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MANAGEMENT

A PRACTICAL INTRODUCTION

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Education

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EIGHTH EDITION

management

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MANAGEMENT: A PRACTICAL INTRODUCTION, EIGHTH EDITION

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dedication

To Joyce Kinicki, the love of my life, best friend, and the wind beneath my wings.

—A.K.

To my wife, Stacey, for her 31 years of steadfast, patient support and for her collaboration and shared adventures; and to my beloved children and their families—Sylvia, Scott, and Atticus and Kirk, Julia, Nicolas, and Lily.

—B.K.W.

about the authors



Courtesy of Angelo Kinicki

Angelo Kinicki is an emeritus professor of management and held the Weatherup/Overby Chair in Leadership from 2005 to 2015 at the W.P. Carey School of Business at Arizona State University. He joined the faculty in 1982, the year he received his doctorate in business administration from Kent State University. He was inducted into the W.P.

Carey Faculty Hall of Fame in 2016.

Angelo is the recipient of six teaching awards from Arizona State University, where he taught in its nationally ranked MBA and PhD programs. He also received several research awards and was selected to serve on the editorial review boards for four scholarly journals. His current research interests focus on the dynamic relationships among leadership, organizational culture, organizational change, and individual, group, and organizational performance. Angelo has published over 95 articles in a variety of academic journals and proceedings and is co-author of 8 textbooks (31 including revisions) that are used by hundreds of universities around the world. Several of his books have been translated into multiple languages, and two of his books were awarded revisions of the year by The McGraw-Hill Company.

Angelo is a busy international consultant and is a principal at Kinicki and Associates, Inc., a management consulting firm that works with top management teams to create organizational change aimed at increasing organizational effectiveness and profitability. He has worked with many Fortune 500 firms as well as numerous entrepreneurial organizations in diverse industries. His expertise includes facilitating strategic/operational planning sessions, diagnosing the causes of organizational and work-unit problems, conducting organizational culture interventions, implementing performance management systems, designing and implementing performance appraisal systems, developing and administering surveys to assess employee attitudes, and leading management/executive education programs. He developed a 360° leadership feedback instrument called the Performance

Management Leadership Survey (PMLS), which is used by companies throughout the world.

Angelo and his wife of 35 years, Joyce, have enjoyed living in the beautiful Arizona desert for 34 years. They are both natives of Cleveland, Ohio. They enjoy traveling, hiking, and spending time in the White Mountains with Gracie, their adorable golden retriever. Angelo also has a passion for golfing.

Brian K. Williams has been managing editor for college textbook publisher Harper & Row/Canfield Press in San Francisco; editor-in-chief for nonfiction trade-book publisher J. P. Tarcher in Los Angeles; publications and communications manager for the University of California, Systemwide Administration, in Berkeley; and



Courtesy of Brian Williams

an independent writer and book producer based in the San Francisco and Lake Tahoe areas. He has a BA in English and an MA in communication from Stanford University. Repeatedly praised for his ability to write directly and interestingly to students, he has co-authored 22 books (66, counting revisions). This includes the 2015 *Using Information Technology: A Practical Introduction*, 11th ed., with his wife, Stacey C. Sawyer, for McGraw-Hill Education. In addition, he has written a number of other information technology books, college success books, and health and social science texts. Brian is a native of Palo Alto, California, and San Francisco, but since 1989 he and Stacey, a native of New York City and Bergen County, New Jersey, have lived at or near Lake Tahoe, currently in Genoa (Nevada's oldest town), with views of the Sierra Nevada. In their spare time, they enjoy foreign travel, different cuisine, museum going, music, hiking, contributing to the community (Brian is past chair of his town board), and warm visits with friends and family.

Management: A Practical Introduction was twice the recipient of McGraw-Hill/Irwin's Revision of the Year Award, for the third and fifth editions.

new to the eighth edition

We are pleased to share these exciting updates and new additions to the eighth edition!

Teaching Resource Manual (TRM)

We created the resources you need in our newly developed Teaching Resource Manual.

The TRM, created by Angelo Kinicki and subject-matter experts, provides a turn-key solution to creating a discussion-based and experiential learning experience. It is a combination Instructor's Manual, Connect Instructor's Manual and Implementation Guide containing a wide variety of teaching tips, outlines, suggested videos, group exercises, lecture enhancers, supplemental exercises to correspond with cases and pedagogical features of the product as well as answers to all end-of-chapter exercises.

Connect

In our continuing efforts to help students move from comprehension to application, and to ensure they see the personal relevance of management, we have added these new application exercises to our already robust Connect offering:

- **Self-Assessments**—Self-awareness is a fundamental aspect of professional and personal development. Our 90 research-based self-assessments give students frequent opportunities to see how organizational behavioral concepts apply to them personally. New to this edition is structured feedback that explains how students should interpret their scores and what they can do to develop the trait or skill being measured. This feedback is followed immediately by self-reflection quizzes that assess students' understanding of the characteristics being measured and the action steps they may want to take for improvement.
- **iSeeIt Videos**—Brief, contemporary introductions to key course concepts that often perplex students. This series will enhance your student-centered instruction by offering your students dynamic illustrations that guide them through the basics of core principles of management concepts such as motivation, leadership, socialization, and more. The idea behind the series is if a student came to your office and asked you to explain one of these topics to him or her in a few minutes—how might you explain it? Consider using these practical and applicable resources before class as an introduction, during class to launch your lecture, or even after class as a summative assessment.

Chapters

In each chapter we have refreshed examples, research, figures, tables, statistics, and photos, as well as streamlined the design for ease of navigation and improved readability. We have also largely replaced the topics in such popular features as the Manager's Toolbox, Practical Action box, Example boxes, Management in Action, and Legal/Ethical Challenge. While the following list does not encompass *all* the updates and revisions, it does highlight some of the more notable changes.

CHAPTER 1

- Section 1.1—new material in Example box on efficiency versus effectiveness: how airlines deal with “seat densification” and other passenger complaints; updates on financial rewards of being an exceptional manager
- Section 1.3—new Example box on struggle for competitive advantage covers how Airbnb shakes up the hotel business. Re-sequencing of seven challenges to being an exceptional manager. Managing for information technology moved from #4 to #2 and new material added. Managing for sustainability moved from #6 to #5 and new material added
- Section 1.4—replaced in-text example of nonprofit general manager: now Susan Solomon, CEO of nonprofit New York Stem Cell Foundation
- Section 1.5—principal skills managers need—technical, conceptual, and human—now appear with definitions first. Updates of GM CEO Mary Barra as example of these managerial skills. New Practical Action box added on the soft skills

employers say college graduates lack, including communication and interpersonal skills; critical thinking and problem solving; and ethical judgment, innovation and creativity, and motivation

- Section 1.6—new example of a Mintzberg manager: Paul Orfalea, former CEO of Kinko’s
- Section 1.7—outdated example of Homejoy as Example box of hot start-up deleted
- New Management in Action case titled “Yahoo! CEO Marissa Mayer Is under Pressure to Make Big Changes”

CHAPTER 2

- Section 2.1—material added on practical reasons for studying a chapter on theory
- Section 2.3—update with new material of Example box on what behavioral science says about the open-plan office
- Section 2.5—revision of systems discussion to include concept of synergy. New Example box on systems and whether nudges achieve results, with discussion of repaying student loans in closed systems versus open systems.
- Section 2.6—in Practical Action box on evidence-based management, new material on proving and disproving theories, the purpose of research
- New key term for synergy
- New Management in Action case titled “Best Buy Uses Management Theories to Improve Corporate Performance”
- New Legal/Ethical Challenge titled “What Should You Do about an Insubordinate Employee?”

CHAPTER 3

- Section 3.1—material added to introductory discussion of triple bottom line
- Section 3.2—updates to Example box on PG&E and discussion of who are a company’s most important stakeholders. Updates to discussion of internal stakeholders: employees, owners, directors
- Section 3.3—update to discussion of external stakeholders, including Example box on Amazon’s Bezos and effect of decisions on stakeholders. Revised Example box on local communities as stakeholders and question of financial incentives to sports teams and other businesses. More text details added, including definition of venture capital, FAA and regulation of drones, boycotting of Academy Awards by prominent African Americans, description of GM and recalls, and falling productivity growth in relation to technological innovations. New Example box on how technology disruption changes everything: wider availability of knowledge, engineering of life through gene modification, mobile devices changing human relations. More on effects of sociocultural forces on organizations, with expanded in-text example of sweets and obesity. Expanded details on effects of political–legal forces and international forces
- Section 3.4—expansion of details on manager’s ethical responsibilities, including Volkswagen software scandal, accountability of auditors, more on insider trading, Sarbanes–Oxley, cheating by students and corporate employees, whistle-blowing

- Section 3.5—expanded discussion on climate change, including public opinion support and Coca-Cola’s goal for replenishing water. Details added on philanthropy and philanthropists, including Apple’s Tim Cook. Introduction and discussion of ethical leadership and effect on employee behavior and work performance
- Section 3.6—new discussion of ethics and corporate governance. Updated Example box on late Chesapeake CEO Aubrey McClendon as example of irresponsible corporate governance
- New key terms for ethical leadership, venture capital
- New Management in Action case titled “Blue Bell Is Accused of ‘Recall Creep’ in Its Handling of Ice Cream Contamination”
- New Legal/Ethical Challenge titled “Should You Apply to Have Your Student Loans Forgiven?”

CHAPTER 4

- Revised Manager’s Toolbox, on the benefits of international business travel
- Section 4.1—new details on products made in the U.S., country rankings for competitiveness (Table 4.1) and GDP, and countries considered “most free.” New Example box on e-commerce, covering peer-to-peer shopping by smartphone. More material on positive and negative effects of globalization, and new material on worldwide megamergers, such as pharmaceuticals and beer makers. New Example box on the sharing-based economy and starting an Internet enterprise, such as Poshmark and ArtLifting
- Section 4.2—new material introduced on global mind-set, with revised Practical Action box about learning to be a success abroad. Revised material on multinational enterprises. Example box on working overseas revised with new details. New details on classic American brands now foreign owned, such as Jeep, Ben & Jerry’s, Gerber, Motel 6
- Section 4.3—new material on involvement of U.S. firms overseas, such as Netflix, Apple, Ford. Discussion of counter trend to offshoring—re-shoring. New details in Practical Action box on jobs lost to outsourcing, including programmers, accountants, lawyers. Revision of Table 4.2 listing top 10 exporting countries.
- Section 4.4—on free trade, updated material on TPP and major competitors the BRICS countries, as well as Brexit. Revised Table 4.3 on top 10 U.S. trading partners. Expanded discussion on embargoes and introduction of concept of sanctions. Update on WTO and Doha Round and overhaul of IMF. Discussion of NAFTA revised, with new details. Discussion of EU includes Brexit controversy along with refugee problems and terrorist attacks in Europe. Discussion of APEC, ASEA, Mercosur, and CAFTA trading blocs collapsed into a table, Table 4.4. New discussion on proposed Trans-Pacific Partnership. Updating of data in Example box on currency exchange rates. Introduction of new discussion of BRICS countries as important international competitors, with definition and new table of comparisons (Table 4.5), plus extended discussion of China, India, and Brazil
- Section 4.5—new in-text examples of the importance of understanding cultural differences and potential cultural

pitfalls. Addition of discussion of Hofstede model of four cultural dimensions. New in-text example of Venezuela and effects of expropriation. New details added about least and most corrupt countries in the world, and addition of details about slave labor

- New key terms for Brexit, BRICS, global mind-set, sanctions, TPP
- New Management in Action case titled “Costco Plans to Grow Its International Markets”
- New Legal/Ethical Challenge titled “How Far Should World Leaders Go in Accommodating Other Leaders?”

CHAPTER 5

- Revisions to Manager’s Toolbox, including advantages of having a college degree and importance of writing out goals
- Section 5.1—new chapter lead on planning, and definition of a plan introduced. Revision of Example box on writing a business plan. Redefinition of strategy or strategic plan, with in-text examples. Revision of Figure 5.1 on planning and strategic management to include new elements, including addition of “values” to the first step and addition of “tactical” to third step. New details regarding Starbucks entering China market. Major revision to Example box on developing competitive advantage—who dominates the Internet economy and who’s losing, including discussion of big five companies that dominate the Internet economy (Amazon, Apple, Facebook, Google, and Microsoft) and description of the stack fallacy. New subsection introducing concept of VRIO analysis as a way to analyze competitive potential, creation of new Figure 5.2 on VRIO analysis, and explanation of each concept of VRIO (value, rarity, imitability, and organization)
- Section 5.2—new section lead about importance of hope as a basis for having a goal. Discussion that mission and vision should express an organization’s values. Revision of Figure 5.2 on making plans, with addition of “values statement” to the mission statement and vision statement. Example box revised on comparison of mission statements of three companies, featuring Hilton and Patagonia and replacing Amazon with Facebook. Example box revised on comparison of vision statements of these three companies. New subsection created about values statement, with definition, and what values firms want to emphasize. New Example box created comparing values statements for Hilton, Facebook, and Patagonia, with explanations. Major rewrite of Example box created about strategic planning by top management, covering problems of conventional quarterly “short-termism” as opposed to the long-term strategy of Amazon
- Section 5.3—distinction introduced between long-term and short-term goals, with definitions. Discussion of means-end chain to show how goals are connected. Redefinition of operating plan and action plan. Major revision of Example box on Southwest Airlines to show long-term and short-term goals
- Section 5.4—section retitled “Promoting Consistencies in Goals: SMART Goals, Management by Objectives, and Goal Cascading.” Revised Example box on setting goals, about whether big companies are serious about sustainability and climate change, showing efforts of Walmart. Introduction of

concept of cascading goals in a subsection, making lower-level goals align with top goals, with key term of cascading goals and description of cascading process. Revision of Practical Action box on achieving one’s important goals, opening with discussion of problem of noncommitment

- Section 5.5—new Example box on the planning/control cycle, featuring development of the Apple Watch
- New key terms for cascading goals, long-term goals, plan, short-term goals, strategic plan, values statement, VRIO
- New Management in Action box titled “The McCloskeys Plan to Implement Sustainable Dairy Farming While Providing Healthier Products”
- New Legal/Ethical Challenge titled “Do You Think It’s Ethical for Companies to Move Their Headquarters to Another Country to Save Taxes?”

CHAPTER 6

- Manager’s Toolbox revised to emphasize successful managers have to avoid fads and know their own core values
- Section 6.2—new Example box about when the strategic management process fails, as with Kodak not having an ecosystem, or “wide lens,” perspective. Revision of Figure 6.1 showing the strategic management process so first step 1 is “Establish the mission, vision, and values statements”
- Section 6.3—section retitled “Establishing Mission, Vision, and Values Statements.” New in-text examples given of mission, vision, and values statements, and characteristics of a good values statement are described. Table 6.1 revised to add characteristics of values statements
- Section 6.4—major revision of Example box on SWOT analysis using example of Toyota. Major revision of Example box on contingency planning to describe problems for insurance companies of rising sea levels and significance of climate change and importance of risk modeling
- Section 6.5—this section on formulating the grand strategy revised to describe four rather than three techniques to help formulate strategy. Concept of innovation strategy introduced, using in-text example of Etsy. Defensive strategy in-text example altered to show pressures on music industry. Figure 6.3 on Porter’s four competitive strategies deleted as unnecessary. Focused-differentiation strategy given new in-text examples (Ford GT supercar, elite sections of cruise ships). In-text example added to show change in single-product strategy of Delphi Automotive now supplying self-driving cars, automotive electrification, and safety gear. Under diversification strategy, material deleted on unrelated and related diversification, and concept of vertical integration introduced, with in-text examples of Netflix and Starbucks. New subsection on blue ocean strategy, with discussion of two instances of the strategy—inventing a new industry (as eBay did) or expanding the boundaries of an existing industry (as Home Depot did)
- New key terms for blue ocean strategy, innovation strategy, vertical integration
- New Management in Action case titled “IKEA Focuses on Growth”

CHAPTER 7

- Section 7.1—Example box inserted here and updated on crisis leading to the strategic management process at Starbucks. Example box on making a correct diagnosis updated and revised, changing conclusions as to whether men or women are better investors. Obsolete Example box on faulty implementation of customer service deleted. Example box on evaluation and the Boeing 787 Dreamliner updated and revised. In-text example on satisficing and snap decisions changed from Campbell Soup to Amazon's Echo.
- Section 7.2—new details added on business ethics
- Section 7.3—new details added on evidence-based decision making, including Table 7.3 on Google's rules for building a better manager, and other in-text updates. Example box on analytics in athletics heavily revised to show "Moneyball" takeover of sports. In-text example added on use of drones in same-day delivery. Significant expansion of material on the implications of Big Data and how it is used, with new in-text examples on use in analyzing consumer behavior, improving hiring, tracking movie and music data, exploiting farm data, advancing health and medicine, and aiding public policy. New Example box "Data, Hacking, and Privacy," discussing rise of cyberthieves and possible corruption of automotive software
- Section 7.5—details and updates added, including in-text examples, on how to overcome barriers to decision making, such as confirmation bias, overconfidence bias, framing bias, and escalation of commitment bias
- New Management in Action case titled "How Did Decision Making Contribute to Volkswagen's Emissions Cheating Scandal?"
- New Legal/Ethical Challenge titled "Should Apple Comply with the U.S. Government's Requests to Unlock iPhones?"

CHAPTER 8

- Modifications made to Manager's Toolbox on how to get noticed in a new job
- Section 8.1—new introductory material added to section on aligning strategy, culture, and structure, emphasizing importance of an organization's culture. New figure introduced, Figure 8.1, showing that the right culture and structure are essential in realizing the organizational vision and strategy. In-text examples added on importance of cultural tone in the hiring process. New material added on positive and negative effects of cultures, with examples, including negative cultures of Zenefits, Volkswagen, and Mitsubishi
- Section 8.2—in subsection on four types of organizational culture, competing values framework (CVF) defined and explanation of the organizational effectiveness along horizontal and vertical dimensions detailed. New in-text examples introduced (Acuity insurance for clan culture, Google for adhocracy culture, Uber for market culture, Amazon shipping processes for hierarchy culture). New self-assessment 8.1 introduced, "What Is the Organizational Culture at My Current Employer?" Revision of Example box on cultures representing competing values—the different "personalities"

- of Pfizer Pharmaceuticals, with update on shedding U.S. corporate citizenship to lower taxes. Section of three levels of organizational culture moved to earlier in the chapter, and in-text example added of CVS Health ceasing selling of tobacco as example of espoused versus enacted values. In section on how employees learn culture, new subsection added on organizational socialization, with explanation of three phases (anticipatory socialization, encounter, and change and acquisition phases), along with in-text example of Miami Children's Hospital. Revisions to subsection on the importance of culture to various outcomes, including positive work attitudes and better financial performance. Introduction of section on person–organization (PO) fit and how to use it in anticipating a job interview
- Section 8.3—details updated on process of cultural change, such as Zappos experiment in holocracy. New Self-Assessment 8.2 on "Assessing Your Preferred Type of Organizational Culture"
- Section 8.4—revisions added to Practical Action box, "Reading the Culture: Avoiding Pitfalls on Your Way Up"
- Section 8.5—new details added on delegation and in Practical Action box on when to delegate
- Section 8.6—introductory material about Google revising corporate structure into conglomerate called Alphabet to bring more transparency and streamline decision making. Section on virtual organization revised to explain concept of virtual structure, using example of Web-services company Automattic
- New key term for person–organization fit
- New Management in Action case titled "W.L. Gore's Culture Promotes Employee Satisfaction, Innovation, and Retention"
- New Legal/Ethical Challenge titled "Should Socializing outside Work Hours Be Mandatory?"

CHAPTER 9

- Details added to Manager's Toolbox on soft skills and social graces.
- Section 9.1—section lead updated on HR benefits, including some new Google offerings. Under human capital, in-text example added of Scripps Health offering career coaching and tuition reimbursement to develop human capital. Material added on benefits of social capital, as in developing trusting relationships with others. Under job description and job specification, in-text example added of Enterprise Rent-A-Car sorting 50,000 candidates a month
- Section 9.2—new section lead quoting expert that 5% of workforce produces 26% of output. New material added on use of social media and mobile recruiting. New in-text examples of effective ways of finding good job candidates, such as "blind dates" and competency-based selection strategies. New details added on realistic job previews. New Example box created on the changing job market, describing Millennials, the gig economy, and the episodic career. Material added on most common lies found on resumes and additions to Practical Action box about lying on resumes.

Details added to Practical Action box on mistakes to avoid when applying for a job. Practical Action box on interviewing recast from interviewer's to applicant's viewpoint, showing what the employer is looking for. Example box on personality tests at sporting goods chain deleted. New subsection added on how hiring is being changed by robots, talent analytics, algorithms, and the like

- Section 9.3—some details added/updated on compensation and benefits
- Section 9.4—new section lead, introducing onboarding. Under training, discussion added on how high-impact learning programs increase profit growth and aid retention. Under off-the-job training, discussion added on microlearning, with new Example box on technology-enhanced learning, discussing microlearning and e-learning.
- Section 9.5—material and statistics added on performance appraisal. Discussion of 360-degree feedback revised. Discussion of forced ranking heavily revised and expanded
- Section 9.6—introduction of concepts of turnover and attrition, with other details and updates through the section. New material added to Practical Action box on right way to handle a dismissal. Subsection added exit interview and nondisparagement agreement, with discussion
- Section 9.7—discussion and details added on minimum wage, Toxic Substances Control Act, workplace discrimination, gender pay disparity, and bullying
- Section 9.8—update of Table 9.6 snapshot of U.S. union movement and other material, including the two-tier setup. Arbitration discussion broadened, including negatives. Subsection added on new ways to advance employee interests, including easier ways to organize fast-food, construction, contract, and Uber workers
- New key terms for attrition, microlearning, onboarding, turnover
- New Management in Action case titled “Google’s Success Builds from Its Progressive Approach toward Human Resource Management”
- New Legal/Ethical Challenge titled “Should Non-compete Agreements Be Legal?”

CHAPTER 10

- Manager’s Toolbox revised to stress importance of the agility factor in managing for innovation and change
- Section 10.1—new introductory material about fear as preamble to nature of change. Revision of description of trends happening today, including necessity for faster speed-to-market. New Example box added on radical change, as represented in the decline of Radio Shack. Revision of material on rise of knowledge workers and changes in middle-skill jobs. In-text example on reactive change, discussing U.S. public health authorities dealing with spread of measles in the face of anti-vaccination movement. Example box on Disney World and its MagicBand technology updated. In discussion of forces of change originating outside organization, new material on technological advancements and their significance as the Fourth Industrial Revolution. New Example box on the upending of

transportation, from ride sharing to self-driving cars. Introduction of B corporation under shareholder changes, example of Millennials focusing on app-based shopping options, and influence of Brexit as example of how the global economy influences U.S. business. Under social and political pressures, discussion of sugary sodas and how to use tax to pay for popular programs. Under forces originating inside the organization, new in-text example of human resources concerns using Foxconn’s employee suicides. Under managers’ behavior, new in-text example of Facebook responding to accusations it suppressed conservative news

- Section 10.2—in-text example introduced of radically innovative change of Amazon’s testing new delivery system, Prime Air, involving drones. Kotter’s eight steps for leading organizational change deleted as obsolete. New subsection on a systems approach to change introduced, with new Figure 10.4 showing three parts of inputs, target elements of change, and outputs, with extended text discussion. Readiness for change introduced. New Self-Assessment 10.2 introduced, “What Is Your Readiness for Change?” New subsection added on force-field analysis and discussion of which forces facilitate change and which resist it
- Section 10.3—example of “jerks at work” as sources of conflict introduced in discussion of organizational development. In-text example of IBM hiring thousands of designers to challenge conventional thinking. Discussion of feedback loop added to Example box on using OD to make money in the restaurant business
- Section 10.4—under discussion of seeds of innovation, several in-text examples added, such as how GoPro camera was invented, Microsoft’s acquiring of LinkedIn, and Adobe Systems using Kickbox as a game to develop ideas. Deletion of section celebrating failure and Example box on 3M, and addition of new subsection on how companies can foster innovation, with seven components explained in the text and in new Table 10.2 on creating an innovation system. Table 10.3 revised of top 2016 organizations whose cultures strongly encourage innovation. New Example box added on achieving success through innovation and collaboration, using example of Tesla’s “Culture of Openness,” with four tips for “going Tesla”
- Section 10.5—Example box of Collins’s five stages of decline deleted for space reasons. Explanations and details added to model of resistance to change, with new in-text examples
- New key terms for force-field analysis, innovation system, readiness for change
- New Management in Action case titled “J.C. Penney Is Effectively Navigating Strategic and Managerial Change”
- New Legal/Ethical Challenge titled “Did L’Oreal Go Too Far in Firing Its Patent Lawyer?”

CHAPTER 11

- Manager’s Toolbox on mythical Millennials revised to show generalizations about what they want most Gen Xers and Baby Boomers want as well

- Section 11.1—new details added on personality tests and use in the workplace. Material added on self-esteem and locus of control. Expanded discussion of Emotional Intelligence. Example box revised on EI, considering that empathy works better than self-interest for the impact of compassion on the bottom line
- Section 11.2—section on values and attitudes revised, with in-text example of restaurant chain showing good treatment elevates bottom line. New Practical Action box on methods for reducing cognitive dissonance replaces former Table 11.4 on examples of ways to reduce cognitive dissonance. In-text examples added of ways to create value, including practices by Coca Cola, Disney, Gap
- Section 11.3—four types of distortion of perception expanded to five, with addition of implicit bias, with discussion and in-text examples. Discussion of sex-role, age, and racial/ethnicity stereotypes expanded and of halo effect. Example box deleted on halo effect of good looks. Example box on recency effect expanded, covering performance reviews, student evaluations, and investment decisions. Discussion of self-fulfilling prophecy, or Pygmalion effect, expanded, but Practical Action box deleted on how managers can harness the effect to lead employees
- Section 11.4—discussion of employee engagement expanded and updated. New Example box introduced on the toxic workplace, describing how incivility saps energy and productivity and increases negative behavior
- Section 11.5—the new diversified workforce updated and in-text examples added. More discussion of women working and statistics and unequal gender pay and discrimination. Expanded discussion of LGBT and sexual orientation, with statistics. Transgender introduced, with expanded discussion of LGBTQ. Coverage of Supreme Court decision on same-sex marriage. Diversity climate and psychological safety introduced, with discussion. Discussion added of hostile work environment for diverse employees. Under coverage of stress, new Example box added on good stress and whether being a worrywart is actually a benefit
- New key terms for diversity climate, implicit bias, psychological safety, transgender
- New Management in Action case titled “Individual Differences, Values, Attitudes, and Diversity at Facebook”
- New Legal/Ethical Challenge titled “Should Airlines Accommodate Oversized People?”

CHAPTER 12

- New Manager’s Toolbox, “Managing for Motivation: Scrapping the Traditional 9-to-5 Job?”
- Section 12.1—added inducements described that are offered by some companies as motivators, such as being paid to live near job. In Figure 12.1, integrated model of motivation, two more factors added to personal factors box—values and work attitudes—and two more factors added to contextual factors box—organizational climate and job design. Under extrinsic rewards, in-text examples added

of Air Force offering bonus to drone pilots to extend their service and effect of paying employees to lose weight. Under intrinsic rewards, new in-text example of paid sabbatical offered to employees to work at a charitable organization of their choice. List of why motivation is important incorporated into text, to save space

- Section 12.2—Example box on use of Maslow retitled “The Chief Emotional Officer” and revised with new details. Under acquired needs theory, material expanded on need for achievement. Under self-determination theory, new in-text examples added of ways to motivate employees by Hindustan Unilever, Best Buy, and Apple Store. Under discussion of Herzberg, in-text examples added from the Container Store and Southwest Airlines
- Section 12.3—equity theory retitled equity/justice theory, with expanded discussion of equity theory, involving cognitive dissonance. Former Table 12.1 on ways employees try to reduce inequity deleted to save space. Elements of justice theory—distributive, procedural, and interactional—added and discussed. New subsection added on using equity and justice theories to motivate employees, with five practical lessons. Concept of voice introduced. New material added on some practical results of goal-setting theory, including new in-text examples
- Section 12.4—term *job simplification* deleted in favor of new key term, *scientific management*
- Section 12.5—new key term introduced, *law of effect*. New Example box added about reinforcement, with discussion of tying CEO pay to environmental goals or food safety improvement
- Section 12.6—section reorganized and expanded to cover various forms of compensation, with expanded treatment of gainsharing and stock options. Four types of nonmonetary incentives also discussed: employees’ need for work–life balance, balancing work with life, flex-time, vacations and sabbaticals; need to expand their skills, including studying coworkers, receiving tuition reimbursement, and undergoing training; need for a positive work environment, with discussion of well-being and flourishing; and need to matter, with discussion of meaningfulness. Text material converted to new Practical Action box on thoughtfulness, the value of being nice.
- New key terms for distributive justice, flourishing, interactive justice, law of effect, meaningfulness, procedural justice, scientific management, voice, well-being, work–life benefits
- New Management in Action case titled “Acuity Insurance and the Container Store Focus on Employee Motivation”
- New Legal/Ethical Challenge titled “Should College Athletes Be Paid to Perform?”

CHAPTER 13

- Major rewrite of Manager’s Toolbox, including new tips for managing virtual teams and a new example of a virtual-team organization
- New examples of effective teams to introduce Section 13.1

- Section 13.1—Updated and revised Example box, including a new example of Panera and storytelling; new material on formal versus informal groups; replaced section titled “Work Teams for Four Purposes: Advice, Production, Project, and Action” with one titled “Types of Teams” on types of teams; new material on work teams, cross-functional teams, self-managed teams, and virtual teams; and new Practical Action box titled “Best Practices for Virtual Teams”
- Section 13.2—new discussion regarding the accuracy of Tuckman’s model of group development; new section on punctuated equilibrium model of group development
- Section 13.3—revised all subsections based on new research, which includes new discussion of collaboration, accountability and interdependence, composition, roles, and norms; deleted Tables 13.4 and 13.5; deleted Example box on team size; new table on task and maintenance roles in groups; deleted Example box on team norms; new Practical Action box with examples of Cisco, Pittsburgh Steelers, and GM Volt; deleted material on groupthink.
- Section 13.4—new self-assessment on conflict management styles, new Example box on workplace bullying, new discussion of work–family conflict, new table on negative consequences of work–family conflict, new Practical Action box on work–family balance, new Practical Action box on creativity and conflict
- New key terms for collaboration, punctuated equilibrium, team composition, team member interdependence, virtual teams, work–family conflict
- New Management in Action case titled “Teamwork Is a Driver of Success at Whole Foods Market”

CHAPTER 14

- Manager’s Toolbox—updated discussion of how to manage your career
- Section 14.1—restructured the section; new data on corporate spending for leadership development; new research on why leadership matters; section begins with discussing power, including new examples of how power was used at social media company GoFanbase and Ford Motor Co.; new section on influence tactics, which includes a new table and examples of influence tactics, a discussion of hard versus soft tactics, a new self-assessment on influence tactics, and how to match tactics to influence outcomes; deleted tables 14.1 and 14.2; updated discussion on leading versus managing; and new section offering an integrated model of leadership (Figure 14.1)
- Section 14.2—new table of traits and attributes found in leaders (Table 14.2); updated research on gender and leadership; new leadership traits Example box featuring world leaders Justin Trudeau and Angela Merkel, many new examples of leadership traits, new comparison of Blake Mykoskie of TOMS Shoes and Martin Shkreli of Turing Pharmaceuticals; new section on knowledge and skills found in leaders, including Table 14.4 showing four basic skills for leaders; new section on takeaways from trait

theory and research; and new Example box on multicultural leadership

- Section 14.3—new example of the Gates Foundation to illustrate initiating structure; new section on ethical leadership; new Example box of ethical leadership at BuildDirect; new Example box of servant-leadership at Kimpton Hotels and Starbucks
- Section 14.4—new Practical Action box on applying situational theories
- Section 14.5—new examples of Steve Jobs, Pope Francis, and John Mackey (Whole Foods) to illustrate the four types of transformational leadership; updated Example box on Indra Nooyi (Pepsi) as transactional and transformational leader
- Section 14.6—updated research on the LMX model; deleted discussion of e-leadership; new section on leading with humility; a new Practical Action box on leading by being a good follower
- New key terms for ethical leadership, influence tactics, power
- New Management in Action case titled “Mary Barra’s Leadership Guides General Motors through a Crisis and Toward Profitability”
- New Legal/Ethical Challenge titled “Jail or a Settlement: Which Is More Appropriate for the Leaders of an Alleged Charity Scam?”

CHAPTER 15

- New Manager’s Toolbox regarding the role of communication in landing a job
- Section 15.1—new discussion of research on employers and college students’ assessments of students’ communication skills; new discussion of jargon as noise; new Example box on secrecy and silence in corporate cultures at Volkswagen and Theranos; updated information about social media as a form of communication media
- Section 15.2—new examples of downward and upward communication; updated and expanded discussion of the grapevine; new section on face-to-face communication, which includes discussion of basic principles to make the most of face-to-face communication; deleted material on management by wandering around; a completely revised Practical Action box on streamlining meetings
- Section 15.3—new discussion of office design as physical barrier or facilitator of communication; new example of Amazon’s new headquarters; expanded discussion of listening skills as a barrier and the role of mindlessness; new examples of social media use; new section on generational differences; new section on cross-cultural barriers; updated examples and research on nonverbal communication, including new material on touch; updated discussion and new table of gender differences in communication; new Practical Action box on how men and women can communicate better at work
- Section 15.4—completely rewritten around the title of “Social Media and Management”; new section topics include social

- media is changing the fabric of our lives, social media and managerial and organizational effectiveness, downsides of social media, managerial implications of texting, and managerial considerations in creating social media policies. Detailed changes include new Practical Action box on building professional profile online; new discussions of social media's impact on employee and employer productivity; new table of social media benefits for employers; new Example box on controlling social media tools; new discussions of social media and innovation (including crowdsourcing) and social media and sales (including brand recognition); new examples of Under Armour, TOMS Shoes, and GoPro; new section on social media and reputation; updated discussion of downsides of social media; new table of tips for handling e-mail; new discussion of managerial implications of texting at work; new section on creating a social media policy; new Example box with samples of social media policies at GAP, *Los Angeles Times*, Intel, and others; new self-assessment on social media readiness
- Section 15.5—new data on importance of communication skills; new self-assessment on communication competence; new section on nondefensive communication, including a table on the antecedents of defensive and nondefensive communication; new section on using empathy; new examples of effective listening and new section on listening styles; updated discussion of good writing skills; updated discussion of public speaking skills
 - New key terms are crowdsourcing, cyberloafing, empathy, social media policy
 - New Management in Action case titled “Nokia Actively Uses Social Media to Communicate”
 - New Legal/Ethical Challenge titled “Was the Firing of Curt Schilling for His Social Media Post Fair?”

CHAPTER 16

- Manager's Toolbox—updated with new examples of social media use by the ALS Association, ability diversity hiring at Microsoft, and interview process at Uber
- Section 16.1—new examples of Takata airbag recall and federal safety investigation of Tesla self-driving cars; new examples of Uniqlo, Pepsi, and NASA's Juno mission; revamped and updated Example box on UPS drivers' standards; new section on types of controls, including discussion of feedforward, concurrent, and feedback controls
- Section 16.2—new examples to illustrate the six areas of control; new Example box on Airbnb and HR controls; new section on controlling the supply chain; new supply-chain examples of Hostess Brands, Target, and Amazon; new section on control in service firms
- Section 16.3—new examples to illustrate each of the four categories in a balanced scorecard; new discussion of metrics used to measure performance in each scorecard category; new and expanded discussion of strategy mapping,

including a new figure showing a sample strategy map for Dr Pepper Snapple Group; deleted discussion of measurement management

- Section 16.4—new discussion of gig economy; deleted table showing types of budgets and discussion of ratio analysis; new table to illustrate a profit-and-loss statement for a small company; new discussion of analytics when conducting audits
- Section 16.5—new discussion of 2015 Baldrige Award winner—Midway USA; new example of Toyota's use of TQM; new Example box about Kia Motors; new discussion and Example box about Kaizen, *featuring* Herman Miller, Studio 904, and Wagamama restaurant chain; new examples of Four Seasons Hotels, Ralph Lauren, and Exel Logistics; updated discussion of Six Sigma, Lean Six Sigma, and ISO 9000 and ISO 14000; new section on takeaways from TQM research
- Section 16.6—new example of “Sustainability Accounting Standards”; and new section on micromanagement as a barrier to control
- Section 16.7—new table showing global gross domestic product (GDP); updated discussion of U.S. productivity and the role of information technology and productivity; new section on managing individual productivity
- Epilogue—new examples of all “life lessons”
- New key term *Kaizen*
- New Management in Action case titled “Chipotle's Operational Problems Make People Sick”
- New Legal/Ethical Challenge titled “Is GPS Tracking of Employee Actions an Effective Form of Management Control?”

A BRIDGE TO STUDENT SUCCESS

The study of management is an essential crossing on the road to achievement.

- The cover shows the Margaret Hunt Hill Bridge, which transformed the skyline of Dallas, Texas, when it opened in March 2012. Named for a well-known Dallas heiress and philanthropist, the bridge spans the Trinity River and is distinguished by its striking 40-story-high center-support arch topped with a curved span. The cable-stayed bridge was designed by Spanish/Swiss architect Santiago Calatrava and has a total length of 1,870 feet.
- Some great achievements of history were accomplished by individuals working quietly by themselves, such as scientific discoveries or works of art. But so much more has been achieved by people who were able to leverage their talents and abilities—and those of others—by being managers. None of the great architectural wonders, such as this one, was built single-handedly by one person. Rather, all represent triumphs of management.

PREFACE: Practical skills. Relevant theory. Purposeful application.

Kinicki/Williams, 8e, empowers students to develop the management skills necessary in everyday life through the practical and relevant application of theory. Developed to help students read and learn management with a purpose, K/W, 8e, engages students through current examples, imaginative writing, and resources that work.

The eighth edition of *Management: A Practical Introduction*—a concepts book for the introductory course in management—uses a wealth of instructor feedback to identify which features from prior editions worked best and which should be improved and expanded. By blending Angelo’s scholarship, teaching, publishing, and management-consulting experience with Brian’s writing and publishing background, we have again tried to create a research-based yet highly readable, practical, and *motivational* text.

Our primary goal is simple to state but hard to execute: to make learning principles of management as easy, effective, and efficient as possible. Accordingly, the book integrates writing, illustration, design, and magazine-like layout in **a program of learning that appeals to the visual sensibilities and respects the time constraints and different learning styles of today’s students**. In an approach initially tested in our first edition and fine-tuned in the subsequent editions, **we break topics down into easily grasped portions** and incorporate **frequent use of various kinds of reinforcement techniques**. Our hope, of course, is to make a difference in the lives of our readers: to produce a text that students will enjoy reading and that will provide them with practical benefits.

The text covers the principles that most management instructors have come to expect in an introductory text—planning, organizing, leading, and controlling—plus the issues that today’s students need to be aware of to succeed: customer focus, globalism, diversity, ethics, social media, entrepreneurship, work teams, the service economy, and small business.

Beyond these, our book has four features that make it unique:

1. **A student-centered approach to learning.**
2. **Imaginative writing for readability and reinforcement.**
3. **Emphasis on practicality.**
4. **Resources that work.**

“Kinicki/Williams is an effective principles of management textbook that does an excellent job of conveying the excitement of management and leadership to undergraduates. Engaging and practical, it comes with a comprehensive set of support materials that range from the traditional to exciting new uses of technology that supercharge the teaching of critical concepts. We looked at over ten textbooks before we adopted Kinicki, and we’re most certainly glad that we did. Publisher support has been excellent.”

—Gary B. Roberts,
Kennesaw State University

A Student-Centered Approach to Learning

Chapter Openers:

Designed to help students read with purpose

Each chapter begins with four to eight provocative, motivational **Major Questions**, written to appeal to students' concern about "what's in it for me?" and to help them read with purpose.

Instead of opening with the conventional case, as most texts do, we open with **The Manager's Toolbox**, a motivational device offering practical nuts-and-bolts advice pertaining to the chapter content students are about to read—and allowing for class discussion.

4.1 MAJOR QUESTION Globalization: The Collapse of Time and Distance

What three important developments of globalization will probably affect me?

THE BIG PICTURE

Globalization, the trend of the world economy toward becoming a more interdependent system, is reflected in three developments: the rise of the "global village" and e-commerce, the trend of the world's becoming one big market, and the rise of both megafirms and Internet-enabled minifirms worldwide.

Is everything for sale in the United States now made outside our borders? Not quite everything—and Roger Simmermaker, 50, an Orlando, Florida, electronics technician who drives a 1996 Michigan-made Lincoln Town Car, is seriously focused on buying U.S. In fact, Simmermaker has authored a book, *How Consumers Can Buy American*, which lists more than 16,000 U.S.-made products.¹³ "It's important to understand that workers in China don't pay taxes to America," he says.¹⁴ As it happens, the vast majority of goods and services sold in the United States are still made in this country, good news for the 78% of U.S. consumers who would rather buy the domestic than the foreign version of a product.¹⁵ The problem is it's hard to tell what's real and what's not. "Some iconic American products, from the Apple iPhone to Cuisinart food processors, have little or no manufacturing presence on these shores, while many foreign makers have invested heavily in manufacturing plants in the U.S.," says *Consumer Reports*.¹⁶ In addition, because of "reshoring," many appliance manufacturers and other companies are moving significant operations back to the United States.

TABLE 4.1 Country Rankings for Competitiveness, 2015–2016

1. Switzerland
2. Singapore
3. United States
4. Germany

Competition and Globalization: Who Will Be No. 1 Tomorrow?

It goes without saying that the world is a competitive place. Whom does the United

Chapter Sections:

Structured into constituent parts for easier learning

Chapters are organized to cover each major question in turn, giving students bite-sized chunks of information. Each section begins with a recap of the **Major Question** and includes **"The Big Picture,"** which presents students with an overview of how the section they are about to read answers the Major Question.

“ This style textbook succeeds in presenting management information with a fresh face. Each chapter is filled with current and useful information for students. The chapters begin by asking major questions of the reader. As the student reads, [he or she is] engaged by these questions and by the information that follows. A totally readable text with great illustrations and end-of-chapter exercises! ”

—Catherine Ruggieri,
St. John's University, New York

Imaginative Writing for Readability

Research shows that textbooks written in an imaginative, people-oriented style significantly improve students' ability to retain information. We employ a number of journalistic devices to make the material as engaging as possible for students.

We employ a lot of **storytelling** to convey the real “texture of life” in being a manager. This means we use **colorful facts, attention-grabbing quotes, biographical sketches, and lively taglines** to get students' attention as they read.

THE MANAGER'S TOOLBOX

The Benefits of International Business Travel

Since business travelers who fly 100,000-plus miles a year—both domestically and overseas—are no longer a rare breed, should you prepare for the possibility of joining them? What are the rewards?

“If you are open to it, travel will simply make you a more well-rounded human being,” is one opinion.¹ Many people like getting away from their everyday workplace, with its endless meetings, coworker distractions, and work “fires” to put out. In addition, respondents in one poll cited discovering a new city as the best benefit of business travel (65%), along with experiencing new things (45%) and connecting with new people (37%).² Business travelers have learned the following three benefits.

Face-to-Face Meetings Are Crucial

The first lesson is that the majority of businesspeople—8 of 10 in one survey, 9 of 10 in another—agree travel is important because face-to-face meetings are more effective than technology toward achieving their business goals.³ Face-to-face helps you capture attention, inspire commitment, strengthen relationships, and other benefits.⁴ Of course smartphones, e-mail, and videoconferencing make it easier to connect with others—superficially, at least.

Retailer Urban Outfitters, for example, outraged some customers by selling merchandise with images of Hindu deities on them.⁵ In another instance, an American used “to conducting business American style, where you can get a deal done in two hours and everyone leaves happy,” found that in Asia “every meeting was about 10 hours long and everyone wanted to serve us food. We were so stuffed and jet-lagged, it was ridiculous.”⁶

As a world-traveling executive, then, you must do your homework to know cultures, organizations, and holders of power. “Cull information on the individuals and companies you're visiting,” says one expert. “Follow the news relating to the region. If possible try to read a few books about the history and culture of the lands you will visit. . . . Learn a few words too.”¹⁰ Because in Asia and the Middle East personal relationships are crucial to getting things done, you need to engage in small talk and avoid business talk during after-hours outings. Says Ted Dale, president of international business consulting firm Aperian Global, “You need to spend out-of-office time in social settings.” In Asia, the Middle East, and Latin America, it's important to understand organizational hierarchy, as represented by professional titles and age.¹¹

E-Commerce: Peer-to-Peer Shopping by Smartphone

EXAMPLE

Perhaps the most well-known story of e-commerce companies is that of Amazon.com, which was started in 1994 by Jeffrey Bezos as an online bookstore, and now offers “new products and services at a rate none of the old-guard companies seem able to match,” according to one business writer.²⁶ (One such company is Gap Inc., whose revenues have fallen at its Banana Republic and Old Navy walk-in stores but have not been made up for in online sales.²⁷)

The New E-Commerce. Today 68% of U.S. adults have a smartphone and nearly 45% a tablet.²⁸ Yet most American consumers use their mobile devices for getting directions or listening to music rather than making purchases, according to a survey by Pew Research Center.²⁹ But in Asia, which is home to the world's two biggest smartphone markets, China and India, things are different. Asian countries account for nearly half of the world's mobile online shopping, worth more than \$230 billion annually (in U.S. dollars).³⁰ A few companies, reports *The Wall Street Journal*, “are starting to change the commercial landscape by offering apps that let individuals buy and sell goods directly from one another more easily than on traditional Web-based sites like eBay.”³¹ For example, in January 2016, 43% of people in South Korea said they used a smartphone to make a purchase during the past 30 days, the highest proportion in the world.

Our emphasis on practicality and applications extends to the **Example boxes**, “mini-cases” that use snapshots of real-world institutions to explain text concepts. **“Your Call” invites student critical thinking and class discussion at the end of each example.** Suggestions for how to use the Example boxes are found in the Teaching Resource Manual (TRM).

““ The Kinicki/Williams text is attractive and well organized. The writing is engaging, and there is much more than my current text in terms of examples, application, summaries, and cases. The graphical quality of the book is much better than the black and white version[s] [of texts]. Overall, I think this book represents an excellent approach to the subject of management from both an instructor and learner perspective. ””

—Jeffrey Anderson,
Ohio University

Emphasis on Practicality

We want this book to be a “keeper” for students, a resource for future courses and for their careers—so we give students a great deal of practical advice in addition to covering the fundamental concepts of management. Application points are found not only throughout the text discussion but also in the following specialized features.

Practical Action boxes, appearing one or more times in each chapter, offer students practical and interesting advice on issues they will face in the workplace. Detailed discussions of how to use these Practical Action boxes appear in the Teaching Resource Manual (TRM).

Learning to Be a Success Abroad: Developing a Global Mind-set

PRACTICAL ACTION

Whether you travel abroad on your own or on a work assignment for your company, there are several ways to develop a global mind-set and make your experience enhance your career success.

Be an “I’m-Not-an-Ugly American.” Americans “are seen throughout the world as an arrogant people, totally self-absorbed and loud,” says Keith Reinhard, former head of advertising conglomerate DDB Worldwide, who had led an effort to reverse that through a nonprofit group called Business for Diplomatic Action (BDA), from which many suggestions here are drawn.⁵⁸ (The group publishes *The World Citizens Guide*, which consists of practical advice for Americans traveling abroad.)⁵⁹ A survey conducted by DDB in more than 100 countries found that respondents repeatedly mentioned “arrogant,” “loud,” and “uninterested in the world” when asked their perceptions of Americans.⁶⁰ Some sample advice for Americans traveling abroad is: Be patient, be quiet, listen at least as much as you talk, don’t use slang, and don’t talk about wealth and status.⁶¹

Be Global in Your Focus, but Think Local. Study up on your host country’s local customs and try to meet new people who might help you in the future. For example, Bill Roedy, president of MTV Networks International, spent time hanging out with Arab rappers and meeting the mayor of Mecca before trying to sign a contract that would launch MTV Arabia.⁶² His efforts helped seal the deal.

Learn What’s Appropriate Behavior. Before you go, spend some time learning about patterns of interpersonal communication. In Japan, for instance, it is considered rude to look directly into the eye for more than a few seconds. In Greece the hand-waving gesture commonly used in America is considered an insult. In Afghanistan, a man does not ask another man about his wife.⁶³ In China, people generally avoid hugs—at least until recently.⁶⁴

Learn rituals of respect, including exchange of business cards.⁶⁵ Understand that shaking hands is always permissible, but social kissing may not be. Dress professionally. For women, this means no heavy makeup, no flashy jewelry, no short skirts

Management in Action cases depict how companies students are familiar with respond to situations or issues featured in the text. Discussion questions are included for ease of use in class, as reflection assignments, or over online discussion boards. In addition, follow-up multiple-choice questions contained in Connect measure students’ ability to apply what they’ve learned in the chapter to real life situations managers are facing.

Management in Action

Costco Plans to Grow Its International Markets

Costco Wholesale Corporation is an American membership-only warehouse club selling a large range of products. The company opened its first warehouse in 1983 and currently is the second largest retailer in the U.S.—Walmart is number one. Costco, however, is the largest membership warehouse club chain in the U.S. Costco operates about 700 warehouses across the U.S. and abroad. As of November 2015, the company had international locations in Canada (89), United Kingdom (26), Australia (8), Mexico (34), Taiwan (10), South Korea (12), Japan (20), and Spain (2).²⁰⁸ The company’s revenue has been growing the last few years, and international expansion is one key contributor. Net sales from international operations grew by 45% between 2010 and 2014. This compares to a net sales growth of 21% from Sam’s Club, the warehouse outlet run by Walmart, over the same period. “Margins from international operations are also higher, which has benefited the bottom line. That’s partly due to little or no competition from other warehouse clubs, as they’re a relatively newer concept abroad, and partly due to lower employee costs. Costco earned an operating margin of 4.1% from international clubs in 2015.”

local environment for each market it is operating in. Consider the changes Costco implemented when expanding to Australia.

Costco began by changing its selling practices. Rather than relying on coupons to draw in customers, the company abandoned their use. Coupons are foreign to Australians and hardly anyone uses them. The company also dropped its use of Costco cards as a form of payment. While Americans like the use of such cards, management thought that Australians would like greater flexibility in payment methods. They were correct in this assessment.

“Also Costco decided not to invest any money in marketing. They played on ‘word-of-mouth’ marketing. It was smart as in Australia, this is probably the best marketing money can buy. Partially the success of this practice was ensured by the fact that many Australians and Americans travel a lot between the countries. The migration flow is quite strong there. This caused a certain amount of people to have first-hand experience with Costco. This played its role in attracting new customers.”²¹¹

Costco similarly used a customized approach when opening stores in Spain. It opened its first warehouse

Legal/Ethical Challenges present cases—often based on real events—that require students to think through how they would handle the situation, helping prepare them for decision making in their careers.

Legal/Ethical Challenge

How Far Should World Leaders Go in Accommodating Other Leaders?

This challenge involves a conflict between national culture and religious beliefs. The context was a state visit from Iran’s president, Hassan Rouhani, to Rome and Paris in 2016. This was the first visit for an Iranian president in 17 years.

The Wall Street Journal reported that “The trip succeeded in reviving economic ties that withered when the European Union adopted sanctions over Iran’s nuclear program in 2012. The countries cut billions in business deals this week . . .”²¹³

The challenge involves how to handle the Iranian leader’s request regarding meals during the visits. According to *USA Today*, “Rouhani asked for a halal menu in keeping with his Muslim faith, which meant no wine” during meals.

French President Francois Hollande decided to forgo any meals and instead staged a formal welcome at the Invalides monument. According to Gérard Araud, France’s ambassador to the United States, “It is not the halal which was a problem but the wine.

Campidoglio museum to protect the Islamic Republic visitors from gazing at artists’ renderings of the human form.”

Italian Prime Minister Matteo Renzi’s decisions drew strong criticism from others according to *USA Today*. Lawmaker Luca Squeri said, “Respect for other cultures cannot and must not mean negating our own. This isn’t respect, it’s cancelling out differences and it’s kind of surrender.” Rome City Councilman Gianluca Peciolà started a petition asking Renzi to explain “a disgraceful decision which is a mortification of art and culture as universal values.”²¹⁴

SOLVING THE CHALLENGE

What would you have done if you were Hollande or Renzi?

1. These are state dinners involving important matters, and leaders need to be accepting of religious differences. What’s the big deal in forgoing some wine with the meal and covering up art? I would hold the dinners, not serve wine, and cover up the offensive

AACSB Statement

The McGraw-Hill Companies is a proud corporate member of AACSB International. Understanding the importance and value of AACSB accreditation, *Management: A Practical Introduction*, 8th ed., 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 general knowledge and skill guidelines in the AACSB standards.

The statements contained in *Management: A Practical Introduction*, 8th ed., are provided only as a guide for the

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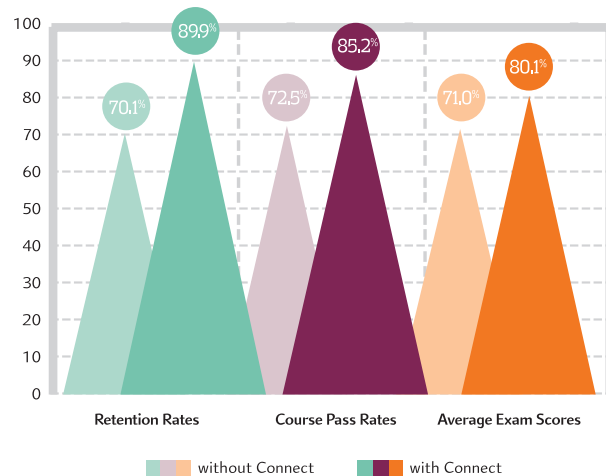
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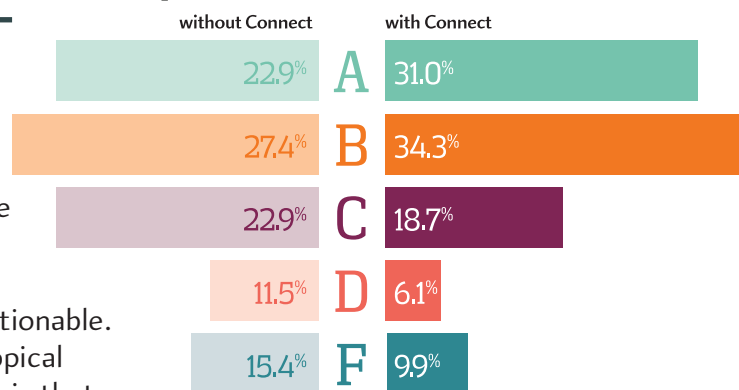
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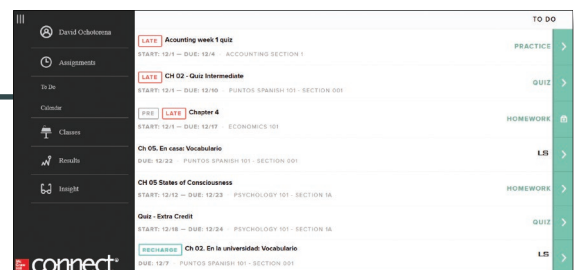
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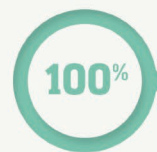
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brief contents

PART 1

Introduction

- 1 The Exceptional Manager: What You Do, How You Do It 2
- 2 Management Theory: Essential Background for the Successful Manager 40

PART 2

The Environment of Management

- 3 The Manager's Changing Work Environment and Ethical Responsibilities: Doing the Right Thing 70
- 4 Global Management: Managing across Borders 104

PART 3

Planning

- 5 Planning: The Foundation of Successful Management 142
- 6 Strategic Management: How Exceptional Managers Realize a Grand Design 170
- 7 Individual and Group Decision Making: How Managers Make Things Happen 200

PART 4

Organizing

- 8 Organizational Culture, Structure, and Design: Building Blocks of the Organization 240

- 9 Human Resource Management: Getting the Right People for Managerial Success 278

- 10 Organizational Change and Innovation: Lifelong Challenges for the Exceptional Manager 324

PART 5

Leading

- 11 Managing Individual Differences and Behavior: Supervising People as People 356
- 12 Motivating Employees: Achieving Superior Performance in the Workplace 394
- 13 Groups and Teams: Increasing Cooperation, Reducing Conflict 434
- 14 Power, Influence, and Leadership: From Becoming a Manager to Becoming a Leader 464
- 15 Interpersonal and Organizational Communication: Mastering the Exchange of Information 502

PART 6

Controlling

- 16 Control Systems and Quality Management: Techniques for Enhancing Organizational Effectiveness 544

Appendix: The Project Planner's Toolkit: Flowcharts, Gantt Charts, and Break-Even Analysis A1

contents

Preface 13

PART 1

Introduction

CHAPTER ONE

The Exceptional Manager: What You Do, How You Do It 2

- 11** Management: What It Is, What Its Benefits Are 4
The Rise of the Die Maker's Daughter 4
Key to Career Growth: "Doing Things I've Never Done Before" 4
The Art of Management Defined 5
Why Organizations Value Managers: The Multiplier Effect 6
The Financial Rewards of Being an Exceptional Manager 7
What Are the Rewards of Studying and Practicing Management? 7
- 1.2** What Managers Do: The Four Principal Functions 9
Planning: Discussed in Part 3 of This Book 9
Organizing: Discussed in Part 4 of This Book 10
Leading: Discussed in Part 5 of This Book 10
Controlling: Discussed in Part 6 of This Book 10
- 1.3** Seven Challenges to Being an Exceptional Manager 11
CHALLENGE #1: Managing for Competitive Advantage—Staying Ahead of Rivals 11
CHALLENGE #2: Managing for Information Technology—Dealing with the "New Normal" 13
CHALLENGE #3: Managing for Diversity—The Future Won't Resemble the Past 15
CHALLENGE #4: Managing for Globalization—The Expanding Management Universe 15
CHALLENGE #5: Managing for Ethical Standards 16
CHALLENGE #6: Managing for Sustainability—The Business of Green 17
CHALLENGE #7: Managing for Happiness and Meaningfulness 18
How Strong Is Your Motivation to Be a Manager? The First Self-Assessment 18
- 1.4** Pyramid Power: Levels and Areas of Management 19
The Traditional Management Pyramid: Levels and Areas 19
Four Levels of Management 19

Areas of Management: Functional Managers versus General Managers 21

Managers for Three Types of Organizations: For-Profit, Nonprofit, Mutual-Benefit 22

Different Organizations, Different Management? 22

1.5 The Skills Exceptional Managers Need 23

1. Technical Skills—The Ability to Perform a Specific Job 23

2. Conceptual Skills—The Ability to Think Analytically 23

3. Human Skills—"Soft Skills," the Ability to Interact Well with People 24

The Most Valued Traits in Managers 25

1.6 Roles Managers Must Play Successfully 26

The Manager's Roles: Mintzberg's Useful Findings 26

Three Types of Managerial Roles: Interpersonal, Informational, and Decisional 28

1.7 The Link between Entrepreneurship and Management 30

Starting Up a Start-up: From Hats to Hamburgers 30

Entrepreneurship Defined: Taking Risks in Pursuit of Opportunity 30

Taking Something Practical Away 33

Key Terms Used in This Chapter 36

Key Points 36

Understanding the Chapter: What Do I Know? 37

Management in Action 37

Legal/Ethical Challenge 39

CHAPTER TWO

Management Theory: Essential Background for the Successful Manager 40

2.1 Evolving Viewpoints: How We Got to Today's Management Outlook 42

Creating Modern Management: The Handbook of Peter Drucker 42

Six Practical Reasons for Studying This Chapter 42

Two Overarching Perspectives about Management: Historical and Contemporary 44

2.2 Classical Viewpoint: Scientific and Administrative Management 45

Scientific Management: Pioneered by Taylor and the Gilbreths 45

Administrative Management: Pioneered by Fayol and Weber 47

The Problem with the Classical Viewpoint: Too Mechanistic 48

- 2.3 Behavioral Viewpoint: Behaviorism, Human Relations, and Behavioral Science 49**
 Early Behaviorism: Pioneered by Munsterberg, Follett, and Mayo 49
 The Human Relations Movement: Pioneered by Maslow and McGregor 50
 The Behavioral Science Approach 51
- 2.4 Quantitative Viewpoints: Management Science and Operations Management 53**
 Management Science: Using Mathematics to Solve Management Problems 53
 Operations Management: Being More Effective 54
- 2.5 Systems Viewpoint 55**
 The Systems Viewpoint 56
 The Four Parts of a System 56
- 2.6 Contingency Viewpoint 58**
 Gary Hamel: Management Ideas Are Not Fixed, They're a Process 59
 Evidence-Based Management: Facing Hard Facts, Rejecting Nonsense 59
- 2.7 Quality-Management Viewpoint 61**
 Quality Control and Quality Assurance 61
 Total Quality Management: Creating an Organization Dedicated to Continuous Improvement 61
- 2.8 The Learning Organization in an Era of Accelerated Change 63**
 The Learning Organization: Handling Knowledge and Modifying Behavior 63
 How to Build a Learning Organization: Three Roles Managers Play 64
- Key Terms Used in This Chapter 65*
Key Points 65
Understanding the Chapter: What Do I Know? 66
Management in Action 66
Legal/Ethical Challenge 68

PART 2

The Environment of Management

CHAPTER THREE

The Manager's Changing Work Environment and Ethical Responsibilities: Doing the Right Thing 70

- 3.1 The Triple Bottom Line: People, Planet, and Profit 72**
 The Millennials' Search for Meaning 72
- 3.2 The Community of Stakeholders inside the Organization 73**
 Internal and External Stakeholders 74
 Internal Stakeholders 74

- 3.3 The Community of Stakeholders outside the Organization 77**
 The Task Environment 77
 The General Environment 82
- 3.4 The Ethical Responsibilities Required of You as a Manager 86**
 Defining Ethics and Values 86
 Four Approaches to Deciding Ethical Dilemmas 87
 White-Collar Crime, SarbOx, and Ethical Training 88
 How Organizations Can Promote Ethics 90
- 3.5 The Social Responsibilities Required of You as a Manager 92**
 Corporate Social Responsibility: The Top of the Pyramid 92
 Is Social Responsibility Worthwhile? Opposing and Supporting Viewpoints 92
 One Type of Social Responsibility: Climate Change, Sustainability, and Natural Capital 94
 Another Type of Social Responsibility: Philanthropy, "Not Dying Rich" 95
 How Does Being Good Pay Off? 95
- 3.6 Corporate Governance 97**
 Ethics and Corporate Governance 97
 The Need for Trust 98
- Key Terms Used in This Chapter 99*
Key Points 99
Understanding the Chapter: What Do I Know? 101
Management in Action 101
Legal/Ethical Challenge 102

CHAPTER FOUR

Global Management: Managing across Borders 104

- 4.1 Globalization: The Collapse of Time and Distance 106**
 Competition and Globalization: Who Will Be No. 1 Tomorrow? 106
 The Rise of the "Global Village" and Electronic Commerce 107
 One Big World Market: The Global Economy 108
 Cross-Border Business: The Rise of Both Megamergers and Minifirms Worldwide 109
- 4.2 You and International Management 111**
 Why Learn about International Management? 112
 The Successful International Manager: Geocentric, Not Ethnocentric or Polycentric 114
- 4.3 Why and How Companies Expand Internationally 116**
 Why Companies Expand Internationally 116
 How Companies Expand Internationally 117

- 4.4** The World of Free Trade: Regional Economic Cooperation and Competition 121
 Barriers to International Trade 121
 Organizations Promoting International Trade 123
 Major Trading Blocs: NAFTA and the EU 124
 Most Favored Nation Trading Status 126
 Exchange Rates 126
- 4.5** The Importance of Understanding Cultural Differences 129
 The Importance of National Culture 130
 Cultural Dimensions: The Hofstede and GLOBE Project Models 130
 Other Cultural Variations: Language, Interpersonal Space, Communication, Time Orientation, Religion, and Law and Political Stability 133
 U.S. Managers on Foreign Assignments: Why Do They Fail? 137
- Key Terms Used in This Chapter* 138
Key Points 138
Understanding the Chapter: What Do I Know? 140
Management in Action 140
Legal/Ethical Challenge 141

PART 3

Planning

CHAPTER FIVE

Planning: The Foundation of Successful Management 142

- 5.1** Planning and Strategy 144
 Planning, Strategy, and Strategic Management 144
 Why Planning and Strategic Management Are Important 146
- 5.2** Fundamentals of Planning 150
 Mission, Vision, and Values Statements 150
 Three Types of Planning for Three Levels of Management: Strategic, Tactical, and Operational 153
- 5.3** Goals and Plans 155
 Long-Term and Short-Term Goals 155
 The Operating Plan and Action Plan 155
 Types of Plans: Standing Plans and Single-Use Plans 157
- 5.4** Promoting Consistencies in Goals: SMART Goals, Management by Objectives, and Goal Cascading 158
 SMART Goals 158
 Management by Objectives: The Four-Step Process for Motivating Employees 160
 Cascading Goals: Making Lower-Level Goals Align with Top Goals 162
 The Importance of Deadlines 163

- 5.5** The Planning/Control Cycle 164
Key Terms Used in This Chapter 166
Key Points 166
Understanding the Chapter: What Do I Know? 167
Management in Action 168
Legal/Ethical Challenge 169

CHAPTER SIX

Strategic Management: How Exceptional Managers Realize a Grand Design 170

- 6.1** What Is Effective Strategy? 172
 Strategic Positioning and Its Principles 172
 Does Strategic Management Work for Small as Well as Large Firms? 173
- 6.2** The Strategic-Management Process 174
 The Five Steps of the Strategic-Management Process 175
- 6.3** Establishing the Mission, Vision, and Values Statements 177
 Characteristics of a Good Mission Statement 177
 Characteristics of a Good Vision Statement 177
 Characteristics of a Good Values Statement 177
- 6.4** Assessing the Current Reality 179
 Competitive Intelligence 179
 SWOT Analysis 180
 Forecasting: Predicting the Future 183
 Benchmarking: Comparing with the Best 185
 Porter's Five Competitive Forces 185
- 6.5** Formulating the Grand Strategy 187
 Three Common Grand Strategies 187
 Porter's Four Competitive Strategies 188
 Single-Product Strategy versus Diversification Strategy 189
 The Blue Ocean Strategy 190
 The BCG Matrix 191
- 6.6** Implementing and Controlling Strategy: Execution 192
 Implementing the Strategy 192
 Maintaining Strategic Control 192
 Execution: Getting Things Done 192
 The Three Core Processes of Business: People, Strategy, and Operations 193
 How Execution Helps Implement and Control Strategy 193
- Key Terms Used in This Chapter* 195
Key Points 195
Understanding the Chapter: What Do I Know? 197
Management in Action 197
Legal/Ethical Challenge 198

CHAPTER SEVEN

Individual and Group Decision Making: How Managers Make Things Happen 200

- 7.1** Two Kinds of Decision Making: Rational and Nonrational 202
 - Decision Making in the Real World 203
 - Rational Decision Making: Managers Should Make Logical and Optimal Decisions 204
 - Stage 1: Identify the Problem or Opportunity—Determining the Actual versus the Desirable 204
 - Stage 2: Think Up Alternative Solutions—Both the Obvious and the Creative 205
 - Stage 3: Evaluate Alternatives and Select a Solution—Ethics, Feasibility, and Effectiveness 205
 - Stage 4: Implement and Evaluate the Solution Chosen 205
 - What’s Wrong with the Rational Model? 207
 - Nonrational Decision Making: Managers Find It Difficult to Make Optimal Decisions 208
- 7.2** Making Ethical Decisions 210
 - The Dismal Record of Business Ethics 210
 - Road Map to Ethical Decision Making: A Decision Tree 210
- 7.3** Evidence-Based Decision Making and Analytics 212
 - Evidence-Based Decision Making 212
 - In Praise of Analytics 215
 - “Big Data”: What It Is, How It’s Used 216
- 7.4** Four General Decision-Making Styles 219
 - Value Orientation and Tolerance for Ambiguity 219
 - 1. The Directive Style: Action-Oriented Decision Makers Who Focus on Facts 220
 - 2. The Analytical Style: Careful Decision Makers Who Like Lots of Information and Alternative Choices 220
 - 3. The Conceptual Style: Decision Makers Who Rely on Intuition and Have a Long-Term Perspective 221
 - 4. The Behavioral Style: The Most People-Oriented Decision Makers 221
 - Which Style Do You Have? 221
- 7.5** How to Overcome Barriers to Decision Making 222
 - Decision Making and Expectations about Happiness 222
 - How Do Individuals Respond to a Decision Situation? Ineffective and Effective Responses 222
 - Nine Common Decision-Making Biases: Rules of Thumb, or “Heuristics” 224
- 7.6** Group Decision Making: How to Work with Others 227
 - Advantages and Disadvantages of Group Decision Making 227

- Groupthink 228
- What Managers Need to Know about Groups and Decision Making 229
- Group Problem-Solving Techniques: Reaching for Consensus 230
- More Group Problem-Solving Techniques 230
- Key Terms Used in This Chapter* 233
- Key Points* 233
- Understanding the Chapter: What Do I Know?* 235
- Management in Action* 235
- Legal/Ethical Challenge* 237

PART 4

Organizing

CHAPTER EIGHT

Organizational Culture, Structure, and Design: Building Blocks of the Organization 240

- 8.1** Aligning Strategy, Culture, and Structure 242
 - How an Organization’s Culture and Structure Are Used to Implement Strategy 242
- 8.2** What Kind of Organizational Culture Will You Be Operating In? 245
 - The Three Levels of Organizational Culture 245
 - Four Types of Organizational Culture: Clan, Adhocracy, Market, and Hierarchy 246
 - How Employees Learn Culture: Symbols, Stories, Heroes, Rites and Rituals, and Organizational Socialization 249
 - The Importance of Culture 251
 - What Does It Mean to “Fit”? Anticipating a Job Interview 252
- 8.3** The Process of Culture Change 253
 - 1. Formal Statements 253
 - 2. Slogans and Sayings 253
 - 3. Rites and Rituals 253
 - 4. Stories, Legends, and Myths 253
 - 5. Leader Reactions to Crises 254
 - 6. Role Modeling, Training, and Coaching 254
 - 7. Physical Design 254
 - 8. Rewards, Titles, Promotions, and Bonuses 255
 - 9. Organizational Goals and Performance Criteria 255
 - 10. Measurable and Controllable Activities 255
 - 11. Organizational Structure 256
 - 12. Organizational Systems and Procedures 256
 - Don’t Forget about Person–Organization Fit 256
- 8.4** Organizational Structure 257
 - The Organization: Three Types 257
 - The Organization Chart 258