter.
  - B. **Management Skills Exercises:** This chapter-ending section contains many activities that help students develop skills related to chapter content.
    1. **Cases.** Each chapter concludes with two cases. The first of these cases is an extension of the chapter's Challenge Case, and students are given a series of discussion questions that stimulate further discussion of the Challenge Case. Page 57 contains an example of such questions related to "IKEA Builds on Its Commitment to the Environment," the Challenge Case in the Managers, Society, and Sustainability chapter.
 

The second concluding case has been specifically chosen to illustrate real-life management issues and the steps necessary to deal with those issues. Almost half of these specially chosen cases are new to this edition; these new end-of-chapter cases examine organizations such as Yum Brands, Jeff Bezos and Amazon, and UPS. For an example of one of these new end-of-chapter cases, see the Goldman Sachs case on page 417 of Chapter 16.

**2. Experiential Exercises.** Each chapter concludes with two types of experiential exercises. The first type is specially designed to help students develop knowledge and skill related to chapter content. For an example of this type of experiential exercise, see “Developing a Diversity Profile” on page 106 of the Management and Diversity chapter.

The second type is an exercise that focuses on helping students use chapter content to better manage their own careers. This exercise is called “You and Your Career,” and a sample of this exercise can be found on page 106 of the Management and Diversity chapter.

**3. Building Your Management Skills Portfolio.** This activity at the end of each chapter is specially designed to allow students to demonstrate the management skill they learned in that chapter. Instructors may choose to have students turn in hard or electronic copies of this assignment. In addition, instructors may ask students to present their completed portfolios in class. Students may also use this portfolio to help win a job during an employment interview. See “Delegating Football Duties at the University of Texas” on page 247 for an example of this type of activity.

## **MODERN MANAGEMENT: STUDENT LEARNING**

Students often ask professors to suggest the best way to study to maximize learning. By using the components of *Modern Management* in a conscientious and systematic fashion, students can build their knowledge about management concepts and the skills to apply those concepts. Although the components of *Modern Management* are flexible and can be used for many different study processes, one suggested study process is presented below.

As shown in Figure 1, students can start their study of a chapter by Applying Management Concepts: Part 1. In this study process, students learn concepts by reading and studying each chapter and then by checking their progress in meeting the learning objectives presented at the beginning of the chapter. In addition, they can check their progress by seeing how well they can answer the essay questions at the end of the chapter. By checking their learning progress, students can pinpoint areas in which further study is needed before they move forward.

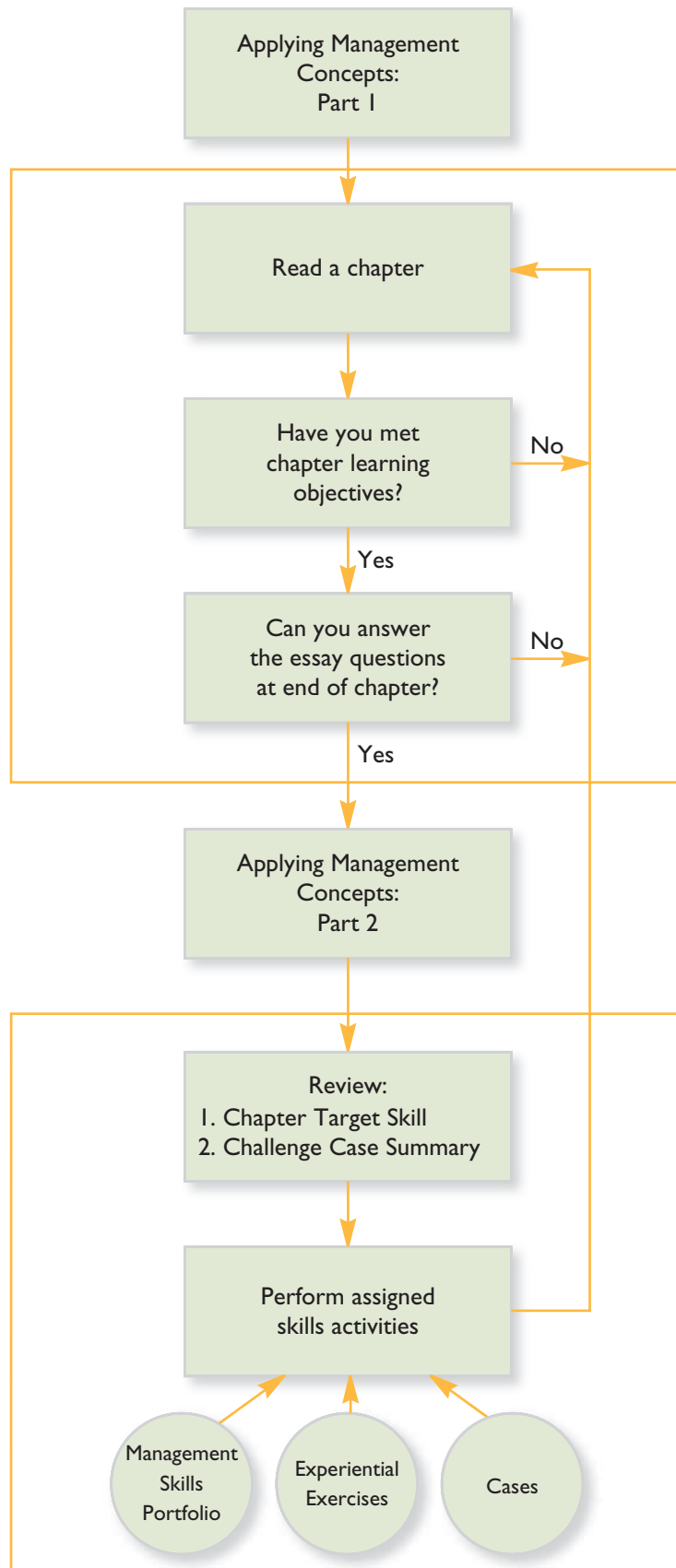
Once students are satisfied that they have learned chapter content, they can start their skills focus by Applying Management Concepts: Part 2. In this continuation of the study process, students first review the Chapter Target Skill and the Challenge Case Summary, and then they focus on learning how to apply management concepts by performing the application exercises assigned by their professor. Students might also work on exercises independently and do work that was not assigned by the professor. Application exercises include the Building Your Management Skills Portfolio, Experiential Exercises, and Cases.

REFLECT ON  
KNOWLEDGE  
AND  
SKILLS

LEARN  
CONCEPTS

REFLECT ON  
KNOWLEDGE  
AND  
SKILLS

LEARN SKILLS



**FIGURE 1**  
A systematic method  
for maximizing learning  
when studying *Modern  
Management*