

Management

RICHARD L. DAFT

NINTH EDITION

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Vanderbilt University

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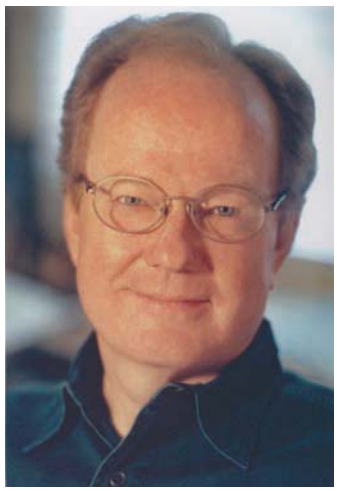
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With deep appreciation to Dorothy,
the playwright and partner in my life,
and to my parents, who started my life
toward outcomes that I could not understand at the time.

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About the Author



Richard L. Daft, PhD, 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, 2008), and *What to Study: Generating and Developing Research Questions* (Sage, 1982). He 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 is currently working on a new book, *The Executive and the Elephant.* He also is an active teacher and consultant. He has taught management, leadership, organizational change, organizational theory, and organizational behavior.

Professor Daft 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, Bridgestone, Bell Canada, the National Transportation Research Board, Nortel, TVA, Pratt & Whitney, State Farm Insurance, Tenneco, the United States Air Force, the United States 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 for Innovation in a Changing World

In recent years, organizations have been buffeted by massive and far-reaching social, technological, and economic changes. Any manager who still believed in the myth of stability was rocked out of complacency when, one after another, large financial institutions in the United States began to fail. Business schools, as well as managers and businesses, were scrambling to keep up with the fast-changing story and evaluate its impact. This edition of *Management* addresses themes and issues that are directly relevant to the current, fast-shifting business environment. I revised *Management* with a goal of helping 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. Ethical turmoil, the need for crisis management skills, e-business, rapidly changing technologies, globalization, outsourcing, global virtual teams, knowledge management, global supply chains, the Wall Street meltdown, and other changes place demands on managers that go beyond the techniques and ideas traditionally taught in management courses. Managing today 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.

In the traditional world of work, management was to control and limit people, enforce rules and regulations, seek stability and efficiency, design a top-down hierarchy, and achieve bottom-line results. To spur innovation 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 ninth edition of *Management* is to present 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 shown the contemporary application of management ideas in organizations. I have added a questionnaire at the beginning of each chapter that draws students personally into the topic and gives them some insight into their own management skills. A chapter feature for new managers, called the New Manager Self-Test, gives 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 South-Western/Cengage Learning 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 Ninth Edition

The ninth 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 ninth edition has taken a leap forward in pedagogical features to help students understand their own management capabilities and learn what it is like to manage in an organization today. New to this edition is an opening questionnaire that directly relates to the topic of the chapter and enables students to see how they respond to situations and challenges typically faced by real-life managers. New Manager Self-Tests in each chapter provide further opportunity for students to understand their management abilities. These short feedback questionnaires give students insight into how they would function in the real world of management. End-of-chapter questions have been carefully revised to encourage critical thinking and application of chapter concepts. End-of-chapter cases and ethical dilemmas help students sharpen their diagnostic skills for management problem solving.

Chapter Content

Within each chapter, many topics have been added or expanded to address the current issues managers face. At the same time, chapter text has been tightened and sharpened to provide greater focus on the key topics that count for management today. This tightening has resulted in a shortening of the text from 21 to 19 chapters. The essential elements about operations and technology have been combined into one chapter. An appendix on entrepreneurship and small business has been provided for students who want more information on managing in small businesses start-ups.

Chapter 1 includes a 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 manage organizations effectively, including issues such as managing diversity, coping with globalization, and managing crises. In addition, the chapter discusses today's emphasis within organizations on innovation as a response to a rapidly changing environment.

Chapter 2 continues its solid coverage of the historical development of management and organizations. It also examines new management thinking for turbulent times. The chapter includes a new section on systemic thinking and an expanded discussion of post-World War II management techniques. The final part of the chapter looks at issues of managing the technology-driven workplace, including supply chain management, customer relationship management, and outsourcing.

Chapter 3 contains an updated look at current issues related to the environment and corporate culture, including a new section on issues related to the natural environment and managers' response to environmental advocates. The chapter also illustrates how managers shape a high–performance culture as an innovative response to a shifting environment.

Chapter 4 takes a look at the growing power of China and India in today's global business environment and what this means for managers around the world. The chapter discusses the need for *cultural intelligence*, and a new section looks at understanding communication differences as an important aspect of learning to manage internationally or work with people from different cultures. In addition, the complex issues surrounding globalization are discussed, including a consideration of the current globalization backlash. A new section on human resources points out the need for evaluating whether people are suitable for foreign assignments.

Chapter 5 makes the business case for incorporating ethical values in the organization. The chapter includes a new discussion of the *bottom-of-the-pyramid* business concept and how managers are successfully applying this new thinking. The chapter also has an expanded discussion of ethical challenges managers face today, including responses to recent financial scandals. It considers global ethical issues, as well, including a discussion of corruption rankings of various countries.

Chapter 6 provides a more focused discussion of the overall planning process and a new discussion of using strategy maps for aligning goals. This chapter also takes 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 new discussion of intelligence teams and an expanded look at using performance dashboards to help managers plan in a fast-changing environment.

Chapter 7 continues its focus on the basics of formulating and implementing strategy. It includes a new section on diversification strategy, looking at how managers use unrelated diversification, related diversification, or vertical integration as strategic approaches in shifting environments. This chapter also looks at new trends in strategy, including the dynamic capabilities approach and partnership strategies.

Chapter 8 gives an overview of managerial decision making with an expanded discussion of how conflicting interests among managers can create uncertainty regarding decisions. A new section on why managers often make bad decisions looks at the biases that can cloud judgment. The chapter also includes a new section on innovative group decision making and the dangers of groupthink.

Chapter 9 discusses basic principles of organizing and describes both traditional and contemporary organizational structures in detail. The chapter includes a discussion of organic versus mechanistic structures and when each is more effective. Chapter 9 also provides a description of the virtual network organization form.

Chapter 10 includes a more focused discussion of the critical role of managing change and innovation today. The chapter includes a new discussion of the ambidextrous approach for both creating and using innovations and has expanded material on exploration and creativity, the importance of internal and external cooperation, and the growing trend toward open innovation.

Chapter 11 includes an expanded discussion of the strategic role of HRM in building human capital. The chapter has new sections on coaching and mentoring and the trend toward part-time and contingent employment. New ways of doing background checks on applicants, such as checking their pages on social networks, are discussed, and the chapter also looks at the changing social contract between employers and employees.

Chapter 12 has been revised and updated to reflect the most recent thinking on organizational diversity issues. The chapter looks at how diversity is changing the domestic and global workforce and includes a new section on the traditional versus inclusive models for managing diversity. This chapter also contains new coverage of the dividends of diversity; an expanded discussion of prejudice, discrimination, and stereotypes; and a new look at the difference between stereotyping and valuing cultural differences. The chapter includes a new five-step process for achieving cultural competence.

Chapter 13 continues its solid coverage of the basics of organizational behavior, including personality, values and attitudes, perception, emotional intelligence, learning and

problem-solving styles, and stress management. Many exercises and questionnaires throughout this chapter enhance students' understanding of organizational behavior topics and their own personalities and attitudes.

Chapter 14 has been enriched with a discussion of followership. The chapter emphasizes that good leaders and good followers share common characteristics. Good leadership can make a difference, often through subtle, everyday actions. The discussion of power and influence has been expanded to include the sources of power that are available to followers as well as leaders. The discussions of charismatic, transformational, and interactive leadership have all been revised and refocused.

Chapter 15 covers the foundations of motivation and also incorporates recent thinking about motivational tools for today, including an expanded treatment of employee engagement. The chapter looks at new motivational ideas 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 16 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 gender differences in communication, an enriched discussion of dialogue, and a refocused look at the importance of effective written communication in today's technologically connected workplace, including the use of new forms of manager communication such as blogs.

Chapter 17 includes a new section on the dilemma of teams, acknowledging that teams are sometimes ineffective and looking at the reasons for this, including such problems as free riders, lack of trust among team members, and so forth. The chapter then looks at how to make teams effective, including a significantly revised discussion of what makes an effective team leader. The chapter covers the types of teams and includes a new look at effectively using technology in virtual teams. The chapter also includes a section on managing conflict, including the use of negotiation.

Chapter 18 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 discussion of hierarchical versus decentralized control has been updated and expanded. The chapter also addresses current concerns about corporate governance and finding a proper balance of control and autonomy for employees.

Chapter 19 has been thoroughly revised to discuss recent trends in operations management, information technology, and e-business. The chapter begins by looking at the organization as a value chain and includes an expanded discussion of supply chain management and new technologies such a radio frequency identification (RFID). The discussion of information technology has been updated to include the trend toward user-generated content through wikis, blogs, and social networking. 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 use of business intelligence software, and knowledge management.

In addition to the topics listed above, this text integrates coverage of the Internet and new technology into the various topics covered in each and every chapter.

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 chaotic 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, and the natural environment.

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.

Opening Questionnaire. The text grabs student attention immediately by giving the student a chance to participate in the chapter content actively by completing a short questionnaire related to the topic.

Take a Moment. At strategic places through the chapter, students are invited to Take a Moment to apply a particular concept or think about how they would apply it as a practicing manager. This call to action further engages students in the chapter content. 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 several 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 Toyota, Facebook, UPS, LG Electronics, Google, Unilever, Siemens, and eBay, as well as less-well-known companies and not-for-profit organizations such as Red 5 Studios, Strida, Genmab AS, ValueDance, 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.

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 19 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 Recycline, Flight 001, and Numi Organic Teas. 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. Several exhibits have been added or revised in the ninth edition to enhance student understanding. Many aspects of management are research based, and some concepts tend to be abstract and theoretical. The many exhibits throughout this book enhance students' awareness and understanding of these concepts. 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.

A Manager's Essentials and Discussion Questions. Each chapter closes with a summary of the essential 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. 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.

Continuing Case. Located at the end of each part, the Continuing Case is a running discussion of management topics appropriate to that part as experienced by General Motors Company. Focusing on one company allows students to follow the managers' and the organization's long-term problems and solutions in a sustained manner.

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 an average of 27 slides per chapter, 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.

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.

Video Package. The video package for *Management*, ninth edition, contains two options: On the Job videos created specifically for the ninth edition of Daft's *Management* and BizFlix videos. *On the Job* videos use 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. *BizFlix* are film clips taken from popular Hollywood movies such as *Failure to Launch*, *Rendition*, and *Friday Night Lights*, and integrated into the ninth edition of Daft. Clips are supported by short cases and discussion questions at the end of each chapter.

Web Site (www.cengage.com/management/daft). Discover a rich array of online teaching and learning management resources that you won't find anywhere else.

Resources include interactive learning tools, links to critical management Web sites, and password-protected teaching resources available for download.

Premium Student Web Site (www.cengage.com/login). Give your students access to additional study aides for your management course. With this optional package, students gain access to the Daft premium Web site. There your students will find interactive quizzes, flashcards, PowerPoint slides, learning games, and more to reinforce chapter concepts. Add the ninth edition of *Management* to your bookshelf at www.cengage.com/login and access the Daft Premium Web site to learn more.

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Richard L. Daft
Nashville, Tennessee
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