MANAGEMENT

RICHARD L. DAFT

Eighth Edition



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Management, Eighth Edition

Richard L. Daft

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With deep appreciation to Dorothy,
the playwright and partner in my life,
and to my parents, who started my life
toward outcomes that I could not understand at the time.

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ABOUT THE AUTHOR



Richard L. Daft, Ph.D., is the Brownlee O. Currey, Jr., Professor of Management in the Owen Graduate School of Management at Vanderbilt University. Professor Daft specializes in the study of organization theory and leadership. Dr. Daft is a Fellow of the Academy of Management and has served on the editorial boards of *Academy of Management Journal, Administrative Science Quarterly,* and *Journal of Management Education.* He was the Associate Editor-in-Chief of *Organization Science* and served for three years as associate editor of *Administrative Science Quarterly.*

Professor Daft has authored or co-authored 12 books, including *Organization Theory and Design* (South-Western, 2007), *The Leadership Experience* (South-Western, 2005), and *What to Study: Generating and Developing Research Questions* (Sage, 1982). He recently published *Fusion Leadership: Unlocking the Subtle Forces That Change People and Organizations* (Berrett-Koehler, 2000, with Robert Lengel). He has also authored dozens of scholarly articles, papers, and chapters. His work has been published in *Administrative Science Quarterly, Academy of Management Journal, Academy of Management Review, Strategic Management Journal, Journal of Management, Accounting Organizations and Society, Management Science, MIS Quarterly, California Management Review,* and *Organizational Behavior Teaching Review.* Professor Daft has been awarded several government research grants to pursue studies of organization design, organizational innovation and change, strategy implementation, and organizational information processing.

Dr. Daft also is an active teacher and consultant. He has taught management, leadership, organizational change, organizational theory, and organizational behavior. He served as associate dean, produced for-profit theatrical productions, and helped manage a start-up enterprise. He has been involved in management development and consulting for many companies and government organizations, including the American Banking Association, Bell Canada, the National Transportation Research Board, NL Baroid, Nortel, TVA, Pratt & Whitney, State Farm Insurance, Tenneco, the United States Air Force, the U.S. Army, J. C. Bradford & Co., Central Parking System, Entergy Sales and Service, Bristol-Myers Squibb, First American National Bank, and the Vanderbilt University Medical Center.

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PREFACE

Managing in Turbulent Times: Unlocking Innovative Solutions

In light of the dramatic and far-reaching events of the early twenty-first century, the central theme being discussed in the field of management is the pervasiveness of turbulent change and its impact on organizations. This edition of *Management* was revised to help current and future managers find innovative solutions to the problems that plague today's organizations—whether they are everyday challenges or once-in-a-lifetime crises. The world in which most students will work as managers is undergoing a tremendous upheaval. The emergence of crisis management, ethical turmoil, e-business, rapidly changing technologies, globalization, outsourcing, global virtual teams, knowledge management, global supply chains, and other changes place demands on managers that go beyond the techniques and ideas traditionally taught in management courses. Managing in today's turbulent times requires the full breadth of management skills and capabilities. This text provides comprehensive coverage of both traditional management skills and the new competencies needed in a turbulent environment characterized by economic turmoil, political confusion, and general uncertainty.

The traditional world of work assumed the purpose of management was to control and limit people, enforce rules and regulations, seek stability and efficiency, design a top-down hierarchy to direct people, and achieve bottom-line results. To unlock innovative solutions and achieve high performance, however, managers need different skills to engage workers' hearts and minds as well as take advantage of their physical labor. The new workplace asks that managers focus on leading change, harnessing people's creativity and enthusiasm, finding shared visions and values, and sharing information and power. Teamwork, collaboration, participation, and learning are guiding principles that help managers and employees maneuver the difficult terrain of today's turbulent business environment. Managers focus on developing, not controlling, people to adapt to new technologies and extraordinary environmental shifts, and thus achieve high performance and total corporate effectiveness.

My vision for the eighth edition of *Management* is to explore the newest management ideas for turbulent times in a way that is interesting and valuable to students while retaining the best of traditional management thinking. To achieve this vision, I have included the most recent management concepts and research and have showed the contemporary application of management ideas in organizations. I have also added a feature for "new managers" to give students a sense of what will be expected when they become managers. The combination of established scholarship, new ideas, and real-life applications gives students a taste of the energy, challenge, and adventure inherent in the dynamic field of management. The Thomson South-Western staff and I have worked together to provide a textbook better than any other at capturing the excitement of organizational management.

I revised *Management* to provide a book of utmost quality that will create in students both respect for the changing field of management and confidence that they can understand and master it. The textual portion of this book has been enhanced through the engaging, easy-to-understand writing style and the many in-text examples, boxed items, and short exercises that make the concepts come alive for students. The graphic component has been enhanced with several new exhibits and a

new set of photo essays that illustrate specific management concepts. The well-chosen photographs provide vivid illustrations and intimate glimpses of management scenes, events, and people. The photos are combined with brief essays that explain how a specific management concept looks and feels. Both the textual and graphic portions of the textbook help students grasp the often abstract and distant world of management.

Focus on Innovation: New to the Eighth Edition

The eighth edition of *Management* is especially focused on the future of management education by identifying and describing emerging ideas and examples of innovative organizations and by providing enhanced learning opportunities for students.

Learning Opportunities

The eighth edition has taken a leap forward in pedagogical features to help students learn what it is like to manage in an organization today. New to this edition is a New Manager Self-Test in each chapter. These short feedback questionnaires give students insight into how they respond to situations and challenges typically faced by real-life managers. End-of-chapter questions have been thoroughly and carefully revised to encourage critical thinking and application of chapter concepts. The end-of-chapter cases and ethical dilemmas that help students sharpen their diagnostic skills for management problem solving have also been updated. This edition contains 11 new cases and 9 new ethical dilemmas. Seven additional cases and dilemmas have been substantially revised.

Chapter Content

Within each chapter, many topics have been added or expanded to address the current issues managers face. Text content has been sharpened to provide greater focus on the key topics that count for management today.

Chapter 1 includes a new section on making the leap from being an individual contributor in the organization to becoming a new manager and getting work done primarily through others. The chapter introduces the skills and competencies needed to effectively manage organizations, including issues such as managing diversity, coping with globalization, and managing crises. In addition, a new section discusses the emphasis within organizations on innovation as a response to today's turbulent environment.

Chapter 2 continues its solid coverage of the historical development of management and organizations and examines new management thinking for turbulent times. The chapter also looks at the shifting world of e-business and effective management of the technology-driven workplace, including trends such as supply chain management, outsourcing, and customer relationship management.

Chapter 3 contains an updated look at current issues related to the environment and corporate culture, including a section illustrating how managers shape a high-performance culture as an innovative response to a shifting environment.

Chapter 4 includes a new discussion of the growing power of China and India in today's global business environment and what this means for managers around the world. In addition, the complex issues surrounding globalization are discussed, including a consideration of the current globalization backlash. A new section in Chapter 4 looks at the importance of *cultural intelligence* for managers working in foreign countries or interacting with people from different cultures.

Chapter 5 has an expanded discussion of ethical challenges managers face today and the business case for incorporating ethical values in the organization. The chapter also

considers global ethical issues, including a discussion of corruption rankings of various countries and a consideration of the growing sustainability movement.

Chapter 6 takes a look at entrepreneurial activity on a global basis and examines the reasons entrepreneurship and small business are booming. The chapter continues its focus on practical information regarding small business formation, including a look at the challenges of entrepreneurial startups. In addition, a new section discusses the growing interest in *social entrepreneurship*, sometimes called *social capitalism.*

Chapter 7 provides an overview of planning and goal setting, including a close look at crisis planning and how to use scenarios. The chapter's final section on planning for high performance has been enhanced by a discussion of the use of executive dashboards to help managers plan in a fast-changing environment.

Chapter 8 continues its focus on the basics of formulating and implementing strategy and includes a consideration of the challenges of implementing strategy during turbulent times.

Chapter 9's overview of managerial decision making has an expanded discussion of intuition in decision making and the refined use of brainstorming for group decision making.

Chapter 10 discusses basic principles of organizing and describes both traditional and contemporary organization structures in detail. The chapter includes a discussion of organic versus mechanistic structures and when each is more effective and also contains a description of the virtual network organization form.

Chapter 11 has been thoroughly updated and reorganized to reflect the critical role of managing change and innovation today. The chapter includes new or expanded material on exploration and creativity, the importance of internal and external cooperation, and the growing trend toward open innovation.

Chapter 12 includes a discussion of changes in the social contract between employers and employees. A new section looks at how organizations apply strategic human resource management to help the organization become an employer of choice to attract and retain the best human capital.

Chapter 13 has been revised and updated to reflect the most recent thinking on organizational diversity issues. The chapter looks at the challenges women and minorities face in organizations, including the current debate about women opting to leave the corporate workforce (the opt-out trend). The chapter also has an expanded discussion of using diversity training to give people the interpersonal and communication skills they need to reap the benefits of diversity.

Chapter 14 contains updated coverage related to personality traits and the use of personality and other assessment tests in organizations. Exercises throughout the chapter enhance students' understanding of organizational behavior topics and their own personalities and attitudes.

Chapter 15 has been reorganized to focus on the styles of leadership that are highly effective today. The chapter emphasizes that leadership can make a difference, often through subtle everyday actions. The discussion of power has been expanded to discuss how leaders exercise power through various interpersonal influence tactics.

Chapter 16 covers the foundations of motivation and also incorporates recent thinking about motivational tools for today, such as the importance of helping employees achieve work-life balance, incorporating fun and learning into the workplace, giving people a chance to fully participate, and helping people find meaning in their work.

Chapter 17 begins with a discussion of how managers facilitate strategic conversations by using communication to direct everyone's attention to the vision, values, and goals of the organization. The chapter explores the foundations of good communication and includes a new section on effective written communication in recognition of the growing use of e-mail and the need for managers to write clearly and concisely.

Chapter 18 discusses how to lead work teams to effectiveness and includes a new section on using negotiation to manage conflict, including how to reach a win-win solution. The final section of the chapter takes a new look at the positive outcomes of effective teams.

Chapter 19 provides an overview of financial and quality control, including Six Sigma, ISO certification, and a new application of the balanced scorecard, which views employee learning and growth as the foundation of high performance. The chapter also addresses current concerns about corporate governance and finding a proper balance of control and autonomy for employees.

Chapter 20 has been thoroughly updated to incorporate recent trends in information technology, including user-generated content through wikis, blogs, and social networking sites. The chapter explores how these new technologies are being applied within organizations along with traditional information systems. The chapter also discusses e-commerce strategies, the growing use of business intelligence software, and how new IT affects the manager's job.

Chapter 21 has been enhanced by a discussion of the organization as a value chain and a consideration of the four major outcomes managers focus on for building an effective operations system. The chapter also talks about new technology used for operations and service management, such as product life-cycle management software, radio frequency identification (RFID) for logistics and supply chain management, and location scouting software for facilities location planning.

In addition to the topics listed above, this text integrates coverage of the Internet and new technology into the various topics covered in each chapter. Each chapter also contains a valuable application in an *Unlocking Innovative Solutions* box. Approximately half of these boxes feature a technologically savvy company or highlight a manager who is using technology to meet the challenges of today's environment. The other half of the *Unlocking Innovative Solutions* boxes describe various unique, innovative, or interesting approaches to managing people for high performance and innovative response, in recognition that human capital is essential for solving today's complex organizational problems.

Organization

The chapter sequence in *Management* is organized around the management functions of planning, organizing, leading, and controlling. These four functions effectively encompass both management research and characteristics of the manager's job.

Part One introduces the world of management, including the nature of management, issues related to today's turbulent environment, the learning organization, historical perspectives on management, and the technology-driven workplace.

Part Two examines the environments of management and organizations. This section includes material on the business environment and corporate culture, the global environment, ethics and social responsibility, the natural environment, and the environment of entrepreneurship and small business management.

Part Three presents three chapters on planning, including organizational goal setting and planning, strategy formulation and implementation, and the decision-making process.

Part Four focuses on organizing processes. These chapters describe dimensions of structural design, the design alternatives managers can use to achieve strategic objectives, structural designs for promoting innovation and change, the design and use of the human resource function, and the ways managing diverse employees are significant to the organizing function.

Part Five is devoted to leadership. The section begins with a chapter on organizational behavior, providing grounding in understanding people in organizations. This foundation paves the way for subsequent discussion of leadership, motivation of employees, communication, and team management.

Part Six describes the controlling function of management, including basic principles of total quality management, the design of control systems, information technology, and techniques for control of operations management.

Innovative Features

A major goal of this book is to offer better ways of using the textbook medium to convey management knowledge to the reader. To this end, the book includes several innovative features that draw students in and help them contemplate, absorb, and comprehend management concepts. South-Western has brought together a team of experts to create and coordinate color photographs, video cases, beautiful artwork, and supplemental materials for the best management textbook and package on the market.

Chapter Outline and Objectives. Each chapter begins with a clear statement of its learning objectives and an outline of its contents. These devices provide an overview of what is to come and can also be used by students to guide their study and test their understanding and retention of important points.

Manager's Challenge. The text portion of each chapter begins with a real-life problem faced by organization managers. The problem pertains to the topic of the chapter and will heighten students' interest in chapter concepts. At the end of each challenge, students are asked to "**Take a Moment**" to ponder the situation and think about how they would handle it. The Take a Moment questions posed in the Manager's Challenge are resolved in the **Manager's Solution** at the end of the chapter, where chapter concepts guiding the management's actions are highlighted.

Take a Moment. The Take a Moment feature has been expanded throughout the chapter. This new feature for the eighth edition provides a call to action that helps students apply the concepts discussed in the text and see how they would use the idea as a practicing manager. Some of the Take a Moment features also refer students to the associated New Manager Self-Test, or direct students from the chapter content to relevant end of chapter materials, such as an experiential exercise or an ethical dilemma.

New Manager Self-Test. A New Manager Self-Test in each chapter of the text provides opportunities for self-assessment as a way for students to experience management issues in a personal way. The change from individual performer to new manager is dramatic, and these self-tests provide insight into what to expect and how students might perform in the world of the new manager.

Concept Connection Photo Essays. A key feature of the book is the use of photographs accompanied by detailed photo essay captions that enhance learning. Each caption highlights and illustrates one or more specific concepts from the text to reinforce student understanding of the concepts. Although the photos are beautiful to look at, they also convey the vividness, immediacy, and concreteness of management events in today's business world.

Contemporary Examples. Every chapter of the text contains a large number of written examples of management incidents. They are placed at strategic points in the chapter and are designed to illustrate the application of concepts to specific companies. These in-text examples—indicated by an icon in the margin—include well-known U.S. and international companies such as Sony, UPS, Kraft Foods, Lenova, Wal-Mart, BMW, eBay, and LG Electronics, as well as less-well-known companies and not-for-profit organizations such as Remploy Ltd. and Strida (United Kingdom), Barbara K! Enterprises and Manchester Bidwell (U.S.), Esquel Group (Hong Kong), Unión Fenosa (Spain), Mississippi Power Company, the *Los Angeles Times*, and the U.S. Federal Bureau of Investigation (FBI). These examples put students in touch with the real world of organizations so that they can appreciate the value of management concepts.

Unlocking Innovative Solutions Boxes. Each chapter contains an Unlocking Innovation Solutions box. Some of the boxes focus on using technology to unlock innovative

solutions, whereas a comparable number look at the importance of people in innovation. Describing real managers and companies, these boxes reflect the dual emphasis that today's most successful managers use to unlock innovative solutions and increase organizational performance: the technology side and the human capital side. These boxes provide students with an in-depth analysis of the various issues facing today's organizations and managers.

Manager's Shoptalk Boxes. A Manager's Shoptalk box in each chapter addresses a specific topic straight from the field of management that is of special interest to students. These boxes may describe a contemporary topic or problem that is relevant to chapter content, or they may contain a diagnostic questionnaire or a special example of how managers handle a problem. The boxes heighten student interest in the subject matter and provide an auxiliary view of management issues not typically available in textbooks.

Video Cases. The six parts of the text conclude with video cases, one per chapter, that illustrate the concepts presented in that part. The 21 videos enhance class discussion, because students can see the direct application of the management theories they have learned. Companies discussed in the video package include Yahoo!, Caterpillar, Cold Stone Creamery, Ford, McDonald's, and Allstate. Each video case explores the issues covered in the video, allowing students to synthesize the material they've just viewed. The video cases culminate with several questions that can be used to launch classroom discussion or as homework. Suggested answers are provided in the Media Case Library.

Exhibits. Many aspects of management are research based, and some concepts tend to be abstract and theoretical. To enhance students' awareness and understanding of these concepts, many exhibits have been included throughout the book. These exhibits consolidate key points, indicate relationships among concepts, and visually illustrate concepts. They also make effective use of color to enhance their imagery and appeal.

Glossaries. Learning the management vocabulary is essential to understanding contemporary management. This process is facilitated in three ways. First, key concepts are boldfaced and completely defined where they first appear in the text. Second, brief definitions are set out in the margin for easy review and follow-up. Third, a glossary summarizing all key terms and definitions appears at the end of the book for handy reference.

Chapter Summary and Discussion Questions. Each chapter closes with a summary of key points that students should retain. The discussion questions are a complementary learning tool that will enable students to check their understanding of key issues, to think beyond basic concepts, and to determine areas that require further study. The summary and discussion questions help students discriminate between main and supporting points and provide mechanisms for self-teaching.

Management in Practice Exercises. End-of-chapter exercises called "Management in Practice: Experiential Exercise" and "Management in Practice: Ethical Dilemma" provide a self-test for students and an opportunity to experience management issues in a personal way. These exercises take the form of questionnaires, scenarios, and activities, and many also provide an opportunity for students to work in teams. There are seven new ethical dilemmas in this edition. The exercises are tied into the chapter through the Take a Moment feature that refers students to the end-of-chapter exercises at the appropriate point in the chapter content.

Case for Critical Analysis. Also appearing at the end of each chapter is a brief but substantive case that provides an opportunity for student analysis and class discussion. Some of these cases are about companies whose names students will recognize; others are based on real management events but the identities of companies and managers have been disguised. These cases allow students to sharpen their diagnostic skills for management problem solving. There are 11 new cases in this edition.

Continuing Case. Located at the end of each part, the Continuing Case is a running discussion of management topics as experienced by one company as it is relevant to the material discussed in that part. Focusing on one company, Costco, allows students to follow the managers' and the organizations' problems and solutions in a long-term way.

Supplementary Materials

Instructor's Manual. Designed to provide support for instructors new to the course, as well as innovative materials for experienced professors, the Instructor's Manual includes Chapter Outlines, annotated learning objectives, Lecture Notes, and sample Lecture Outlines. Additionally, the Instructor's Manual includes answers and teaching notes to end-of-chapter materials, including the video cases and the continuing case.

Instructor's CD-ROM. Key instructor ancillaries (Instructor's Manual, Test Bank, ExamView, and PowerPoint slides) are provided on CD-ROM, giving instructors the ultimate tool for customizing lectures and presentations.

Test Bank. Scrutinized for accuracy, the Test Bank includes more than 2,000 true/false, multiple-choice, short-answer, and essay questions. Page references are indicated for every question, as are designations of either factual or application so that instructors can provide a balanced set of questions for student exams. Each question is also tagged based on AACSB guidelines.

ExamView. Available on the Instructor's Resource CD-ROM, ExamView contains all of the questions in the printed Test Bank. This program is an easy-to-use test creation software compatible with Microsoft Windows. Instructors can add or edit questions, instructions, and answers, and select questions (randomly or numerically) by previewing them on the screen. Instructors can also create and administer quizzes online, whether over the Internet, a local area network (LAN), or a wide area network (WAN).

PowerPoint Lecture Presentation. Available on the Instructor's Resource CD-ROM and the Web site, the PowerPoint Lecture Presentation enables instructors to customize their own multimedia classroom presentation. Containing approximately 350 slides, the package includes figures and tables from the text, as well as outside materials to supplement chapter concepts. Material is organized by chapter and can be modified or expanded for individual classroom use. PowerPoint slides are also easily printed to create customized Transparency Masters.

JoinIn™ on TurningPoint®. Create a truly interactive classroom environment with this audience response system that operates in conjunction with your PowerPoint presentations. Students can respond to questions, short polls, interactive exercises, or peer review questions. Use this unique tool to take attendance, check student understanding, collect student demographics, and more.

Media Case Library. This booklet includes everything you'll need to help you use to the fullest all of the media products that accompany the text. Each chapter includes a comprehensive guide for incorporating each of the media elements available for this text.

Study Guide. Packed with real-world examples and additional applications for helping students master management concepts, this learning supplement is an excellent resource. For each chapter of the text, the Study Guide includes a summary and completion exercise; a review with multiple-choice, true/false, and short-answer questions; a mini case with multiple-choice questions; management applications; and an experiential exercise that can be assigned as homework or used in class.

Concept Connections. Providing students with yet another tool to guide their study, a Concept Connections booklet features a colorful visual summary of each chapter. These newly designed charts are a great way for students to review chapter topics—and

are particularly helpful for visual learners in their understanding of how concepts and applications are linked and interrelated.

Video Package. The video package for *Management*, Eighth Edition, contains three options: On the Job videos from the seventh edition of Daft's *Management*, Biz Flix videos, and On the Job videos created specificially for the eighth edition of Daft's *Management*. Biz Flix are film clips taken from popular Hollywood movies and integrated into the eighth edition of Daft. Clips are supported by short cases and discussion questions at the end of each chapter. On the Job videos within the text were created to accompany *Management*, Seventh Edition, or *Management*, Eighth Edition, and utilize real-world companies to illustrate management concepts as outlined in the text. Focusing on both small and large business, the videos give students an inside perspective on the situations and issues that corporations face. Video cases in an appendix, two per chapter, reinforce what the student has just seen, and provide an opportunity for critical analysis and discussion.

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Web site (http://thomsonedu.com/management/daft). Discover a rich array of online teaching and learning management resources that you won't find anywhere else, including interactive learning tools, links to critical management Web sites, and password-protected teaching resources available for download.

InfoTrac College Edition. Free with the purchase of each textbook, this online database of articles gives students access to full-text articles from hundreds of scholarly and popular periodicals such as *Newsweek*, *Time*, and *USA Today*. Updated daily, this tool allows students to research topics pertinent to classroom discussion and to keep up with current events.

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Richard L. Daft
Nashville, Tennessee
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