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management

NINTH EDITION

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MANAGEMENT: NINTH EDITION

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dedication

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

—Angelo

about the author

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 currently is the Dean's Scholar in Residence at Kent State University. He is teaching in the MBA program and serves on the Dean's National Advisory Board.

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 eight textbooks (32 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 McGraw-Hill. Angelo was identified as being among the top 100 most influential (top .6%) Organizational Behavioral authors in 2018 out of a total of 16,289 academics.

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) that is used by companies throughout the world.

Angelo and his wife of 37 years, Joyce, have enjoyed living in the beautiful Arizona desert for 36 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.

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new to the ninth edition

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

Two major changes were implemented in the ninth edition. The first involved a new strategic career readiness theme throughout the product to address employers' concerns about students graduating without being career ready. The second was to extend our emphasis on the practical application of management. Below is a review of these substantive changes.

**Career Readiness Theme Promotes Employable Skills**

Global surveys of CEOs and recruiters reveal that college graduates do not possess the knowledge, skills, and attributes desired by employers, resulting in a lack of career readiness. We want to promote the development of your students' career readiness competencies so that they are more employable. Therefore, we've introduced a new strategic theme of career readiness to create a link between the principles of management and the objective of providing students with the tools they need to flourish on their chosen employment path. This integration takes five forms:

- The career readiness theme is thoroughly introduced in Chapter 1. We introduce a major section, 1.7, entitled **"Building Your Career Readiness,"** and present a model of career readiness along with a table of competencies desired by employers.

- Over 40 of the product's 66 **Self-Assessments** pertain directly to a career readiness competency. Feedback from these self-assessment can be used to assist students in creating a development plan focused on being career ready.

- Each chapter concludes with a new section entitled **"Career Corner: Managing Your Career Readiness."** This section serves two purposes. First, it assists students in linking chapter content with the competencies of career readiness, which provides a powerful association between the principles of management and the skills desired by employers. Second, this material provides students with practical tips for developing targeted career readiness competencies. We believe students can become more career ready by following the advice in these Career Corner sections.

- We developed a **targeted set of exercises in Connect,** our online teaching and learning platform, that give students hands-on experience working with the career readiness competencies desired by employers.

- We created a set of experiential exercises for each chapter in our **unique Teaching Resource Manual** that are targeted to develop students' career readiness competencies.

Extending the Practical Application of Management Concepts

Practical application has always been a major feature of this product. We want students to understand how to use what they are learning in both their personal and professional lives. We extend our emphasis on practicality by:

- Every chapter begins with a new feature entitled "**Manage U**." It replaces the Manager's Toolbox and provides students with actionable tips for applying the material in each chapter.

- Each chapter includes two new boxes that provide testimonials from millennials about their experiences with effective and ineffective management. **"I wish I . . ." boxes** illustrate real-world examples in which students recall an instance when they or their boss could have better applied certain management concepts. **"I'm glad I . . ." boxes** discuss positive applications of management concepts.

- To promote mastery of management concepts, we developed a **continuing case on Uber** for each chapter. Application learning can be assessed in Connect.

- To promote critical thinking and problem solving, a key career readiness competency, we revamped our **Management in Action Cases.** They now focus on higher levels of
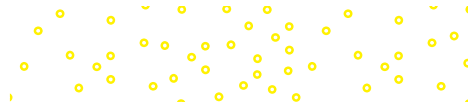
learning by asking students to solve real organizational problems using relevant management concepts.

Fully revised Teaching Resource Manual (TRM) provides complete guidance for instructors

The TRM was new to the eighth edition and was developed to provide instructors with a turnkey solution to fostering a discussion-based and experiential learning experience. It amounts to a traditional instructor's manual on steroids by providing suggestions for creatively teaching topics, suggested videos outside of the McGraw Hill arsenal (e.g., YouTube, *The Wall Street Journal,* etc.), group exercises, lecture enhancers, and supplemental exercises that correspond with cases and Self-Assessments. The TRM has been praised by instructors around the world for its depth, navigation, and experiential-based content. We improved this resource based on feedback from faculty.

Our first change acknowledges that many of us teach online or in larger, in-person classes (sometimes both!). The ninth edition TRM not only includes revised activities for the traditional classroom, but also includes new online and large, in-person class activities for every chapter.

The next set of changes involve providing follow-up activities for the new career readiness–based exercises in Connect because we believe students need these developmental activities to increase their career readiness. We also provide in-depth teaching notes for new Manager's Hot Seat videos and Application-Based Activities in the form of simulations.

Finally, we provide new web video links for each chapter. These free, short videos allow instructors to illustrate the practical applications of management principles. We also include new current online article links instructors can use to discuss material that supplements the text.

> " *The TRM is top of the line.* "
>
> **—Todd Korol,**
> *Monroe Community College*

> " *The TRM is by far the most comprehensive and useful on the market. It is very user friendly for both faculty and students.* "
>
> **—Gerald Schoenfeld,**
> *Florida Gulf Coast University*

Completely revamped, revised, and updated chapters

In each chapter, we refreshed examples, research, figures, tables, statistics, and photos, as well as modified the design to accommodate new changes to this ninth edition. We have also largely replaced topics in such popular features as Example boxes, Practical Action boxes, Management in Action cases, and Legal/Ethical Challenges cases.

While the following list does not encompass all the updates and revisions, it does highlight some of the more notable changes.

CHAPTER 1

- New Manage U feature: Using Management Skills for College Success.
- Section 1.1—New Example box on efficiency versus effectiveness discusses how Delta Airlines handled an emergency at Atlanta's Hartsfield-Jackson Airport. Updated CEO pay and labor statistics. New example of museum curator in discussion of rewards of management.
- Section 1.2—New boxed feature "I wish my manager was more of a leader than a manager."

- Section 1.3—This section was moved to section 1.7 and section 1.4 was moved here. Introduces new key term "nonmanagerial employees." Updated salary information for first-line managers. New examples for "for-profit" and "nonprofit" organizations. New data in "Managers for Three Types of Organizations."
- Section 1.4—Section 1.6 became section 1.4, "Roles Managers Must Play Successfully." New example of Mary Bara, CEO of GM, to illustrate managerial work activities. New Practical Action box on mindfulness. New example of Google CEO Sundar Pichai in discussion of informational roles.

- Section 1.5—New running example of Mary Bara used to explain the skills needed to manage. New boxed interview feature "I'm glad I have conceptual skills." New Practical Action box on developing soft skills.

- Section 1.6—Updated Example box about Airbnb. Introduces new key terms "information technology application skills" and "meaningfulness." New discussion of the Fourth Industrial Revolution. Updated statistics regarding workforce diversity. New discussion of Volkswagen and ethical standards. Updated Practical Action box on cheating. New reference to sexual harassment in discussion of ethical standards. New suggestions for building meaning into your life.

- Section 1.7—Entire new section on building career readiness. Introduces new key terms "attitude," "career readiness," "proactive learning orientation," and "resilience." Includes Figure 1.3 regarding gaps in college graduates and employers' assessment of students' career readiness; Table 1.2 description of KSAOs needed for career readiness; Figure 1.4, Model of Career Readiness; and discussion of developing career readiness. New Self-Assessment 1.2, To What Extent Do You Accept Responsibility for Your Actions?

- Section 1.8—New section titled "Career Corner: Managing Your Career Readiness." Includes Figure 1.5, Process for Managing Career Readiness, and review of its application.

- New Management in Action case: Did Major League Baseball Value Money over Bob Bowman's Behavior?

- New continuing case on Uber.

CHAPTER 2

- New Manage U feature: What Type of Work Do I Prefer?

- Section 2.1—New Example box explores the successes and failures of Zappos' management experiment called "holacracy."

- Section 2.2—New coverage of Charles Clinton Spaulding's role in administrative management.

- Section 2.3—New Example boxes including the new boxed feature "I'm glad I work in an organization with a Theory Y culture" and an update to the Example box studying open-plan offices as an application of the behavioral science approach.

- Section 2.4—New Example box discussing operations management at Intel.

- Section 2.5—New Example box applying systems thinking.

- Section 2.6—New Example box applying the contingency viewpoint with manufacturers "pitching" jobs to parents of college students hoping they'll influence their children to consider open positions after high school graduation. A new Practical Action box exploring Big Data.

- Section 2.7—New boxed feature "I wish my manager believed in a quality-management viewpoint," as well as expanded content to include a deeper discussion of Six Sigma and ISO 9000, including definitions of both as well as practical examples of companies using each approach.

- Section 2.8—Expanded and updated in-content examples to showcase the three parts of a learning organization as well as expanded content examples on the three roles managers play in building learning organizations. Updated company examples for learning organizations, including a discussion of Google Buzz, American Express, and Apple.

- New Career Corner feature on Managing Your Career Readiness.

- New Management in Action case: The Decline of Sears.

- New continuing case on Uber.

CHAPTER 3

- New Manage U feature: Increase Ethical Behavior by Fostering an Ethical Climate.

- Section 3.1—Updated content regarding Millennials and their search for meaning.

- Section 3.2—Updated content and company applications for internal stakeholders at SAS and the board of directors at Facebook.

- Section 3.3—New Example box discussing United Airlines and its responsibilities to its stakeholders versus customers. New boxed feature "I wish I kept a closer eye on trends affecting our suppliers." Updated statistics regarding unions. New Example box discussing Amazon's new headquarters and whether it will benefit the city chosen. New boxed feature "I'm glad I kept current on my industry's general environment." Updated Example discussing the Internet of Things. Introduces new key term "LGBTQ." New figure showcasing the states in which marijuana is legal. Various content updates, including company examples for the task environment (including an updated list of "America's Most Hated Companies") and special interest groups with a discussion of the #MeToo movement and international forces such as Brexit. Updated examples for sociocultural forces to include seismic changes. Updated statistics for demographic forces of change.

- Section 3.4—New Example box featuring Volkswagen and ethics. Introduces new key term "abusive supervision." Updated statistics on workplace cheating. New Example box discussing "whistleblowing" photographer Simon Edelman's photos of the Trump administration and the fallout. Updated content examples for recent Sarbox cases and the most common ethics violations at work.

- Section 3.5—New content example of Tom's Shoes as a company showcasing social responsibility. New example of the benefits to Coca-Cola for going green and new table showing how being ethical and socially responsible pays off.

- Section 3.6—New Example box discussing HD Supply Holdings and Fox News and the good and bad of corporate governance.

- New Career Corner feature on Managing Your Career Readiness.

- New Management in Action case: Who's to Blame for College Basketball's Dark Underbelly?

- Updated Legal/Ethical Challenge: Should You Apply to Have Your Student Loans Forgiven?
- New continuing case on Uber.

CHAPTER 4

- New Manage U feature: Working Successfully Abroad: Developing Cultural Awareness.
- Section 4.1—Updated section opener with new statistics regarding United States imports in 2016. Updated Table 4.1 and corresponding content with competitiveness rankings for 2016–2017. New Example box featuring international e-commerce company Alibaba. Updated content on the positive and negative effects of globalization. New content examples featuring recent megamergers including CVS/Dignity Health, Amazon/Wholefoods.
- Section 4.2—New Example box discussing how to get an edge in the global job market. Introduces new key term "cross-cultural awareness." The career readiness competency of cross-cultural awareness is defined and leads into the corresponding Practical Action box. Features an updated discussion of U.S. brands that are foreign owned. New boxed feature "I wish I considered the impact of ethnocentrism."
- Section 4.3—Updated discussion on the foreign manufacturing of Apple products. An updated discussion of why companies expand internationally, including Netflix, Amazon, and Ford Motor Company and expanded discussion of foreign subsidiaries. Updated examples for how companies expand internationally, including Under Armour. Updated examples of global outsourced jobs, including an updated Table 4.2 with top exporting countries through 2016. Updated list of U.S. companies opening franchises overseas, including Chick-fil-A and Cold Stone.
- Section 4.4—Updated Table 4.3 with the U.S.'s top ten trading partners. Updated content regarding tariffs with a discussion of the Trump administration as well as updated content pertaining to import quotas, dumping, and embargoes and sanctions. New table featuring organizations promoting international trade. Updated discussion on NAFTA, the EU, and other trading blocs complete with a new Example box discussing Brexit's impact on Britain and the EU. Updated Example box to showcase the exchange rates on various common products like rent, Starbucks, and designer jeans. Updated statistics for major economies, including China, India and Brazil.
- Section 4.5—Changed the section title to "The Value of Understanding International Differences" and expanded the opening with a discussion on international differences. An updated discussion on language and personal space with a discussion on learning foreign language online and through apps and a new Example box discussing the differences in personal space in various countries. Updated content on differences in communication. New Practical Action box discussing how to run an international meeting. New Figure

4.2 discussing current followers of world religions. Current examples of expropriation, corruption, and labor abuses. An updated discussion on expatriates and why U.S. managers often fail. New boxed feature "I'm glad I understood the GLOBE Project's cultural dimensions."
- New Career Corner feature: Managing Your Career Readiness: Working Overseas. New key term "context."
- New Management in Action case: The Growth and Stall of Didi Chuxing.
- New Legal/Ethical Challenge: Should Qatar Be Hosting the 2022 World Cup?
- New continuing case on Uber.

CHAPTER 5

- New Manage U feature: Making an Effective Plan for Starting Your Career.
- Section 5.1—New Example box on how to write a business plan. The previous discussion of VRIO was moved from this section to Chapter 6. New research on the benefits of planning.
- Section 5.2—Opens with a new Table 5.1 discussing and summarizing mission, vision, and values statements. New example box on Coca-Cola includes the company's mission, vision, and values statements. A new Example box discusses Coca-Cola's six long-term strategies. New boxed feature "I wish my manager put more effort into operational planning."
- Section 5.3—New boxed feature "I'm glad I developed an action plan." Updated Example box pertaining to long and short-term goals at Southwest Airlines.
- Section 5.4—New Example box on setting clear goals at Snapchat. Included new research on goal setting programs. Revised the three types of goals used in MBO: performance-based, behavioral-based, and learning-based. New Self-Assessment determining whether students have a proactive learning orientation. Added Tornier as an example of an Action Plan. New Practical Action box for small businesses and goal setting.
- Section 5.5—New Example box applying the planning/control cycle through Tesla's Model 3.
- New Career Corner feature: Managing Your Career Readiness.
- New Management in Action case: Fender Rebrands to Stay in Tune with the Times.
- New Legal/Ethical Challenge: Is Pfizer Putting Profits above Alzheimer's Patients?
- New continuing case on Uber.

New Learning Module: Entrepreneurship
- New Manage U feature: So You Want to Start a Business?
- Section LM 1.1—Introduces entrepreneurship and its foundation, including a discussion of Elon Musk. Introduces

the concept of intrapreneurship, leading to a new Example box discussing Intel's Genevieve Bell. Discusses how entrepreneurship is different from self-employment. A new figure LM 1.1 lists the characteristics of entrepreneurs. New Self-Assessment to determine if students have an "entrepreneurial spirit." A discussion of entrepreneurship across the globe. New Table LM 1.1 with facts about small business.

- Section LM 1.2—Begins by discussing how entrepreneurs come up with ideas to start a business. Discusses how to write a business plan. Reviews the options for creating a legal structure for a business and how to obtain financing. The importance of creating the right organizational culture and design is explored. New Example box featuring the start and growth of a small business.

CHAPTER 6

- New Manage U feature: Building Your Personal Brand.

- Section 6.1—New coverage regarding levels of strategy. New Figure 6.1 shows three levels of strategy. Introduces the new key term "functional level strategy." Updated research on strategic planning at small and large firms. New Example box illustrates strategic planning at Evernote and Groove HQ.

- Section 6.2—The five steps of the strategic management process were changed to reflect current thinking. New boxed feature "I wish my company would have evaluated its current reality before opening the doors for business." New Self-Assessment on strategic thinking.

- Section 6.3—Begins with new key term "sustainable competitive advantage." Updated Example box of SWOT analysis for Toyota; VRIO discussion from Chapter 5 now featured in this section with updated content and a new Figure 6.3. New Example box on developing competitive advantage in the Internet economy. Updated Example box with contingency planning in the wake of Hurricane Harvey with a discussion on CVS, Walgreens, and Fed Ex.

- Section 6.4—Renamed "Establishing Corporate Level Strategy." Section now opens with Three Overall Types of Corporate Strategy and includes a new table showcasing how a company can implement overall corporate level strategies. New discussion of the BCG Matrix and different diversification strategies. Introduces new key term "unrelated diversification." Discussion on Porter's five competitive forces and four competitive strategies moved to Section 6.5.

- Section 6.5—Renamed "Establishing Business Level Strategy." The discussion on Porter's competitive forces and strategies moved to this section. New examples used to illustrate these concepts.

- Section 6.6—Renamed "Executing and Controlling Strategy." New boxed feature "I'm glad my company adjusts its strategy as we go."

- New Career Corner feature: Managing Your Career Readiness.

- New Management in Action case: General Electric's Evolving Strategy.

- New Legal/Ethical Challenge: Is Your School Selling Your Bank Accounts?

- New continuing case on Uber.

CHAPTER 7

- New Manage U feature: How to Make Good Decisions.

- Section 7.1—Updated Example box on Starbucks. Expanded content on intuition with a new Example box on the power of intuition and a new Practical Action box on how to improve intuition.

- Section 7.2—Section opens with updated examples on business ethics including medication profiteering, the #MeToo movement, CEOs being punished for unethical behavior, and as a contrast to bad behavior, philanthropists Bill and Melinda Gates. New boxed feature "I'm glad I found an employer who cares about ethics more than just making money."

- Section 7.3—Begins with an updated discussion of ethics at Google. New examples of companies using evidenced-based decision making. Updated Example box on using analytics in sports. Use of Big Data at companies such as Target, JetBlue, HP Labs, and the Obama administration is discussed. New Example box on data and hacking, featuring the Equifax breech.

- Section 7.4—New examples of various decision-making styles of CEOs, including Elon Musk, Jeff Bezos, Ginni Rometty, and Madeline Bell.

- Section 7.5—Renamed "Decision-Making Biases and the Use of Artificial Intelligence." Section opens with a discussion on heuristics and leads into updated content and discussion illustrating overconfidence bias with BP oil and the government's spy plane for the escalation of commitment bias. Introduces a new section on AI, reviewing its pros and cons. The use of AI at various companies is highlighted, including Google and Microsoft.

- Section 7.6—New boxed feature "I wish my workplace didn't have a toxic group decision-making environment." New discussion on the Delphi technique and devil's advocacy, along with a figure illustrating their implementation. Section concludes with an introduction to the concept of project post-mortems with practical examples from Disney and Pixar.

- New Career Corner feature: Managing Your Career Readiness.

- New Management in Action case: New York Subway System.

- New Legal/Ethical Challenge: It's All about a Peacock (featuring a discussion on emotional support animals).

- New continuing case on Uber.

CHAPTER 8

- New Manage U feature: How to Get Noticed in a New Job: Fitting into an Organization's Culture in the First 60 Days.

- Section 8.1—New boxed feature "I wish my company had integrated its corporate strategy and organizational culture." New Table 8.1 reviews the drivers of organizational culture. Updated Example box on how strategy affects culture at Cleveland Clinic.

- Section 8.2—New examples illustrate the three levels of organizational culture. New examples used to explain the four types of culture within the competing values framework. New examples used to explain how employees learn culture. Updated research on person-organization fit.

- Section 8.3—New boxed feature "I'm glad management embraced an empowering culture during a merger." New examples used to illustrate the 12 methods organizations use to change culture.

- Section 8.5—New Practical Action box on how to effectively delegate.

- Section 8.6—Opens with an updated discussion on Google and its culture of innovation. An updated Example box on Whole Foods is used to explain horizontal designs.

- Section 8.7—Section is introduced with a new key term: "contingency approach to organizational design." New example of Etsy is used to frame discussion of mechanistic and organic organizations.

- New Career Corner feature: Managing Your Career Readiness.

- New Management in Action case: Wells Fargo's Sales Culture Fails the Company.

- Updated Legal/Ethical Challenge: Should Socializing Outside Work Hours Be Mandatory?

- New continuing case on Uber.

CHAPTER 9

- New Manage U feature: How to Prepare for a Job Interview.

- Section 9.1—New examples from *Fortune's* 10 best work places for Millennials, including Ultimate Software, SAS, Quicken Loans, Salesforce, and Encompass Home Health and Hospice. Updated research on the effectiveness of HR practices. New information on company rewards. New examples to illustrate human and social capital including New Brunswick Power and Inter-American Development Bank.

- Section 9.2—New statistics on recruiting trends and examples for internal and external recruiting, including Visto and Glassdoor. New boxed feature "I'm glad my company is serious about its recruiting and selection processes." Updated Example box discussing the changing job market, Millennials, and the gig economy. New research regarding

the lies job applicants tell. New boxed feature "I wish my company used a structured interview process." A new Practical Action box discussing what employers are looking for in a job interview. Updated information on the legality of employment tests. New Example box listing the pros and cons of personality tests and updated information on personality tests including Myers-Briggs. Section closes with a discussion on AI and how it is changing the recruitment and selection process.

- Section 9.3—Updated statistics on benefits, including a new discussion regarding gender-based preferences.

- Section 9.4—Renamed "Orientation and Learning and Development." Opens with a new example of onboarding with Facebook's new employee boot camp. New content on learning and development including Millennials, SAS, and Estee Lauder. Updated research on L&D programs. New Example box on Keller Williams and its learning and development program.

- Section 9.5—New Example box on performance management at Edward Jones. Updated research on performance management and performance appraisal, and new performance management examples pertaining to Deloitte, Accenture, Cigna, Microsoft, and Adobe. Discussion of how forced ranking is losing favor. New discussion of how to give effective performance feedback.

- Section 9.6—Updated Practical Action box on the right way to handle a dismissal.

- Section 9.7—Updated statistics and information regarding workplace discrimination and bullying. New Example box discussing sexual harassment at work.

- Section 9.8—Opens with updated statistics on labor unions. Updated Figure 9.4 showing right-to-work states.

- New Career Corner feature: Managing Your Career Readiness.

- New Management in Action case: Difficulties Attracting and Retaining Human Capital in the Nursing Profession.

- New Legal/Ethical Challenge: Should Noncompete Agreements Be Legal?

- New continuing case on Uber.

CHAPTER 10

- New Manage U feature: How Can I Be More Creative at Work?

- Section 10.1—New Example box discussing the decline of Toys R Us. New examples of companies experiencing change. Updated Example box on BP and the oil spill in the Gulf of Mexico. New examples to explain the forces for change. Updated Example box on ridesharing and self-driving cars.

- Section 10.2—New examples to illustrate three kinds of change. New boxed feature "I'm glad my company unfroze employees before implementing organizational change." Added a new section on applying the systems model of change featuring Stora Enso.

- Section 10.3—Updated statistics regarding the effectiveness of organizational development.
- Section 10.4—This section was completely rewritten, restructured, and renamed "Organizational Innovation." Introduces the new key term "innovation." New Figure 10.5 shows the various approaches to innovation. A new figure illustrates the supporting forces for innovation. A new table lists the most innovative companies. A new Self-Assessment measures organizational climate for innovation. New boxed feature "I wish my company considered the components of an innovation system." Introduces new key term "crowdsourcing." New Example box discussing IDEO's approach to innovation. Recent research is used to support our discussion of innovation.
- Section 10.5—Updated research regarding resistance to change.
- New Career Corner feature: Managing Your Career Readiness. New key terms "self-affirmations" and "self-compassion."
- New Management in Action case: Chipotle Needs to Change.
- New Legal/Ethical Challenge: Did L'Oreal Go Too Far in Firing Its Patent Lawyer?
- New continuing case on Uber.

CHAPTER 11

- New Manage U feature: How to Make a Positive First Impression at Work.
- Section 11.1—Opens with updated information and statistics for employment and personality testing and the Big Five personality dimensions. Updated research regarding personality and individual behavior and work attitudes. Introduced the new key term "generalized self-efficacy" with a discussion on the topic and its tie to career readiness with a new Self-Assessment measuring levels of generalized self-efficacy. A new Practical Action box discussing how technology can be used to develop Emotional Intelligence.
- Section 11.2—New Self-Assessment to measure the career readiness competency of having a positive approach to work. New Practical Action box on using cognitive reframing to reduce cognitive dissonance.
- Section 11.3—Updated research regarding stereotypes and implicit bias. Updated discussion on distortions in perception, including gender stereotypes. New Example box discussing the halo effect and how body weight affects careers. New Example box on the Pygmalion effect.
- Section 11.4—Opens with entirely new content on employee engagement with a new table showing the predictors of engagement. Updated research on job satisfaction, organizational commitment, and important workplace behaviors like performance, organizational citizenship, and counterproductive behavior. Updated the Example box on toxic workplaces.

- Section 11.5—Updated examples and statistics regarding trends in workplace diversity, including age, gender pay gap, race, and sexual orientation. New example discussing Google's internal memo regarding women in tech and how it showcases a barrier to diversity. Updated research pertaining to barriers to diversity. New boxed feature "I'm glad my manager embraced diversity and fostered inclusiveness." New Example box showcasing Ultimate Software.
- Section 11.6—Updated research on stress and its consequences. Introduces new key term "work–life conflict." New Table 11.4 discusses the negative consequences of conflict, including work, family, and other life demands. A new boxed feature "I wish my manager alleviated my work-related stress." Reworked the content regarding workplace stress and its consequences. New coverage of resilience and its role in career readiness. A new Self-Assessment assesses levels of resilience. Updated content on holistic wellness and a new Example box showcasing Google's corporate wellness program.
- New Career Corner feature: Managing Your Career Readiness.
- New Management in Action case: Does the Financial Services Industry Lack Diversity?
- New Legal/Ethical Challenge: Should Airlines Accommodate Oversized People?
- New continuing case on Uber.

CHAPTER 12

- New Manage U feature: Managing for Motivation: Building your Own Motivation.
- Section 12.1—New company examples and statistics on extrinsic and intrinsic rewards, including Uber, McDonald's, Outback Steakhouse, and MARS. A new section provides an overview of all motivation theories discussed in the chapter.
- Section 12.2—Added a quick summation of the motivation theories discussed in the section. Updated Example box on hotel company Joie de Vivre. Updated research on need theories. New boxed feature "I'm glad I fostered employees' sense of competence." Updated research regarding the application of Herzberg's two factor theory.
- Section 12.3—Updated research on process theories of motivation. Updated statistics on CEO pay. New examples to illustrate the application of equity theory. New Example box showcasing transparency at Buffer. New examples of Tesla and Kronos to demonstrate the application of expectancy theory. New coverage of stretch goals and two types of goal orientations—learning goal orientation and performance goal orientation.
- Section 12.4—Updated research on job design. New Example box on how job characteristics matter in the modern workforce.

- Section 12.5—Updated research on rewards. New examples to illustrate the four types of reinforcement. New boxed feature "I wish my manager used positive reinforcement rather than punishment."
- Section 12.6—Updated research on compensation, nonmonetary incentives, and other rewards. Updated statistics on money as a motivator. Updated content on incentive plans. Updated the example box on successful workspaces. New Practical Action box on how managers can encourage gratitude.
- New Career Corner feature: Managing Your Career Readiness.
- New Management in Action case: Motivation Challenges in the Fast-Food World.
- New Legal/Ethical Challenge: Are Workplace Wellness Programs Using Proper Motivational Tools?
- New continuing case on Uber.

CHAPTER 13

- New Manage U feature: Effectively Managing Team Conflict.
- Section 13.1—Updated research on teams. Updated Example box on informal groups and informal learning. Updated content regarding self-managed and virtual teams. Updated Practical Action box regarding best practices for virtual teams.
- Section 13.2—Updated content on punctuated equilibrium and its tie to Brexit.
- Section 13.3—Updated research regarding building high-performance teams. Updated discussion on collaboration, including new a new study of the relationship between listening to happy music, mood, and collaboration. New boxed feature "I'm glad my manager fosters collaboration." New Example box focuses on building trust. New Practical Action box on building effective team norms. Added new material regarding effective team processes and their role in building high-performance teams. Introduces the new key terms "team processes," "team charter," "team reflexivity," and "team voice."
- Section 13.4—Updated research on conflict. New examples of dysfunctional and functional conflict. New boxed feature "I wish I was able to manage interpersonal conflict more effectively." Updated the discussions on kinds of conflict. Updated discussion on ways intergroup conflicts are expressed, including an example for ambiguous jurisdictions with a racial-profiling incident at Starbucks. New Example box on playing the devil's advocate as a way to resolve conflict. Section closes with a new figure on five conflict handling styles.
- New Career Corner feature: Managing Your Career Readiness.

- New Management in Action case: IBM Wants Its Employees Back in the Office.
- New Legal/Ethical Challenge: When Employees Smoke Marijuana Socially: A Manager's Quandary.
- New continuing case on Uber.

CHAPTER 14

- New Manage U feature: Improving Your Leadership Skills.
- Section 14.1—Introduces key term "leadership coaching" and the difference between leading and managing, including a new Table 14.1 showing the characteristics of managers and leaders. Introduces new key term "managerial leadership." New coverage of managerial leadership and coping with complexity versus coping with change. Updated Table 14.2 on influence tactics with new example of exchange and legitimizing tactics. Developed a new integrated model of leadership (Figure 14.1) to foreshadow the theories covered in the chapter.
- Section 14.2—Opens with an example of Phebe Novakovic, CEO of General Dynamics, as someone who embodies the trait approach to leadership. Table 14.3 updated to show how the Big Five personality traits, which were introduced in Chapter 11, represent positive, task-oriented traits. Expanded the discussion on narcissism and gender and leadership. Updated the Example box discussing great worldwide leaders. Renamed "strategic skills" in Table 14.4 to "conceptual skills." New for theories drawn from trait theory, including Martha Stewart as a micromanager. New company examples for organizations using trait assessments, including Citigroup, ExxonMobil, Ford Motor, Procter & Gamble, Hewlett-Packard, and JPMorgan. Replaced the discussion on "cross-cultural competency" with a "global mind-set" and illustrated its tie to career readiness. Updated research on leadership traits.
- Section 14.3—New examples of initiating structure leadership, including Meg Whitman and David Miliband. New examples for transactional and empowering leadership, including Nick Saban and Sheryl Sandberg. New Example box showcasing Lauren Bush Lauren's values-driven leadership. Introduces key term "passive leadership." Updated research on behavioral approaches.
- Section 14.4—Updated research on contingency leadership.
- Section 14.5—New Example box discussing Pepsi's Indra Nooyi and her transactional and transformational leadership. New examples of John Hennessy, Dr. Donald Hopkins, Meg Whitman, and John Mackey used to illustrate the four key behaviors of transformational leaders. New boxed feature "I'm glad I understood the value of using individualized consideration." Section closes with an updated summary on what we know about transformational leadership. Updated research on transformational leadership.

New to the ninth edition   xiii

- Section 14.6—Expanded the discussion on the usefulness of the LMX model. New boxed feature "I wish I had known about the impact of a poor LMX: I do now!" Updated research on LMX and humility.

- New Career Corner feature: Managing Your Career Readiness. New key term "Dunning-Kruger effect."

- New Management in Action case: VA Turnaround: A Waiting Game.

- New Legal/Ethical Challenge: Should Starbucks Have a Corporate Loitering Policy?

- New continuing case on Uber.

CHAPTER 15

- New Manage U feature: Improving Your Use of Empathy.

- Section 15.1—Kicks off with new research on communication effectiveness. New boxed feature "I'm glad my manager was an effective communicator." New example of noise. Updated the Example box on "Secrecy and Silence" to include Volkswagen and Theranos. Updated research on media richness and selecting the best medium.

- Section 15.2—Updated discussion and research on the grapevine. Updated Practical Action box on how to streamline meetings.

- Section 15.3—Updated discussion on the physical barriers of communication, including open office plans. Updated discussion and statistics for personal barriers to communication and nonverbal communication. New Example box discussing personal and cross-cultural barriers to communication and how they adversely affect organizations. New Practical Action box on improving communications between men and women.

- Section 15.4—Updated Figure 15.3 showing the use of social media across various age groups. Updated research on social media and managerial and organizational effectiveness. New Practical Action box on building your own social media brand. New examples for crowdsourcing. New Example box on TD Bank and its use of social media. New content pertaining to the downsides of social media, including new key term "FOMO" and a discussion of microaggressions and recent threats to cybersecurity, including attacks at Target, Equifax, and Verizon. New boxed feature "I wish I didn't have FOMO." Updated Table 15.8 to show elements of an effective social media policy. New Example box illustrating samples of social media policies at IBM, Best Buy, McDonald's, Walmart, *Washington Post*, and Intel.

- Section 15.5—New statistics on the cost of poor communication. Expanded the discussion of empathy. Updated and expanded Table 15.11, which discusses rules for business writing. Updated research on nondefensive communication, empathy, and listening.

- New Career Corner feature: Managing Your Career Readiness.

- New Management in Action case: Fyre and Fury.

- Updated Legal/Ethical Challenge: Was ESPN Fair in Firing Curt Schilling for His Social Media Post?

- New continuing case on Uber.

CHAPTER 16

- New Manage U feature: Using a Mentor to Exercise Control in Your Career.

- Section 16.1—New examples on why control is needed and new company examples for control, including Takata, FedEx, UPS, *The New York Times*, and Uber. New boxed feature "I'm glad my company made employees feel valued and engaged by regularly monitoring performance." Introduces the new key term "control charts" with a discussion on the topic, including an example and new figure. New example of feedforward control at Southwest Airlines.

- Section 16.2—New Example box regarding fair labor practices at Adidas. New examples on levels of control and the supply chain at KFC in the UK.

- Section 16.3—New examples of the balanced scorecard, including an internal business perspective at National Marrow Donor Program and an innovation and learning perspective at Tolko Industries LTD. New example of cascading a strategy map.

- Section 16.4—New examples for internal audits, including Citigroup.

- Section 16.5—Opens with updates to the winner of the Baldrige Award, Bristol Tennessee Essential Services (BTES). New boxed feature "I wish my company were focused on continuously improving work processes." New examples to illustrate Deming's PDCA framework. New Example box discussing Hyundai and its challenge to the luxury car market. Kia Motors is introduced as a new example of improvement orientation. Updated Example box on Kaizen principles. New Example box on service excellence with a discussion including Nordstrom's and Trader Joes. Updated statistics on outsourcing. Updated discussion on ISO 9000 standards.

- Section 16.6—New discussion on managing micromanagers.

- Section 16.7—Updated Table 16.2 with statistics for GDP through 2018. Updated statistics on productivity growth. New content on processes used to increase productivity, including new key terms "benchmarking" and "best practices." Updated content on managing individual productivity.

- New Career Corner feature: Managing Your Career Readiness.

- New Management in Action case: Is Tesla Out of Control?

- New Legal/Ethical Challenge: Should Companies use GPS to Track Employees?

- New continuing case on Uber.

Walkthrough Preface of 9e

Kinicki/Williams, *Management: A Practical Introduction***, 9e** empowers students to develop the management career skills necessary in everyday life through the practical and relevant application of theory. Developed to help students learn management with a purpose, K/W 9e takes a student-centered approach. **The revision introduces a new strategic career readiness theme throughout to address employers' concerns about students graduating without being career ready and extends our emphasis on practicality.** The hallmark strengths that have made it the market best-seller have been maintained and include:

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

Our product covers the principles that most management instructors have come to expect in an introductory text—planning, organizing, leading, and controlling—plus current issues that students need to be to be aware of to succeed: customer focus, globalism, diversity, ethics, social media, entrepreneurship, teams, innovation, artificial intelligence, Big Data, and empowerment.

> " *It (the book) is well written and provides relevant examples in the text with great online support. The TRM (Teaching Resource Manual) is very useful and important in teaching the course. I have found the product to be one of the best I have ever used.* "
>
> **—Jerry D. Stevens,**
> *Texas Tech University*

Based on a wealth of instructor feedback and blending Angelo's scholarship, teaching, publishing, and management-consulting with Brian's writing and publishing background, we have worked tirelessly to create a research-based yet highly readable, practical, and motivational product for the introductory principles of management course. Our goal to make a difference in the lives of you and your students.

Focus on Career Readiness

Global research shows that employers are finding it hard to find college graduates who possess the skills needed to be successful. These employers also think that colleges and universities need to do a better job making students career ready. Our goal in 9e is to contribute to overcoming this problem with new content and a variety of developmental techniques.

Building Your Career Readiness

Chapter 1 contains a section devoted to explaining the need, value, and process for becoming career ready. It includes a model of career readiness along with a table of competencies desired by employers.

1.7 Building Your Career Readiness

THE BIG PICTURE

Companies want to hire *career-ready* college graduates. In this section we describe a model of career readiness and offer tips for building your readiness.

LO 1-7

Define the knowledge, soft skills, attitudes, and other characteristics needed for career readiness and discuss how they can be developed.

About 80,000 undergraduate students from over 350 universities across the United States rated 2017's most attractive employers. The top 10 were: (1) Google, (2) Walt Disney Company, (3) Apple, (4) Nike, (5) Amazon, (6) J.P. Morgan, (7), Goldman Sachs, (8) Ernst & Young, (9) Deloitte, and (10) FBI.[115] Would you like to work at these companies or another like them? If so, you need to be career ready.

Career readiness represents the extent to which you possess the knowledge, skills, and attributes desired by employers. How ready do you believe you are? Recent surveys of college graduates and recruiters reveal a big gap in the degree of readiness each group perceives in students. Figure 1.3 shows the results of a study of 400 employers and 613 college students. The majority of students rated themselves as career-ready on 11 of 17 skills, while the majority of employers did not perceive students to be well-prepared on any of the skills.[116] The three largest gaps were in critical/analytical thinking, written communication, and locating, organizing, and evaluating information, skills that are very important to employers.[117] Other studies have similarly demonstrated that employers see a major skills gap in college students' interpersonal skills.[118]

You'll want to close these gaps for three reasons:

1. **To get a job and earn more money.** Today's jobs require greater interpersonal or soft skills, and employers are willing to pay higher salaries to those possessing them.[119]

2. **To impress employers with your self-awareness.** Companies prefer to hire people with realistic perceptions of their own strengths and weaknesses. This underscores the need to obtain information about your strengths and weaknesses throughout your career.

3. **To create your own motivation to learn.** Studies of human behavior reveal that people won't spend time on personal development unless they feel the need. Overinflated perceptions of career readiness will not motivate you to develop the attributes that enhance that readiness. You need to motivate yourself to learn and develop.

TABLE 1.2 Description of KSAO Skills Needed for Career Readiness

KSAO	COMPETENCY	DESCRIPTION
Knowledge	Task-Based/Functional	Demonstrated ability to apply academic and practical knowledge in pursuit of organizational and individual goals/assignments.
	Information Technology Application	Effective use of IT and learning new applications as needed.
	Cross-Cultural Competency	Awareness of cross-cultural differences; respect for diverse cultures, races, ages, genders, and religions; and demonstrated openness, inclusiveness, and ability to interact with diverse people.
	Computational Thinking	Ability to use numbers to distill abstract concepts and conduct data-based reasoning. Ability to work with and interpret Big Data.
	Understanding the Business	Understanding of the company's business and strategies and the needs of stakeholders, and ability to see how your work fits into the larger organizational puzzle.
	New Media Literacy	Ability to develop, evaluate, and use new media forms, and to apply these media for persuasive communication. Ability to stay up-to-date with the latest media trends and leverage them in the interest of the organization.
Soft Skills	Critical Thinking/Problem Solving	Sound reasoning to analyze situations, make decisions, and solve problems. Ability to obtain, interpret, and analyze both qualitative and quantitative information while creatively solving problems.
	Oral/Written Communication	Ability to effectively express your thoughts, ideas, and messages to diverse people in oral and written form. Public speaking skills and ability to write/edit emails, letters, and technical reports.
	Teamwork/Collaboration	Ability to work effectively with and build collaborative relationships with diverse people, work within a team structure, and manage interpersonal conflict.
	Leadership	Skill at influencing a group of people to achieve common goals. Ability to motivate, coach, and develop others.
	Decision Making	Ability to collect, process, and analyze information in order to identify and choose from alternative solutions that lead to optimal outcomes.

Self-Assessments

Over 66 Self-Assessments allow students to assess the extent to which they possess aspects of the career readiness competencies desired by employers.

SELF-ASSESSMENT 3.1   CAREER READINESS

Assessing My Perspective on Ethics

This survey is designed to assess your views about ethics. It provides feedback about your status on the Career Readiness "other characteristic" of *professionalism/work ethic*.

Please be prepared to answer these questions if your instructor has assigned Self-Assessment 3.1 in Connect.

1. Are your views more idealistic or more relativistic?
2. What do you think about students cheating on homework assignments in school? What about cheating on exams?
3. Are your answers consistent with your score? Explain.
4. What can you say during an interview to demonstrate an ethical orientation?

Career Corner

Each chapter concludes with a new section entitled "Career Corner: Managing Your Career Readiness." This material provides students with practical tips for developing targeted career readiness competencies.

2.9 Career Corner: Managing Your Career Readiness

Figure 2.5 shows the model of career readiness we discussed in Chapter 1. What does a chapter on management history have to do with your career readiness? How about its application to the **Knowledge** competency of *understanding the business*? This competency was defined in Table 1.2 as the extent to which you understand a company's business and strategies and the needs of its stakeholders. It comes into play whenever you interview for a job.

Recruiters expect you to do some research, just as you would for a class assignment. They want you to act like Sherlock Holmes and do some snooping. That's good for both you and a potential employer in that it helps identify the likely level of fit between the two of you. Good fit, in turn, is associated with more positive work attitudes and task performance, lower intentions to quit, and less job-related stress.[65] Moreover, doing your homework on a company makes you a more attractive job candidate. It shows interest on your part, and recruiters are impressed by the fact that you took the time to learn about the business.[66] It also prepares you to ask smart questions, a behavior recruiters want to see. Remember, sometimes it's the small things like this that land a job.

LO 2-9

Describe how to develop the career readiness competency of *understanding the business*.

Concept Mastery

New exercises in Connect allow students to demonstrate lower levels of learning regarding career readiness. The Teaching Resource Manual provides opportunities for higher levels of learning for career readiness competencies.

McGraw Hill Education connect®

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Student-Centered Approach to Learning

Our writing style and product design is based on neuroscience research. Greater learning occurs when information is "chunked" to keep student attention. We break down topics into easily digestible portions with purposeful pedagogy to make theories and concepts easier to learn and apply. This accounts for the use of purposeful color, an extensive photo program, bulleted lists, and headings to appeal to the visual sensibilities, time constraints, and diverse learning styles of today's students.

Chapter Openers

Each chapter begins with a list of key learning objectives that appeal to students concern about "what's in it for me?" and to help them read with purpose.

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

THE BIG PICTURE
After studying theory, managers may learn the value of bringing rationality to the decision-making process. This chapter describes two principal theoretical perspectives—the *historical* and the *contemporary*. Studying management theory provides understanding of the present, a guide to action, a source of new ideas, clues to the meaning of your managers' decisions, and clues to the meaning of outside events.

Chapter Sections

Within each chapter, sections are organized according to the major learning objectives. Generous use of headings and bulleted lists provide students with bite-sized chunks of information to facilitate retention. Each section begins with a recap of the **Learning Objective** and includes **The Big Picture**, which presents an overview of how the section addresses the stated objective.

PART 3   •   PLANNING

5 Planning
The Foundation of Successful Management

After reading this chapter, you should be able to:

LO 5-1   Discuss the role of strategic management.
LO 5-2   Compare mission, vision, and value statements.
LO 5-3   Discuss the types and purposes of goals and plans.
LO 5-4   Describe SMART goals and their implementation.
LO 5-5   Outline the planning/control cycle.
LO 5-6   Describe how to develop the career readiness competency of *proactive learning orientation*.

FORECAST   *What's Ahead in This Chapter*
We describe planning and its link to strategy. We define planning, strategy, and strategic management and state why they are important. We deal with the fundamentals of planning, including the mission, vision, and value statements, and the three types of planning—strategic, tactical, and operational. We consider goals, operating plans, and action plans: SMART goals, management by objectives, and cascading goals; and finally the planning/control cycle. We conclude with a Career Corner that focuses on how you can develop the career readiness competency of *proactive learning orientation*.

Forecast

Shown below the learning objectives, the forecast provides a high-level of summary of what is covered in the chapter.

> 66 *Many management texts are simply dense and a slog to read. Kinicki is far more approachable in its pedagogy. It is well organized—the topics are arranged very logically in each chapter. The approach speaks directly to the student. This personalized, conversational approach engages my students. It has a new career theme that is critical to help our students demonstrate employable skills. The Teaching Resource Manual is also the best in its class.* 99

—Todd Korol,
Monroe Community College

> 66 *Layout, highlighted captions, use of boxes, bolding, pictures, and color are all great. It's easier for students to read than other textbooks I have used. The key points summaries at end of chapters are useful and it's overall very user-friendly and engaging.* 99

—Linsey Willis,
Florida Atlantic University

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Extended Emphasis on Practicality

We want this ninth edition to be a cherished resource that students keep as they move into future courses and their future careers. We give students a great deal of practical advice in addition to covering the fundamental concepts of management.

Manage U

This new feature provides a pedagogical device that gives students practical, actionable tips for applying the material in each chapter. Students will find it interesting and valuable to their future careers.

Practical Action boxes

Practical Action boxes offer students practical and interesting advice on issues they will face in the workplace.

PRACTICAL ACTION   **Developing Your Soft Skills**

Are you persistent, creative, curious? How do you deal with frustration or anxiety? Do you see yourself as part of a larger whole that gives your work purpose? How do you perceive problems—as temporary and solvable, or as a personal burden you are doomed to bear? Are you a good listener? Your answers will give you an idea about how well developed some of your soft skills are.

More than 90 percent of respondents to a recent Global Human Capital Trends survey by the consulting firm Deloitte identified soft skills like communication, emotional understanding, and problem solving as a critical priority.[59] Many employers say these skills are hard to find in college graduates, who often value hard skills more highly.[60] Companies are eagerly looking for soft skills as well, however; Google, for example, now prioritizes persistence and curiosity in its hiring process.[61] The good news is that soft skills can be taught. Employers are finding it worth investing money to develop these abilities in their employees. A new study shows that training employees in soft skills doesn't just marginally improve individual performance and employee retention; it actually betters these metrics enough to provide a 250% return on the financial investment a company makes in training programs.[62]

For firms that can spare their employees for three days, the American Management Association (AMA) offers a soft-skills seminar for managers at all levels including front-line supervisors.[63] Among the skills they can gain are the ability to give direction without generating conflict, to lead and motivate groups and teams, to influence others including "difficult" people, to offer effective feedback, and to get things done in an atmosphere of trust and respect. The seminar topics are a comprehensive list of essential soft skills employers look for in college graduates and new hires—and say they seldom find: communication proficiency, which includes verbal, nonverbal, and listening skills; self-understanding, lack of defensiveness, and emotional understanding and responsiveness; the ability to productively manage conflict; and an understanding of team development and the role of a team player in getting work done.

For those who want to learn online and at their own pace, many inexpensive online classes are available.[64] These short interactive programs are geared for everyone from CEOs to entry-level employees. They cover everything from self-confidence to emotional intelligence, coaching teams, building healthy work relationships, handling business etiquette, resolving conflicts, decision making, reading body language, negotiating, dealing with angry customers to becoming a successful leader.

YOUR CALL

Look back at the first paragraph in this Practical Action box. Which of the soft skills listed there would you like to improve by the time you graduate, in order to make yourself a more attractive candidate to prospective employers?

MANAGE U

Making an Effective Plan for Starting Your Career

The thought of starting a career (or switching to a new one) can be either intimidating or exciting. What's the difference? Having goals and a plan.

Setting Goals and Making a Plan

Here are some steps in the career-management process for you to consider as you set about building your career.[1]

1. Identify your options. Use the career readiness skill of self-awareness to write down areas and ideas that interest and are important to you and the functional, cross-cultural, computational, interpersonal, and other skills you can offer an employer. Then make a written list of the opportunities available to you through your networking, earlier work and volunteer experience, and other resources (don't forget the alumni and placement offices at your school). Now match up the two lists to discover where you should focus your career-building efforts.

2. Explore conditions in your target field. The career readiness skill of understanding the business will guide you to identify important factors like the demand for new hires in your chosen field or fields, the competencies expected of incoming employees, the likely salary range and opportunities for advancement, and any geographic limitations or requirements in the industry to be aware of. If your field or industry is concentrated in one or two parts of the country, for instance, be ready to move.

3. Create your action plan. Using what you learned from steps 1 and 2, write a list of actions you can take to achieve your goal of breaking into a new career. You are more likely to achieve your goals if they are "SMART"—specific, measurable against clear criteria to show progress, attainable with a chance of 50% or higher, relevant to you, and time bound with target dates for completion. We discuss the process of writing SMART goals in Section 5.4. Try to keep your steps or goals to a manageable number; somewhere between three and five is recommended. Prioritize and schedule them to create your plan, and if it helps you to give each one a name, by all means do so.

4. Track your progress. You'll see as you study this chapter that monitoring or controlling progress toward goals is an inherent part of the planning process. Each time you get a result from one of your efforts, whether it's positive or negative, that result constitutes feedback on how well you've selected your goals and how effective your plan is. If one step doesn't work out as planned, don't give up. Rely on your positive attitude and ability to adapt (more career readiness skills) and realize you have other opportunities to succeed. Try broadening your search, and begin again.

Staying Resilient during the Process

Here are a few ideas about what else you can do to keep your hopes—and your finances—afloat during the career-building process.

1. Know that it takes time to find a job, especially one that's a good fit for both you and the company that hires you. College graduates spend about six months, on average, landing their first job after graduation.[2] If you are already working, even part-time, stay in the job while you pursue a new one. It's always easier to find a job if you have one. If you are not working, consider taking a part-time or short-term job to generate some income, since you'll want to avoid running up credit card debt.

2. Create a budget to be sure your income will cover your day-to-day expenses. This is a lifelong habit that will serve you well.

3. Avoid making any major financial commitments until you've actually landed your target job. You won't know how much you can afford to pay for a car until you know your salary, for instance, and you may not want to be encumbered by a new lease if your dream job requires you to relocate. As long as you have an appropriate interview outfit, even splurging on a professional wardrobe can wait until you know the dress code at your new employer.

For Discussion What fields or industries are interesting or appealing to you as places to work? What news and information about these areas can you start tracking now, and how will you do that? Is there anyone in your network who can help you increase your understanding of the way this industry works? If not, how could you find someone?

Self-Assessments

Self-Assessment evaluations help students relate what they are learning to their own experiences and promote self-reflection, engagement, and development of their career readiness. Of the 66 total Self-Assessments included, nearly 40 of them pertain to a career readiness competency. For each of these, students are asked to consider how they might display the competency in an employment interview.

SELF-ASSESSMENT 3.1   CAREER READINESS

Assessing My Perspective on Ethics

This survey is designed to assess your views about ethics. It provides feedback about your status on the Career Readiness "other characteristic" of *professionalism/work ethic*.

Please be prepared to answer these questions if your instructor has assigned Self-Assessment 3.1 in Connect.

1. Are your views more idealistic or more relativistic?
2. What do you think about students cheating on homework assignments in school? What about cheating on exams?
3. Are your answers consistent with your score? Explain.
4. What can you say during an interview to demonstrate an ethical orientation?

Testimonials from Millennials

Each chapter includes two new boxed features that provide testimonials from millennials about their experiences with effective and ineffective management. **"I wish I . . ."** boxes illustrate real-world examples in which students recall an instance when they or their boss could have better applied certain management concepts. **"I'm glad I . . ."** boxes discuss positive applications of management concepts.

I Wish I...
...considered the impact of ethnocentrism.

Jordin Hansen is a senior director of strategic operations for a global information technology company. She experienced a clashing of cultures when [...] developed [...] part of [...] strategy [...]

An [...] United [...] together [...] busines [...]

Jordin Hansen *Courtesy Jordin Hansen*

business within a larger company. Part o[...] deciding on company vocabulary. "When [...] nization, having consistent nomenclature [...] things is extremely important, especially [...] customers," said Jordin.

The approach that was used to de[...] nomenclature was a very top-down ap[...] team claimed they were listening to outs[...] moved forward with what they thought w[...]

What was not taken into consideration was that English was not the main language for a majority of the company's global stakeholders. One of the terms chosen to be part of the company nomenclature was "solution." As Jordin explained, this word means very different things to people of different cultures.

"The word 'solution' is a industry in the United States [...]

I'm glad I...
...work in an organization with a Theory Y culture.

Cameron Monkelien works in the banking industry as a team leader. He believes his company does a great job of making employees at all levels feel **included** and **empowered**.

Cameron works for a large company with a popular name and a lot of power, but, as Cameron puts it, "It really has its head on its shoulders. They give a lot of tools and capabilities to everybody—not just supervisors and managers, but all the way down to the bottom level."

Cameron feels interconnected with all aspects of his job because of the documentation and networking his company has worked many years to build. "There isn't a guessing game where you have to figure out who you need to talk to or where you need to go to get information. That's something that a lot of my other jobs didn't have: a database and network of people and documents that point you in the right direction in any given situation," said Cameron.

Another way that the company works to make its employees feel included is to have monthly meetings where employees can interact with people other than their direct supervisors. This helps employees to feel like upper management is listening to their concerns and ideas, and that they can really make a difference within the organization.

Cameron also feels safe to take risks and make mistakes rather than fearing the consequences of doing so. "I have personally taken several risks because I have enough confidence in my performance and belief in my team that I can go out on a limb for them and for myself," said Cameron. But ultimately, Cameron believes his direct supervisor cultivates an environment where employees feel safe to take risks and make mistakes. "My supervisor does a really good job about not coming down on us when something goes wrong. Instead she asks, 'How can we improve this going forward?'"

Cameron takes this lesson from his supervisor and works to make sure his own employees feel safe taking risks. "The first time one of my employees had a setback was almost two years into his role. He felt like it was such a personal defeat on his part. I had to have a discussion with him where I said, 'Having a failure does not mean that you are a failure. It means that there is still room for growth, room for learning, and room for improvement.'"

Cameron's company has taken additional steps to create an environment of empowerment by changing some of the job titles. "Instead of being a manager or a supervisor, you get the title of 'leader' because it instills the idea that instead of being in charge of your employees, you are leading them."

Courtesy of Cameron Monkelien

Cameron Monkelien *Courtesy Cameron Monkelien*

Management in Action cases

Rather than using stories about companies, the new Management in Action cases now focus on higher levels of learning by asking students to solve real organizational problems using relevant management concepts.

Management in Action

Who's to Blame for College Basketball's "Dark Underbelly"?

The National Collegiate Athletic Association (NCAA) is "a member-led organization dedicated to the well-being and lifelong success of college athletes."[188] Founded in 1906, the NCAA "functions as a general legislative and administrative authority for men's and women's intercollegiate athletics" and "formulates and enforces the rules of play for various sports and the eligibility criteria for athletes."[189]

One of the "bedrock principles" of the NCAA is maintaining the spirit of amateur competition. Students are not allowed to be professional athletes, education holds top priority, and all athletes receive a fair chance to compete.[190] The NCAA outlines specific rules athletes must follow to maintain amateur status and, thus, eligibility to continue playing collegiate sports. Student athletes are, among other things, prohibited from publicly endorsing companies[191] and from receiving a salary for athletic participation or benefits from prospective agents.[192]

Although NCAA guidelines prohibit corporate sponsorships at the individual-athlete level, college teams have benefited from such alliances since 1977, when shoe-company executive Sonny Vaccaro "signed several coaches he knew . . . to contracts with Nike." According to Vaccaro, "'the world changed' in 1987, when Nike signed its first all-school deal" to sponsor all of the University of Miami's athletic teams. With these deals, said Vaccaro, "you own everything in that school. That shoe company is now your business partner."[193]

A BLURRY LINE BETWEEN AMATEURISM AND PROFESSIONALISM

Benefits aside, strategic relationships between apparel companies and universities blur the line between amateurism and professionalism for two reasons. The first is money flowing to universities. Companies such as Nike, Under Armour, and Adidas "pay tens of millions of dollars a year to equip (and, from a marketing standpoint, align themselves) with major university programs."[194] These alliances benefit universities due to increased revenues generated by the sponsorships, and they earn sports apparel companies not only exclusive rights to partner with large academic institutions, but also insider access to the country's top athletic talent.

The second reason is money for college athletes. A particular challenge in NCAA basketball is the reality that some athletes don't intend to graduate from college. Due in large part to the NBA's "one-and-done" rule prohibiting athletes from playing professionally before their 19th birthday, elite players often attend classes for a year until they age into the NBA draft.[195] Apparel sponsors are often overly eager to secure exclusive deals with elite athletes who may earn coveted spots in the NBA because these arrangements generate lots of money for the sponsors.

ASSISTANT COACHES AND FEDERAL INDICTMENTS

Assistant coaches serve as the primary recruiters of top high-school talent and are expected to act as salespersons for their universities and build strong relationships with prize recruits.[196] They are expected to follow NCAA guidelines, and they do not always do so.

In November 2017, four assistant college basketball coaches were among 10 individuals indicted by a federal grand jury. *Fortune* described the lead-up to the indictments as "a detailed and clandestine FBI investigation that exposed alleged under-the-table payments to agents, coaches, and parents to influence talented athletes to choose particular colleges to play

Legal/Ethical Challenge cases

Legal/Ethical Challenge cases ask students to resolve real ethical challenges faced by managers and organizations. They help develop students critical thinking and problem-solving skills around ethical issues.

Legal/Ethical Challenge

Should You Apply to Have Your Student Loans Forgiven?

Student loan debt nearly tripled in the last decade, thanks to increased attendance at for-profit colleges along with rising college tuition and living expenses.[220] For hundreds of thousands buried in student loan debt, a little known 1994 program called "Borrower Defense" or "Defense to Repayment" sponsored by the Education Department offers a lifeline.

The program is available for those students who obtained loans from the government's Direct Loan program. "The law says students are entitled to forgiveness of any existing debt—and, possibly, reimbursement of any repaid loans—if they can show that their school violated state law in getting them to take out the debt.

Uber Continuing cases

These new cases ask students to synthesize and apply what they've learned across the course to Uber. Based on reviewer feedback, we've introduced these at the chapter level.

Uber Continuing Case   connect

Learn how Uber's corporate strategies have changed from those pursued by founder and CEO Travis Kalanick to those identified by current CEO Dara Khosrowshahi. Assess your ability to apply concepts discussed in this chapter to the case by going to Connect.

Imaginative Writing for Readability and Reinforcement

Research shows that products written in an imaginative, story-telling style significantly improve students' ability to retain information. We employ numerous journalistic devices to make the material engaging and relevant to students lives.

Example boxes

We utilize numerous Example boxes to emphasize the practical applications of business. These mini cases use snapshots of real-world companies to explain text concepts. **Your Call** questions stimulate class discussions and help students develop their critical thinking skills. Suggestions for how to use the Example boxes are found in the Teaching Resource Manual (TRM).

EXAMPLE — **Informal Groups and Informal Learning: Sharing Knowledge in the Lunchroom and on Social Media**

As a manager, what would you think if you saw employees making brief conversation near the lunchroom coffeepot? Are they talking about the season finale of their favorite show, or is something more productive taking place? Office kitchens have been hidden out of sight for generations, an unloved necessity kept stark to make sure workers didn't linger, says the *Los Angeles Times*. Companies are now seeing office kitchens in a new light. Kitchens are being turned into showplaces intended to boost morale, encourage collaboration, and create a learning environment.[11] Why the change of heart?

Workplace Learning: Mostly Informal
Research has found that 70 percent of workplace learning is informal.[12] Organizations are taking notice of this phenomenon. For example, Siemens managers have placed overhead projectors and empty pads of paper in the lunchroom to facilitate the exchange of information.[13] The highest-performing Google employees teach and support those employees looking to improve. Google certainly has the resources to afford fancy training programs. The company instead opts for peer-to-peer training in order to foster a culture of learning that values continuous development and the sharing of knowledge and expertise.[14]

Talking it out. Ever worked in a job in which you got a lot of informal training through conversations over coffee? Could this be done with social networking?
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Online Peer-to-Peer Networks What about when employees are in far-flung places? "Sales reps are out in the field and they're kind of on islands," pointed out an Indianapolis software-firm executive. "It's a challenge to keep everyone connected."[15] So when the 75 reps started overwhelming the sales-support staff with questions about product details and client information, the company created a website on which the reps could post and answer questions in an informal peer-to-peer learning setting.[16] These types of portals can also be used for employees in distant locations to tell each other personal and professional stories to share experiences. Research has shown that when people talk informally, 65 percent of the time they are telling stories. So providing an online venue for storytelling can be quite effective.[17]

YOUR CALL
Can games (such as the online multiplayer game *Second Life*) or other social media (Facebook, Twitter, Instagram, etc.) be used to foster informal workplace collaboration? How about allowing employees to BYOD—"bring your own device" to work, such as their own smartphone or tablet?[18]

> " *Readability is very good for the undergraduate audience. Updates are frequent and provide current examples.* "
>
> **—Justin Davis,**
> *University of West Florida*

> " *The order and quality of information within the textbook (is great). Logical for faculty, plenty of examples for students; Kinicki provides better detail and examples, and good supplemental materials.* "
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The ninth edition continues to build on the power of Connect and furthers our quest to help students move from comprehension to application. McGraw-Hill Connect® is a personalized teaching and learning tool powered by adaptive technologies so your students learn more efficiently, retain more, and achieve better outcomes. We used this platform to create exercises that are auto-graded in order to assist students in developing their career readiness. Here you will find a wide variety of learning resources that develop students' higher-order thinking skills, including:

- **SmartBook®**—As part of Connect, students have access to SmartBook®, fueled by LearnSmart, an adaptive learning and reading tool. SmartBook prompts students with questions based on the material they are studying. By assessing individual answers, SmartBook learns what each student knows and identifies which topics they need to practice. This adaptive technology gives each student a personalized learning experience and path to success. SmartBook provides students with a seamless combination of practice, assessment, and remediation.
- **Click & Drag exercises**—These activities help make the connection between theory and application through matching, ranking, or grouping. Every Career Corner has an exercise to help you assess students understanding about how to improve targeted career readiness competencies.
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- **Self-Assessments**—Designed to promote student self-awareness and self-reflection, these research-based activities also provide personal and professional development. For this edition, five new assessments were created to measure different career readiness competencies. In addition, new structured feedback explains how students should interpret their scores.

- **Case Analyses and Video Cases**—Our assortment of written and video cases challenge students to analyze concepts as they manifest in scenarios related to a real-life product or company, fostering students' ability to think critically in lecture and beyond. Thought-provoking questions check the students' application of the course material and develop their workplace readiness skills.
- **Manager's Hot Seat videos**—These actor-portrayed videos depict real-life situations where a manager is faced with a dilemma that needs to be analyzed based on management concepts. The videos have been a hit throughout the years because they put students at the center of controversial situations and contribute to their use of critical thinking to solve problems. Eleven new Manager's Hot Seats have been added to Connect for concepts such as motivation, decision making, organizational structure, and more. Each Hot Seat includes follow-up multiple-choice questions that are assignable and auto-gradable.
- **Uber Continuing Case**—Students understand the application of and relationship between different concepts by applying them to the same company throughout the semester. We conducted an extensive revision to the case based on current events and the need to offer a more flexible method for using it. Instructors now have a continuing case on Uber that can be used for every chapter or as a summary case for each part. Each chapter case includes multiple-choice questions that are assignable and auto-gradable, as well essay-based questions.
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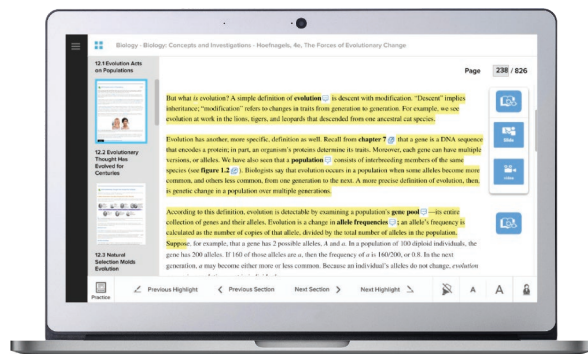
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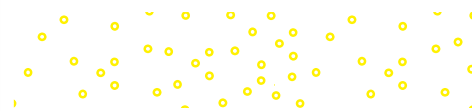
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- Jordan Cunningham,
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13	14
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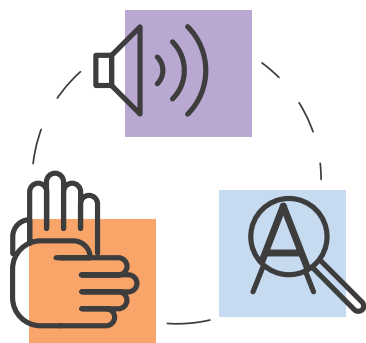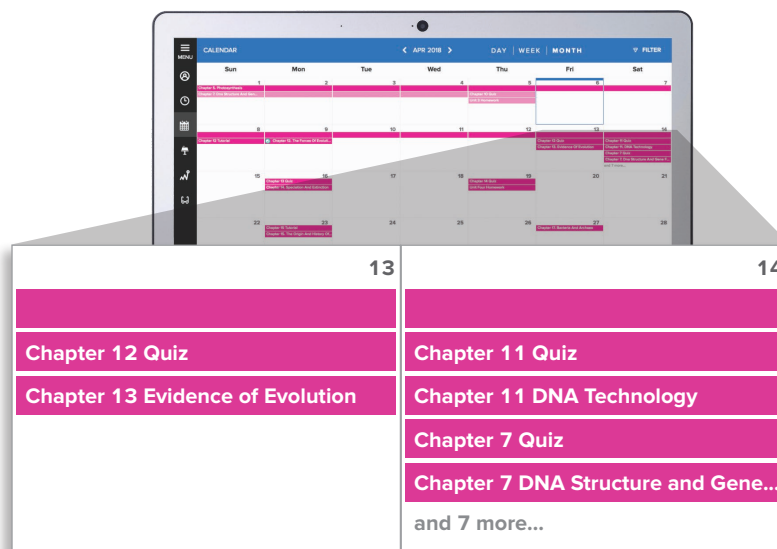
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I hope you enjoy reading and applying the book. Best wishes for success in your career.

Angelo Kinicki

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management

NINTH EDITION

5

Planning
The Foundation of Successful Management

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After reading this chapter, you should be able to:

LO 5-1 Discuss the role of strategic management.

LO 5-2 Compare mission, vision, and value statements.

LO 5-3 Discuss the types and purposes of goals and plans.

LO 5-4 Describe SMART goals and their implementation.

LO 5-5 Outline the planning/control cycle.

LO 5-6 Describe how to develop the career readiness competency of *proactive learning orientation*.

FORECAST   *What's Ahead in This Chapter*

We describe planning and its link to strategy. We define planning, strategy, and strategic management and state why they are important. We deal with the fundamentals of planning, including the mission, vision, and value statements, and the three types of planning—strategic, tactical, and operational. We consider goals, operating plans, and action plans; SMART goals, management by objectives, and cascading goals; and finally the planning/control cycle. We conclude with a Career Corner that focuses on how you can develop the career readiness competency of *proactive learning orientation*.

MANAGE U

Making an Effective Plan for Starting Your Career

The thought of starting a career (or switching to a new one) can be either intimidating or exciting. What's the difference? Having goals and a plan.

Setting Goals and Making a Plan

Here are some steps in the career-management process for you to consider as you set about building your career.[1]

1. Identify your options. Use the career readiness skill of self-awareness to write down areas and ideas that interest and are important to you and the functional, cross-cultural, computational, interpersonal, and other skills you can offer an employer. Then make a written list of the opportunities available to you through your networking, earlier work and volunteer experience, and other resources (don't forget the alumni and placement offices at your school). Now match up the two lists to discover where you should focus your career-building efforts.

2. Explore conditions in your target field. The career readiness skill of understanding the business will guide you to identify important factors like the demand for new hires in your chosen field or fields, the competencies expected of incoming employees, the likely salary range and opportunities for advancement, and any geographic limitations or requirements in the industry to be aware of. If your field or industry is concentrated in one or two parts of the country, for instance, be ready to move.

3. Create your action plan. Using what you learned from steps 1 and 2, write a list of actions you can take to achieve your goal of breaking into a new career. You are more likely to achieve your goals if they are "SMART"— specific, measurable against clear criteria to show progress, attainable with a chance of 50% or higher, relevant to you, and time bound with target dates for completion. We discuss the process of writing SMART goals in Section 5.4. Try to keep your steps or goals to a manageable number; somewhere between three and five is recommended. Prioritize and schedule them to create your plan, and if it helps you to give each one a name, by all means do so.

4. Track your progress. You'll see as you study this chapter that monitoring or controlling progress toward goals is an inherent part of the planning process. Each time you get a result from one of your efforts, whether it's positive or negative, that result constitutes feedback on how well you've selected your goals and how effective your plan is. If one step doesn't work out as planned, don't give up. Rely on your positive attitude and ability to adapt (more career readiness skills) and realize you have other opportunities to succeed. Try broadening your search, and begin again.

Staying Resilient during the Process

Here are a few ideas about what else you can do to keep your hopes—and your finances—afloat during the career-building process.

1. Know that it takes time to find a job, especially one that's a good fit for both you and the company that hires you. College graduates spend about six months, on average, landing their first job after graduation.[2] If you are already working, even part-time, stay in the job while you pursue a new one. It's always easier to find a job if you have one. If you are not working, consider taking a part-time or short-term job to generate some income. since you'll want to avoid running up credit card debt.

2. Create a budget to be sure your income will cover your day-to-day expenses. This is a lifelong habit that will serve you well.

3. Avoid making any major financial commitments until you've actually landed your target job. You won't know how much you can afford to pay for a car until you know your salary, for instance, and you may not want to be encumbered by a new lease if your dream job requires you to relocate. As long as you have an appropriate interview outfit, even splurging on a professional wardrobe can wait until you know the dress code at your new employer.

For Discussion What fields or industries are interesting or appealing to you as places to work? What news and information about these areas can you start tracking now, and how will you will do that? Is there anyone in your network who can help you increase your understanding of the way this industry works? If not, how could you find someone?

5.1 Planning and Strategy?

THE BIG PICTURE

The first of four functions in the management process is planning, which involves setting goals and deciding how to achieve them and which is linked to strategy. We define planning, strategy, and strategic management. We then describe three reasons strategic management and strategic planning are important.

LO 5-1

Discuss the role of strategic management.

The *management process,* as you'll recall (from Chapter 1), involves the four management functions of *planning*, *organizing*, *leading*, and *controlling*, which form four of the part divisions of this book. In this and the next two chapters, we discuss *planning* and *strategy*.

Planning, Strategy, and Strategic Management

"Move fast and break things."

Is that a plan or strategy? No, it's a slogan. In fact, it used to be Facebook's mantra to its software developers, suggesting that "moving quickly is so important that we were even willing to tolerate a few bugs in order to do it," as Facebook CEO Mark Zuckerberg explained.[3] (Then, he says, the company realized "that it wasn't helping us to move faster because we had to slow down to fix these bugs.")

Planning, which we discuss in this chapter, is used in conjunction with *strategy* and *strategic management*, as we describe in Chapter 6. Let's consider some definitions.

Planning: Coping with Uncertainty   As we've said (Chapter 1), planning is defined as setting goals and deciding how to achieve them. Another definition: planning is coping with uncertainty by formulating future courses of action to achieve specified results.[4] A plan is a document that outlines how goals are going to be met. When you make a plan, you make a blueprint for action that describes what you need to do to realize your goals.

Example: One important type of plan is a business plan, a document that outlines a proposed firm's goals, the strategy for achieving them, and the standards for measuring success. Here you would describe the basic idea behind your business—the business model, which outlines the need the firm will fill, the operations of the business, its components and functions, as well as the expected revenues and expenses. It also describes the industry you're entering, how your product will be different, how you'll market to customers, how you're qualified to run the business, and how you will finance your business.

EXAMPLE   Why Write a Business Plan?

More than 5 in 10 Millennials say that if they had the resources they need, they'd start their own business in the next year. Most are attracted to the idea of being their own boss and making a lot of money by opening a business of their own if they could.[5] But planning and management control are critical to the success of small businesses as only 33 percent of them survive 10 years or more according to the Bureau of Labor Statistics.[6]

It was by planning, not by accident, that popular singer Rihanna recently launched a cosmetics business that got off to a spectacular start and was immediately named one of the "best inventions of 2017" by *Time* magazine. Her company, Fenty Beauty (a brand of the luxury label LVMH), boasts a jaw-dropping 40 different shades of foundation in order to cater to women of every color and every skin type. In its first month in business alone, Fenty far outsold a rival

celebrity line, Kylie Cosmetics, which has earned hundreds of millions of dollars in its first two years. In its second month, Fenty sales were already up 34% and showing no signs of slowing.

Rihanna experimented with beauty products for years before finally deciding the void in the market—for products designed for hard-to-match skin tones—was hers to fill. Among the many business factors for which she had to plan in starting her company were the target market, women who are underserved by existing beauty lines but who spend generously on makeup (averaging almost $500 a year); her promotional plan, which included outreach to her 60 million Instagram followers; and her financial plan, which relies on the backing of LVMH. To her knowledge of existing makeup lines,

Rihanna added close scrutiny of her chosen competitors, Kylie and KKW Beauty (Kim Kardashian West's brand). And she explored her distribution options, choosing online sales and in-store distribution by Sephora. As *Time* reported, Fenty has become the brand to beat, as even established companies like L'Oreal begin launching marketing campaigns aimed at its long-neglected market.[7]

YOUR CALL

Got an idea for a business? Think about your pre-launch planning process. What questions about your product or service, your target market, your promotional plans, and your distribution method would you need to answer before you made the leap?

Strategy: Setting Long-Term Direction

A **strategy**, or strategic plan, sets the long-term goals and direction for an organization. It represents an "educated guess" about what long-term goals or direction to pursue for the survival or prosperity of the organization. We hear the word expressed in terms like "Apple's ultimate strategy . . ." or "Visa's overseas strategy . . ." or financial strategy, marketing strategy, and human resource strategy.

An example of a strategy is "Grow the business organically," which means "Increase revenue from existing and new customers rather than from acquiring other companies." However, strategy is not something that can be decided on just once. It generally is reconsidered every year because of ever-changing business conditions.

Strategic Management: Involving All Managers in Strategy

In the late 1940s, most large U.S. companies were organized around a single idea or product line. By the 1970s, *Fortune* 500 companies were operating in more than one industry and had expanded overseas. It became apparent that to stay focused and efficient, companies had to begin taking a strategic-management approach.

Strategic management is a process that involves managers from all parts of the organization in the formulation and the implementation of strategies and strategic goals. This definition doesn't mean that managers at the top dictate ideas to be followed by people lower down. Indeed, precisely because middle managers in particular are the ones who will be asked to understand and implement the strategies, they should also help to formulate them.

As we will see, strategic management is a process that involves managers from all parts of the organization—top managers, middle managers, and first-line managers—in the formulation, implementation, and execution of strategies and strategic goals to advance the purposes of the organization. Thus, planning covers not only strategic planning (done by top managers), but also tactical planning (done by middle managers) and operational planning (done by first-line managers).

Planning and strategic management derive from an organization's mission and vision about itself, as we describe in the next section. *(See Figure 5.1.)*

Why Planning and Strategic Management Are Important

An organization should adopt planning and strategic management for three reasons: They can (1) *provide direction and momentum*, (2) *encourage new ideas*, and above all (3) *develop a sustainable competitive advantage*.[8] Let's consider these three matters.

FIGURE 5.1

Planning and strategic management
The details of planning and strategic management are explained in Chapters 5 and 6.

| 1. Establish the mission and vision and values | → | 2. Assess the current reality | → | 3. Formulate the grand strategy & strategic, tactical, & operational plans | → | 4. Implement the strategy | → | 5. Maintain strategic control |
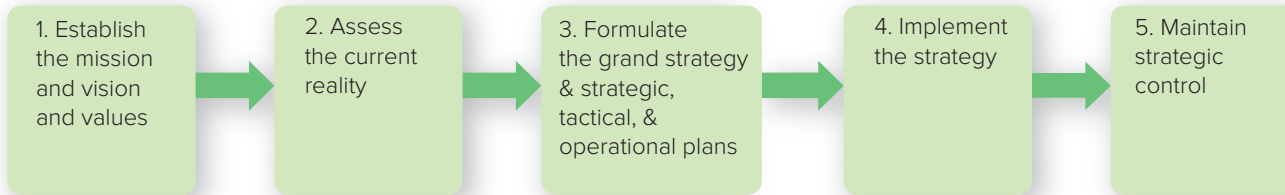
1. Providing Direction and Momentum   Some executives are unable even to articulate what their strategy is.[9] Others are so preoccupied with day-to-day pressures that their organizations can lose momentum. But planning and strategic management can help people focus on the most critical problems, choices, and opportunities.

If a broad group of employees is involved in the process, that can foster teamwork, promote learning, and build commitment across the organization. Indeed, as we describe in Chapter 8, strategy can determine the very structure of the organization—for example, a top-down hierarchy with lots of management levels, as might be appropriate for an electricity-and-gas power utility, versus a flat organization with few management levels and flexible roles, as might suit a fast-moving social media start-up.

Unless a plan is in place, managers may well focus on just whatever is in front of them, putting out fires—until they get an unpleasant jolt when a competitor moves out in front because it has been able to take a long-range view of things and act more quickly. In recent times, this surprise has been happening over and over as companies have been confronted by some digital or Internet trend that emerged as a threat—as Amazon.com was to Borders bookstores; as Uber has been to taxi cabs; as Google News, blogs, and citizen media were to newspapers.

Of course, a poor plan can send an organization in the wrong direction. Bad planning usually results from faulty assumptions about the future, poor assessment of an

New Barbies. Mattel, maker of the famous Barbie doll, whose sales have been cut by rival brands, is adding tall, petite, and curvy dolls to its product line, trying to better connect with young girls. Parents and interested grassroots organizations have long been campaigning to make children's toys less stereotypical, but social media have amplified their voices and forced companies to listen. Mattel and other companies are also bringing out inexpensive (under $400) 3-D printers that allow children to create their own plastic toys, including doll-like ones (monsters). Do you think Mattel should plan for the gradual elimination of Barbie? ©Mattel/Splash News/Newscom

organization's capabilities, ineffective group dynamics, and failure to use management control as a feedback mechanism.[10] And it needs to be said that while a detailed plan may be comforting, it's not necessarily a strategy.[11]

2. Encouraging New Ideas   Some people object that planning can foster rigidity, that it creates blinders that block out peripheral vision and reduces creative thinking and action. "Setting oneself on a predetermined course in unknown waters," says one critic, "is the perfect way to sail straight into an iceberg."[12]

Actually, far from being a straitjacket for new ideas, strategic planning can help encourage them by stressing the importance of innovation in achieving long-range success. Management scholar Gary Hamel says that companies such as Apple have been successful because they have been able to unleash the spirit of "strategy innovation." Strategy innovation, he says, is the ability to reinvent the basis of competition within existing industries—"bold new business models that put incumbents on the defensive."[13]

Some successful innovators are companies creating new wealth in the food and restaurant industries, where Starbucks Coffee, Trader Joe's, ConAgra, and Walmart, for example, developed entirely new grocery product categories and retailing concepts. Starbucks, when entering the Chinese market, decided not to threaten China's tea-drinking culture and, instead, introduced drinks with green tea along with a chic restaurant interior that made young Chinese feel "cool and trendy."[14] GrubHub Seamless, an online takeout and delivery company, serves customers armed with cell phones and delivery apps, delivering pizzas and other foods anywhere they want—at the gym, in the park, on the playground.[15] Vending machines are now serving everything from salads to smoothies to caviar, and supermarkets are experimenting with personalized pricing, using complex shopping data to ascertain the unique needs of individual customers.[16]

3. Developing a Sustainable Competitive Advantage   Strategic management can provide a sustainable *competitive advantage*, which, you'll recall (from Chapter 1), is the ability of an organization to produce goods or services more effectively than its competitors do, thereby outperforming them. We discuss the manner in which companies create competitive advantage more thoroughly in Chapter 6. You will learn that companies must have products or services that are valuable, rare, and non-imitable, and an organization poised to exploit its strengths. In today's global marketplace, competitive advantage can vary across countries. Uber is a good example.

Uber definitely had, and still has, competitive advantage when it comes to ride sharing in the U.S. It's a different story when it comes to Africa. A start-up called Taxify created its own competitive advantage by being the first company to offer motorbike-hailing. Motorbikes, which are called boda bodas, were a hit because they were more nimble when traveling through congested streets and communities. Taxify's success is clearly linked to its ability to localize it product offerings more quickly than larger firms like Uber. It also gained competitive advantage by paying drivers with mobile money, "a technology popular in Uganda and other emerging economies because it allows people to receive and immediately store funds using a mobile phone."[17] ●

5.2 Fundamentals of Planning

THE BIG PICTURE

Planning consists of translating an organization's mission and vision into objectives. The organization's purpose is expressed as a mission statement, and what it becomes is expressed as a vision statement; both should represent the organization's values, expressed in a values statement. From these are derived strategic planning, then tactical planning, then operational planning.

LO 5-2

Compare mission, vision, and value statements.

Are you hopeful? That's a good thing. Students who have more hope reportedly have higher grades and are more apt to finish college.

"Hope is the belief that the future will be better than the present," says columnist Elizabeth Bernstein, "and that you have some power to make it so." People who are hopeful "don't just have a goal or a wish, they have a strategy to achieve it and the motivation to implement their plan."[18]

First, however, you must determine your "goal or wish"—that is, your purpose. An organization must determine its purpose, too—what's known as its *mission*. And managers must have an idea of where they want the organization to go—the *vision*. Both mission and vision should express the organization's *values*. The approach to planning can be summarized in the diagram below, which shows how an organization's mission becomes translated into action plans. *(See Figure 5.2.)*

FIGURE 5.2

Making plans

An organization's reason for being is expressed in a *mission statement*. What the organization wishes to become is expressed in a *vision statement*. The values the organization wishes to emphasize are expressed in a *values statement*. From these are derived *strategic planning*, then *tactical planning*, and finally *operational planning*. The purpose of each kind of planning is to specify *goals* and *action plans* that ultimately pave the way toward achieving an organization's vision.

Mission statement: "What is our reason for being?"

Vision statement: "What do we want to become?"

Values statement: "What values do we want to emphasize?"

Strategic planning: Done by top managers for the next 1–5 years

Tactical planning: Done by middle managers for the next 6–24 months

Operational planning: Done by first-line managers for the next 1–52 weeks

Goals → Action plans

Goals → Action plans

Goals → Action plans

Mission, Vision, and Values Statements

The planning process begins with three attributes: a mission statement (which answers the question "What is our reason for being?"), a vision statement (which answers the question "What do we want to become?"), and a values statement (which answers the question "What values do we want to emphasize?"). *(See Table 5.1.)*

TABLE 5.1   Mission, Vision, and Values Statements

MISSION STATEMENTS: DOES YOUR COMPANY'S MISSION STATEMENT ANSWER THESE QUESTIONS?

1. Who are our customers?
2. What are our major products or services?
3. In what geographical areas do we compete?
4. What is our basic technology?
5. What is our commitment to economic objectives?
6. What are our basic beliefs, values, aspirations, and philosophical priorities?
7. What are our major strengths and competitive advantages?
8. What are our public responsibilities, and what image do we wish to project?
9. What is our attitude toward our employees?

VISION STATEMENTS: DOES YOUR COMPANY'S VISION STATEMENT ANSWER "YES" TO THESE QUESTIONS?

1. Is it appropriate for the organization and for the times?
2. Does it set standards of excellence and reflect high ideals?
3. Does it clarify purpose and direction?
4. Does it inspire enthusiasm and encourage commitment?
5. Is it well articulated and easily understood?
6. Does it reflect the uniqueness of the organization, its distinctive competence, what it stands for, what it's able to achieve?
7. Is it ambitious?

VALUES STATEMENTS: DOES YOUR COMPANY'S VALUES STATEMENT ANSWER "YES" TO THESE QUESTIONS?

1. Does it express the company's distinctiveness, its view of the world?
2. Is it intended to guide all the organization's actions, including how you treat employees, customers, etc.?
3. Is it tough, serving as the foundation on which difficult company decisions can be made?
4. Will it be unchanging, as valid 100 years from now as it is today?
5. Does it reflect the beliefs of those who truly care about the organization—the founders, CEO, and top executives—rather than represent a consensus of all employees?
6. Are the values expressed in the statement limited (five or so) and easy to remember, so that employees will have them top-of-mind when making decisions?
7. Would you want the organization to continue to hold these values, even if at some point they become a competitive disadvantage?

Sources: B. Nanus, Visionary Leadership: Creating a Compelling Sense of Direction for Your Organization *(San Francisco: Jossey-Bass, 1992), pp. 28–29; "How to Write a Vision Statement," Cleverism, March 2, 2017, https://www.cleverism.com/write-vision-statement; P. M. Lencioni, "Make Your Values Mean Something," Harvard Business Review, July 2002, pp. 113–117; and A Loehr, "6 Steps to Defining Your Organizational Values," Rework, March 7, 2016, https://www.cornerstoneondemand.com/rework/6-steps-defining-your-organizational-values.*

The Mission Statement—"What Is Our Reason for Being?"

An organization's **mission** is its purpose or reason for being. Determining the mission is the responsibility of top management and the board of directors. It is up to them to formulate a **mission statement**, which expresses the purpose of the organization.

"Only a clear definition of the mission and purpose of the organization makes possible clear and realistic . . . objectives," said Peter Drucker.[19] Whether the organization is for-profit or nonprofit, the mission statement identifies the goods or services the organization provides and will provide. Sometimes it also gives the reasons for providing them (to make a profit or to achieve humanitarian goals, for example).

The Vision Statement—"What Do We Want to Become?"

A **vision** is a long-term goal describing "what" an organization wants to become. It is a clear sense of the future and the actions needed to get there. "[A] vision should describe what's happening to the world you compete in and what you want to do about it," says one *Fortune* article. "It should guide decisions."[20]

After formulating a mission statement, top managers need to develop a **vision statement**, which expresses what the organization should become, where it wants to go strategically.

©heromen30/Shutterstock

EXAMPLE   Mission, Vision, and Values at Coca-Cola

With 500 brands, 21 of which are worth more than $1 billion dollars each, Coca-Cola is the world's largest beverage company. Consumers in nearly every country in the world consume a Coca-Cola–branded beverage every day, for a total of almost 2 billion servings. Headquartered in Atlanta, the company is more than 130 years old. It employs about 700,000 people worldwide and has received a 100% rating on the Human Rights Campaign's corporate equality index for 11 years in a row. Some of its best-known brands are Coke, Coke Zero, Powerade, Schweppes, Dasani, Minute Maid, Fanta, Sprite, Vitamin Water, and Smart Water. Many of its beverages are available in low-calorie or no-calorie versions.[21]

The company's website lists its mission, vision, and values, which comprise its "Roadmap for winning," as follows.

Our Mission[22]

Our Roadmap starts with our mission, which is enduring. It declares our purpose as a company and serves as the standard against which we weigh our actions and decisions.

- To refresh the world . . .
- To inspire moments of optimism and happiness . . .
- To create value and make a difference.

Our Vision

Our vision serves as the framework for our Roadmap and guides every aspect of our business by describing what we need to accomplish in order to continue achieving sustainable, quality growth.

- **People:** Be a great place to work where people are inspired to be the best they can be.
- **Portfolio:** Bring to the world a portfolio of quality beverage brands that anticipate and satisfy people's desires and needs.
- **Partners:** Nurture a winning network of customers and suppliers, together we create mutual, enduring value.
- **Planet:** Be a responsible citizen that makes a difference by helping build and support sustainable communities.
- **Profit:** Maximize long-term return to shareowners while being mindful of our overall responsibilities.
- **Productivity:** Be a highly effective, lean and fast-moving organization.

Live Our Values

Our values serve as a compass for our actions and describe how we behave in the world.

- **Leadership:** The courage to shape a better future
- **Collaboration:** Leverage collective genius
- **Integrity:** Be real
- **Accountability:** If it is to be, it's up to me
- **Passion:** Committed in heart and mind
- **Diversity:** As inclusive as our brands
- **Quality:** What we do, we do well

YOUR CALL

What do you think of Coca-Cola's mission, vision, and values? Are they explicit enough to guide employee behavior and company actions? Why or why not? Could any of them apply equally well to other businesses? Why or why not?

The concept of a vision statement also is important for individuals. Harvard professor Clayton Christensen believes that creating a personal life vision statement is akin to developing a strategy for your life. He finds that people are happier and lead more meaningful lives when they are directed by personal vision statements.[23] Do you have a vision for your future career? Is it vague or specific? The following self-assessment was created to help you evaluate the quality of your career vision and plan.

SELF-ASSESSMENT 5.1 CAREER READINESS

Assessing Career Behaviors and Future Career Identity

This self-assessment is designed to help you reflect on the vision of your career identity. Please be prepared to answer these questions if your instructor has assigned Self-Assessment 5.1 in Connect.

1. What did you learn about your future career identity? Are you surprised by the results?

2. Write a personal mission and vision statement using ideas discussed in this section. Share it with a friend for feedback.

3. Based on your results, what might you do to enhance your future career identity? Explain.

4. What things can you say during an interview to demonstrate that you possess the career-readiness competency of *Career Management*.

The Values Statement—"What Values Do We Want to Emphasize?"

Values, we said in Chapter 3, are the relatively permanent and deeply held underlying beliefs and attitudes that help determine a person's behavior: integrity, dedication, teamwork, excellence, compassion, or whatever. Values reflect the qualities that represent an organization's deeply held beliefs, highest priorities, and core guiding principles.

After formulating a vision statement, then, top managers need to develop a **values statement**, also called a *core values statement*, which expresses what the company stands for, its core priorities, the values its employees embody, and what its products contribute to the world.[24] Values statements "become the deeply ingrained principle and fabric that guide employee behavior and company decisions and actions—the behaviors the company and employees expect of themselves," says former executive Eric Jacobsen. "Without a statement, the company will lack soul."[25]

Are you a gamer? Have you played "World of Warcraft"? If yes, then you will appreciate the values that guide Blizzard Entertainment's operations. Headquartered in Irvine, California, the company is a top developer and publisher of wildly popular

entertainment software, including the *Warcraft*, *StarCraft*, and *Diablo* series and the online-gaming service Battle.net. Its eight core values, described on the company website, are: Gameplay first, commit to quality, be nice—play fair, embrace your inner geek, every voice matters, think globally, lead responsibly, and learn and grow. These are unique values and they define what matters most to the company. Would you like to work at Blizzard?

Three Types of Planning for Three Levels of Management: Strategic, Tactical, and Operational

Inspiring, clearly stated mission statements and vision statements provide the focal point of the entire planning process. Then three things happen:

- ■ *Strategic planning by top management.* Using their mission and vision statements, top managers do **strategic planning**—they determine what the organization's long-term goals should be for the next one to five years with the resources they expect to have available. "Strategic planning requires visionary and directional thinking," says one authority.[26] It should communicate not only general goals about growth and profits, but also ways to achieve them. Today, because of the frequency with which world competition and information technology alter marketplace conditions, a company's strategic planning may have to be done closer to every one or two years than every five. Still, at a big company like Boeing or Ford or Amazon, top executives cannot lose sight of long-range, multiyear planning.

A lighthouse is a great metaphor for strategic planning. A lighthouse provides a navigational aid and it warns boats about dangerous or hazardous areas. A strategic plan similarly provide direction to both employees and shareholders. It defines what an organization is trying to achieve and signifies what markets or opportunities are not going to be pursued. ©George Diebold/Blend Images LLC

EXAMPLE   Coca-Cola's Five-Plus Strategies

Coca-Cola recently announced progress made on five strategic actions it has taken to revamp its business:[27]

1. **Focused on driving revenue and profit growth.** In emerging markets, the focus was on increasing volume with affordable products, and in developed markets that meant improving profitability with more small and premium packages.

2. **Invested in our brands and business.** More and better marketing was the goal of this strategy, which meant a boost of more than $250 million in the company's media ad budget.

3. **Became more efficient.** "Zero-based work" assumes that organizational budgets begin at zero and must be justified every year. One result of adopting this budgeting strategy was realizing "more than $600 million in productivity improvements in 2015," some of which was reinvested in the company and some of which went to shareholders.

4. **Simplified our company.** Coca-Cola eliminated one layer of management, streamlined some internal business processes, and connected its regional operations more closely to headquarters.

5. **Refocused on our core business model.** Among the company's more than 500 brands are 20 that generate more than a billion dollars a year. To retain focus on these core products, the company has begun franchising out the 18% of its bottling operations that it still handled itself, aiming to reduce that amount to 3%.

A year later, in 2017, the company added a sixth strategy for "our way forward":[28]

6. **Keep people at the heart of our company.** This means rethinking package sizes in all the company's markets and more heavily promoting low- and no-sugar drinks in order to reduce sugar intake and help the global fight against obesity.

YOUR CALL

Does it surprise you that a large company like Coca-Cola would frequently revisit and revise its strategic plans? Why or why not? Which of the first five goals listed here do you think best support(s) goal 6?

- *Tactical planning by middle management.* The strategic priorities and policies are then passed down to middle managers, who must do **tactical planning**—that is, they determine what contributions their departments or similar work units can make with their given resources during the next 6–24 months.

- *Operational planning by first-line management.* Middle managers then pass these plans along to first-line managers to do **operational planning**—that is, they determine how to accomplish specific tasks with available resources within the next 1–52 weeks.

I Wish My Manager...
...and I put more effort into operational planning.

Courtesy Josephine Schulte

Josephine Schulte works as a procurement manager for a telecommunications company. The company had to change its process for onboarding vendors after acquiring another company. The company hit a lot of road bumps because of poor **operational planning** while rolling out the new process.

"There has been a lot of change management around what the process is to get vendors on board and bring them onsite," said Josephine, "I wish we would have planned better up front in terms of the process of getting the correct information in front of the people who needed it so they could understand what needed to happen and the timeline involved with getting a vendor on board."

The new process for onboarding vendors involves making sure the vendors have contracts in place if they need one and routing those contracts for signatures and internal approval. What the company did to implement the training of this new process was to schedule a few training sessions with managers from each business unit.

"We rolled the process out to a group of people with the intent that they would push it down through their business

units, but it is hard to get that to happen," said Josephine. Each business unit had its own unique questions as to how the process would work for its specific groups. This made it difficult to present the same training to one group of representatives to relay back to each business unit.

"We are very decentralized, so it was hard to figure out who to talk to about rolling the process out. We originally spoke to the facilities directors, but there wasn't a good way for them to send the information out to the business units in their regions. Essentially, we presented this to about 12 people in a company of 100,000 employees—and of course, not every person needs to know about this process, but there are quite a few that do, and they are all in different business units in different locations throughout the country," said Josephine.

One of the biggest hurdles the company had was making sure that all necessary employees were caught in the initial training so they did not have to go back later and train some employees on an individual basis. This would save time and money.

In hindsight, Josephine had several suggestions for what the company could have done better when rolling this process out to the employees. "I would have sent a step-by-step slide deck out to the employees right away," said Josephine. "I would have gotten as many people as possible across the business units and company to attend those virtual trainings. A recorded webinar would have been the best move up front because we were saying the same thing in every training session and it would have saved a lot of time to record one session."

Josephine admits that the process could have been much smoother if only more planning had gone into the training and implementation of the new system before rolling it out.

The three kinds of managers are described further in the following figure. *(See Figure 5.3.)* ●

FIGURE 5.3

Three levels of management, three types of planning

Each type of planning has different time horizons, although the times overlap because the plans are somewhat elastic.

Top management chief executive officer, president, vice president, general managers, division heads	Strategic planning: 1–5 years	Make long-term decisions about overall direction of organization. Managers need to pay attention to environment outside the organization, be future oriented, deal with uncertain and highly competitive conditions.
Middle management functional managers, product-line managers, department managers	Tactical planning: 6–24 months	Implement policies and plans of top management, supervise and coordinate activities of first-line managers below, make decisions often without base of clearly defined information procedures.
First-line management unit managers, team leaders, first-line supervisors	Operational planning: 1–52 weeks	Direct daily tasks of nonmanagerial personnel; decisions often predictable, following well-defined set of routine procedures.

5.3 Goals and Plans

THE BIG PICTURE

The purpose of planning is to set a goal and then an action plan. There are two types of goals, short-term and long-term, and they are connected by a means-end chain. Types of plans include standing and single-use plans.

Whatever its type—long term or short term—the purpose of planning is to set a *goal* and then to formulate an *action plan.*

Long-Term and Short-Term Goals

A **goal**, also known as an **objective**, is a specific commitment to achieve a measurable result within a stated period of time. Goals may be long-term or short-term.

Long-term goals are generally referred to as **strategic goals**. They tend to span one to five years and focus on achieving the strategies identified in a company's strategic plan. An example is to increase revenue from new customers by 10% over the next 12 months.

Short-term goals are sometimes referred to as *tactical* or *operational goals*, or just plain *goals*. They generally span **12 months and are connected to strategic goals in a hier-archy known as a means-end chain.**

A **means-end chain** shows how goals are connected or linked across an organization. For example, a low-level goal such as responding to customer inquiries in less than 24 hours is the means to accomplishing a higher-level goal of achieving 90% customer satisfaction.

As we will see later in Section 5.4, goals should be SMART—specific, measurable, attainable, results-oriented, and with target dates.

The Operating Plan and Action Plan

Larry Bossidy, former CEO of both Honeywell International and Allied Signal, and global consultant Ram Charan define an **operating plan** as a plan that **"breaks long-term output into short-term targets" or goals.**[29] In other words, operating plans turn strategic plans into actionable short-term goals and action plans.

An **action plan** **defines the course of action needed to achieve a stated goal.** Whether the goal is long-term or short-term, action plans outline the tactics that will be used to achieve a goal. Each tactic also contains a projected date for completing the desired activities (read about Amanda Lawrence's experience in the I'm Glad . . . feature).

LO 5-3

Discuss the types and purposes of goals and plans.

I'm Glad I...

...developed an action plan.

Amanda Lawrence served as the president of a nonprofit orga-nization for women in business. She was in charge of planning a first annual fundraising event for her organization, and the action plan that she developed resulted in a successful event that has been running for almost 10 years.

Amanda began by looking at the big picture to get a better idea of the long-term goal of the project. Once she had long-term goals in place, she was able to develop action plans and begin delegating tasks to others based on their skillsets.

"Planning was integral for an event that had never been done before. I had to start with the big picture of what the goals and objectives of the event were, and then figure out how to reach those goals and determine who was going to take care of each area of the event," said Amanda.

Courtesy Amanda Lawrence

There were several things that Amanda had to think about when organizing the event, from venue and keynote speakers to alternate weather plans.

"We had to find a venue based on how many people we expected would attend an event like this. We had to determine how much we wanted to charge for the tickets—did we want this to be a $20 per ticket event with a cash bar, or did we want this to be a $200 per chair black tie event? We determined we wanted to be somewhere in the middle of the road, about $50 per ticket with a good meal and a keynote speaker who would provide value to the event," said Amanda.

"We also had a rainy day plan. We were in Phoenix, Arizona, so we planned to host the event in April so it would be warm but not too warm, but we still had to consider the possibility of rain. We planned an outdoor, covered dinner with an outdoor, uncovered cocktail hour. We planned for people to have umbrellas to walk the guests from their cars to the venue if it rained," said Amanda. "We talked through all of our contingency plans ahead of time."

Once plans were in place, Amanda began to delegate a person to each area of the event. "I took on the venue and the catering, and then we discussed what each board member's individual strengths were and what they felt they could help the most with," said Amanda. "One of our board members had some experience with selling tickets for another event, so she took on the research to determine what the best way for us to sell tickets would be. We had someone else who felt comfortable approaching some corporate females in the area to build our guest list. We had another person who was a marketer by day, so she handled the marketing calendar."

The event sold out and raised $5,000 for Amanda's organization in the first year alone, and it has been running strong for almost 10 years. The event's success can be attributed to Amanda's strong planning skills.

Courtesy of Amanda Lawrence

EXAMPLE   Long-Term and Short-Term Goals at Southwest Airlines

Ranking No. 8 among *Fortune*'s 2018 Most Admired Companies, a list on which it has appeared for 24 years in a row, Dallas-based Southwest Airlines has continually achieved its strategic goals and as of 2018 had been profitable for 45 consecutive years.[30]

Long-Term Strategic Goals. Employee engagement, customer satisfaction, and profitability have been key strategic goals for Southwest since its inception. Employee engagement is created through the company's corporate culture, which focuses on employee satisfaction and well-being. The page of the company website announcing its vision and mission includes this central statement about its employees: "We are committed to provide our Employees a stable work environment with equal opportunity for learning and personal growth. Creativity and innovation are encouraged for improving the effectiveness of Southwest Airlines. Above all, Employees will be provided the same concern, respect, and caring attitude within the organization that they are expected to share externally with every Southwest Customer."[31] Employees were awarded a total of $543 million in profit sharing in 2017, amounting to more than 5 weeks' pay per person.[32]

The goal of Southwest's top managers is to ensure that the airline is highly profitable, and for years it has followed the general strategy of (a) keeping costs and fares down, to appeal to budget rather than business travelers, (b) offering a superior on-time arrival record and squeezing more flights per day from every plane, and (c) keeping passengers happy with its cheerful cabin crew and staff. One of the most important strategic decisions Southwest made was to fly just one type of airplane—Boeing 737s, 692 of them—to hold down training, maintenance, and operating expenses.[33] Competing head to head with legacy carriers, Southwest now flies to key airports of major cities—and even on international routes, principally to Latin America and the Caribbean.

Lookalikes. One key to the success of Southwest Airlines is that all the planes in its fleet have been the same type, Boeing 737s, which saves on maintenance and training costs. ©Charles Rex Arbogast/AP Images

Short-Term Goals. Cutting costs and keeping fares low have traditionally been key operational goals for Southwest. To achieve its second operational goal, a superior on-time arrival

record, the company did away with guaranteed seat reservations before ticketing so that no-shows wouldn't complicate (and therefore delay) the boarding process. To attract business travelers, Southwest changed the reservations policy slightly to ensure that passengers paying extra for "business select" fares would be placed at the front of the line. It also rewards "high-level" business travelers with what is called the "A-List" designation. These individuals get automatic check-in and are guaranteed to board with the A-group or immediately before the B-group starts boarding. In addition, the airline tries to turn planes around in exactly 20 minutes so that on-time departures are more apt to produce on-time arrivals.

The company plans to improve pre-tax revenue by about $200 million thanks to a new reservation system and to continue reducing operating costs. It recently announced plans to add Hawaii to its many destinations.[34] Said CEO Gary C. Kelly, "Overall, our strong financial performance, solid outlook, healthy balance sheet, and significantly lower federal income taxes, provide the cash flow to continue to reward our Employees, keep our costs and fares low for our Customers, reinvest in our business, return value to our Shareholders, and support our communities."[35]

YOUR CALL

Do you think the company will continue to achieve its strategic goals? Why or why not?

Types of Plans: Standing Plans and Single-Use Plans

Plans are of two types—*standing plans* and *single-use plans. (See Table 5.2.)* Standing plans cover activities that are repeated or occur frequently over time. A standing plan, for example, might direct the way employees in a retail store should handle returns. L.L.Bean recently changed its standing plan on returned items and will now accept them for only one year from purchase rather than indefinitely as it once did. Forever 21, which used to accept returns only for exchange or credit, now has a standing plan that offers refunds[36] for returned items.

A single-use plan directs activity, such as a project, that is unlikely to be repeated. The successful 2018 launch of the Falcon Heavy, the rocket built by entrepreneur Elon Musk's space exploration company SpaceX, was a program consisting of a number of activities[37] and directed by a single-use plan. ●

PLAN	DESCRIPTION
• **Standing plan**	For activities that occur repeatedly over a period of time
• **Policy**	Outlines general response to a designated problem or situation
• **Procedure**	Outlines response to particular problems or circumstances
• **Rule**	Designates specific required action
• **Single-use plan**	For activities not likely to be repeated in the future
• **Program**	Encompasses a range of projects or activities
• **Project**	Has less scope and complexity than a program

TABLE 5.2   Standing Plans and Single-Use Plans

There are three types of standing plans and two types of single-use plans.

5.4 Promoting Consistencies in Goals: SMART Goals, Management by Objectives, and Goal Cascading

THE BIG PICTURE

This section discusses SMART goals—goals that are specific, measurable, attainable, results-oriented, and have target dates. It also briefly discusses a technique for setting goals, management by objectives (MBO), a four-step process for motivating employees. Finally, it introduces the concept of goal cascading, which attempts to ensure that higher-level goals are communicated and aligned with the goals at the next levels down in the organizational hierarchy.

LO 5-4

Describe SMART goals and their implementation.

Anyone can define goals. But as we mentioned earlier, the five characteristics of a good goal are represented by the acronym SMART.

SMART Goals

A **SMART goal** is one that is specific, measurable, attainable, results-oriented, and has target dates.

Specific   Goals should be stated in *specific* rather than vague terms. The goal "As many planes as possible should arrive on time" is too general. The goal that "Ninety percent of planes should arrive within 15 minutes of the scheduled arrival time" is specific.

FIGURE 5.4

Relationship between goal difficulty and performance

Source: Adapted from E. A. Locke and G. P. Latham, A Theory of Goal Setting and Task Performance *(Englewood Cliffs, NJ: Prentice Hall, 1990).*

Performance
A Committed individuals with adequate ability
B Committed individuals who are working at capacity
C Individuals who lack commitment to high goals

Measurable   Whenever possible, goals should be *measurable*, or quantifiable (as in "90% of planes should arrive within 15 minutes"). That is, there should be some way to measure the degree to which a goal has been reached.

Of course, some goals—such as those concerned with improving quality—are not precisely quantifiable. In that case, something on the order of "Improve the quality of customer relations by instituting 10 follow-up telephone calls every week" will do. You can certainly quantify how many follow-up phone calls were made.

Attainable   Goals should be challenging, of course, but above all, they should be realistic and *attainable*. It may be best to set goals that are quite ambitious so as to challenge people to meet high standards. Always, however, the goals should be achievable within the scope of the time, equipment, and financial support available. *(See Figure 5.4.)*

If too easy (as in "half the flights should arrive on time"), goals won't impel people to make much effort. If impossible ("all flights must arrive on time, regardless of weather"), employees won't even bother trying. Or they will try and continually fail, which will end up hurting morale. Or they will cheat. (An example was the unrealistic goal of cutting wait times for appointments by more than half at Veterans Affairs hospitals, as revealed in ongoing scandals in which VA administrators were found to have falsified figures.)[38]

Results-Oriented   Only a few goals should be chosen—say, five for any work unit. And they should be *results-oriented*—they should support the organization's vision.
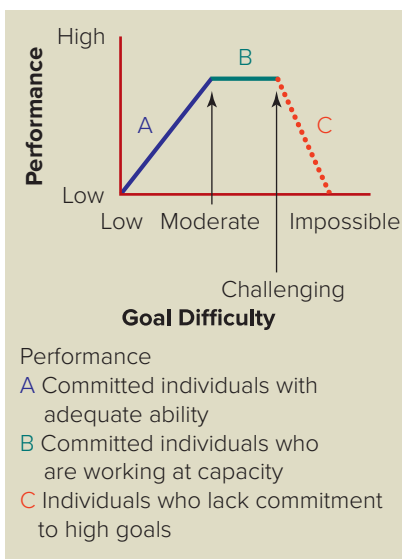
In writing out the goals, start with the word "To" and follow it with action-oriented verbs—"complete," "acquire," "increase" ("to decrease by 10% the time to get passengers settled in their seats before departure").

Some verbs should not be used in your goal statement because they imply activities— the ways used to accomplish goals (such as having baggage handlers waiting). For example, you should not use "to develop," "to conduct," "to implement."

Target Dates   Goals should specify the *target dates* or deadline dates when they are to be attained. For example, it's unrealistic to expect an airline to improve its on-time arrivals by 10% overnight. However, you could set a target date—three to six months away, say—by which this goal is to be achieved. That allows enough time for lower-level managers and employees to revamp their systems and work habits and gives them a clear time frame in which they know what they are expected to do.

EXAMPLE   Setting Goals: Are Snapchat's Goals Clear?[39]

Snapchat's user base grew slowly following its first public offering of stock in early 2017, and investors became concerned that profits might dip. In response, Snapchat's parent company, Snap Inc., announced that the app would be redesigned in order to make it easier for a wider audience to use, with the stated goal of increasing its user base in 2018. The announcement represented a change in the company's main goal, which had been to provide an inviting home for chat and video for people looking for real connections, not to build a platform for billions of users such as Facebook and YouTube have become.

Some observers were doubtful that Snapchat could achieve its new goal with the specific design changes it announced. The plan to essentially lump messages and videos from friends together in a single hub, separate from content produced by publishers, didn't convince everyone that the app would now be easier for new users. CEO Evan Spiegel's explanation seemed off-target to some commentators, too. Spiegel spoke of the dangers of getting news and information from online sources that select from a narrow set of sources. Separating "the social from the media," as the company described it, isn't necessary a bad idea, given the proliferation of fake news in social media, but how would it enlarge the app's user base? Snapchat didn't say.

By the fall of 2017, the company's revenues were still running below expectations, and costs and losses were higher than expected. Snap's stock price seemed stuck at a point below its initial offering price of $17 a share. Five million new users had been added, but analysts had expected 8 million. Investors were thus still unclear what the company's goal was—and how and even whether it would achieve it. When the updated Snapchat was rolled out in February 2018, initial reactions from users were largely negative, especially among younger fans who called the new version "twisted" and "super confusing."[40]

YOUR CALL

Do you think Snapchat's goal was attainable? Was it communicated clearly? What could the company have done better?

Management by Objectives: The Four-Step Process for Motivating Employees

First suggested by **Peter Drucker** in 1954, *management by objectives* has spread largely because of the appeal of its emphasis on converting general objectives into specific ones for all members of an organization.[41]

Management by objectives (MBO) is a four-step process in which (1) managers and employees jointly set objectives for the employee, (2) managers develop action plans, (3) managers and employees periodically review the employee's performance, and (4) the manager makes a performance appraisal and rewards the employee according to results. The purpose of MBO is to *motivate* rather than to control subordinates.

Before we begin discussing these four steps, you may want to consider the quality of the goal-setting process in a current or former employer. Management by objectives and goal cascading will not work without an effective goal setting process. The following self-assessment was developed to provide insight into the quality of goal setting within an organization.

SELF-ASSESSMENT 5.2

What Is the Quality of Goal Setting within a Current or Past Employer?

This self-assessment is designed to assess the quality of goal setting in a company. Please be prepared to answer these questions if your instructor has assigned Self-Assessment 5.2 in Connect.

1. What are the strengths and weaknesses of goal setting in the company you selected?

2. Based on your results, what recommendations would you provide to senior management about improving the goal-setting process in this company? Explain.

3. What actions could you take to improve the goal-setting process in this company? Be specific.

1. Jointly Set Objectives   You sit down with your manager and the two of you jointly set objectives for you to attain. Research shows that an assigned goal from your boss is just as effective as setting goals participatively. Moreover, people tend to set their own personal goals in response to receiving an assigned goal. A team of goal-setting experts noted that "the assignment of a goal encourages individuals to also set a personal performance goal, which in turn contributes to their performance."[42] It is important to remember what we learned about SMART goals. Managers garner greater acceptance to goal setting when employees believe the goal is attainable and they possess the skills and resources to achieve it.[43] Managers tend to set three types of objectives, shown in the following table. *(See Table 5.3.)*

Jointly setting objectives. An important part of MBO is joint manager/subordinate participation in setting objectives. Have you ever held a job that featured this kind of process? ©Chris Ryan/age fotostock

TABLE 5.3   Three Types of Objectives Used in MBO: Performance, Behavioral, and Learning

PERFORMANCE OBJECTIVES
Focus Express the objective as an outcome or end-result. **Examples** "Increase sport utility sales by 10%." "Reduce food spoilage by 15%."

BEHAVIORAL OBJECTIVES
Focus Express the objective as the behaviors needed to achieve an outcome. **Examples** "Greet all potential automobile customers with a smile and offer to assist." "Ensure food is stored in seal-proof containers." "Attend five days of leadership training." "Learn basics of Microsoft Office software by June 1."

LEARNING OBJECTIVES
Focus Express the objective in terms of acquiring knowledge or competencies. **Examples** "Attend sales training class." "Learn how the features in our sports utility vehicles compare to competitors."

Source: These descriptions were based on G. Latham, G. Seijts, and J. Slocum, "The Goal Setting and Goal Orientation Labyrinth: Effective Ways for Increasing Employee Performance," Organizational Dynamics, *October–December 2016, pp. 271–277.*

We want to briefly focus on the career readiness competency of *proactive learning orientation* because it fuels the achievement of learning objectives. Proactive learning orientation represents a desire to learn and improve one's knowledge, soft skills, and other characteristics in pursuit of personal development. Employers value this attitude because it helps drive the creativity and innovation needed in today's global economy. They also desire this competency because the "fast-paced business environment requires employees to refine and enhance their skills sets throughout their careers."[44] So where do you stand on this competency? Find out by taking the proactive learning orientation self-assessment.

SELF-ASSESSMENT 5.3   CAREER READINESS

Do I Have a Proactive Learning Orientation?

This self-assessment is designed to assess the extent to which you possess a proactive learning orientation. Please be prepared to answer these questions if your instructor has assigned Self-Assessment 5.3 in Connect.

1. What is your level of learning orientation? How might it affect a recruiter's perception of your employability?

2. Based on your results, what might you do to increase the career readiness competency of *proactive learning orientation*? Explain.

3. What things might you say during an interview to demonstrate that you possess this career readiness competency?

2. Develop Action Plan   Once objectives are set, employees are encouraged to prepare an action plan for attaining them. Action plans may be prepared for both individuals and work units, such as departments. For example, teams of employees at Tornier, a medical device manufacturer in Amsterdam, meet every 45, 60, and 90 days to create action plans for completing their goals. Implementation of the plans can take between six and 18 months depending on the complexity of the goal.[45] Setting and using action plans also reduces procrastination. If this is sometimes a problem for you, break your goals into smaller and more specific subgoals.[46] This will get you going.

3. Periodically Review Performance   You and your manager should meet reasonably often—either informally as needed or formally every three months—to review progress, as should you and your subordinates. Indeed, frequent communication is necessary so that everyone will know how well he or she is doing in meeting the objectives.

During each meeting, managers should give employees feedback, and objectives should be updated or revised as necessary to reflect new realities. Feedback is essential for improving performance.[47] If you were managing a painting or landscaping business, for example, changes in the weather, loss of key employees, or a financial downturn affecting customer spending could force you to reconsider your objectives.

4. Give Performance Appraisal and Rewards, If Any   At the end of 6 or 12 months, you and your subordinate should meet to discuss results, comparing performance with initial objectives. *Deal with results*, not personalities, emotional issues, or excuses.

Because the purpose of MBO is to *motivate* employees, performance that meets the objectives should be rewarded—with compliments, raises, bonuses, promotions, or other suitable benefits. Failure can be addressed by redefining the objectives for the next 6- or 12-month period, or even by taking stronger measures, such as demotion. Basically, however, MBO is viewed as being a learning process. After step 4, the MBO cycle begins anew.

A good performance appraisal is like kicking a field goal. It feels good, is rewarding, and fosters continued motivation. Have you had good and bad reviews? What makes a performance review effective versus ineffective?
©Steven Puetzer/Getty Images

Cascading Goals: Making Lower-Level Goals Align with Top Goals

For goal setting to be successful, the following three things have to happen.

1. Top Management and Middle Management Must Be Committed   "When top-management commitment [to MBO] was high," said one review, "the average gain in productivity was 56%. When commitment was low, the average gain in productivity was only 6%."[48]

2. The Goals Must Be Applied Organizationwide   The goal-setting program has to be put in place throughout the entire organization. That is, it cannot be applied in just some divisions and departments; it has to be done in all of them.

3. Goals Must "Cascade"—Be Linked Consistently Down through the Organization   Cascading goals is the process of ensuring that the strategic goals set at the top level align, or "cascade," downward with more specific short-term goals at lower levels within an organization, including employees' objectives and activities. Top managers set *strategic goals*, which are translated into *divisional goals*, which are translated into *departmental goals*, which are translated into *individual goals*. The cascading process ends when all individuals have a set of goals that support the overall strategic goals. This process helps employees understand how their work contributes to overall corporate success.

Example: The Vice President of the Claims Division of an automobile insurance company, which pays off requests (or claims) by customers seeking insurance payments to repair damage to their cars, may set the major goal (and SMART goal) of "increase customer satisfaction in Claims Division by 10%." In the cascading goals process, the same goal would be embraced by the Assistant Vice President of Claims and the Recovery Director beneath him or her. Further down the hierarchy, the Recovery Unit Manager would reword the goal to be more specific: "Decrease the number of customer complaints about claims by 10% over last year's average." For the individual Recovery Analyst at the lowest level, the goal could become: "Return all customer phone calls

about claims within 24 hours."[49] Thus, all the subgoals in the organization are in alignment with the major goal of top management.

The Importance of Deadlines

There's no question that college is a pressure cooker for many students. The reason, of course, is the seemingly never-ending deadlines. But consider: Would you do all the course work you're doing—and realize the education you're getting—if you *didn't* have deadlines?

As we saw under the "T" (for "has target dates") in SMART goals, deadlines are as essential to goal setting in business as they are to your college career. Because the whole purpose of planning and goals is to deliver to a client specified results within a specified period of time, deadlines become a great motivator, both for you and for the people working for you.

It's possible, of course, to let deadlines mislead you into focusing too much on immediate results and thereby ignoring overall planning—just as students will focus too much on preparing for a test in one course while neglecting others. In general, however, deadlines can help you keep your eye on the "big picture" while simultaneously paying attention to the details that will help you realize the big picture. Deadlines can help concentrate the mind, so that you make quick decisions rather than put them off. Deadlines help you ignore extraneous matters (such as cleaning up a messy desk) in favor of focusing on what's important—realizing the goals on time and on budget. Deadlines provide a mechanism for giving ourselves feedback. ●

PRACTICAL ACTION   Setting Goals for a Small Business

Goal setting can seem like an intimidating process, but it's both a necessary and a helpful one for the millions of small businesses in the United States. These firms, officially defined as having 500 or fewer employees, produce almost half of U.S. non-farm GDP and two-thirds of the nation's new private-sector jobs.[50] What are some typical goal-setting steps for a small business?[51]

1. Break large goals down into smaller ones.
   Anita-Maria Quillen is the owner and manager of Diversified Engineering & Plastics (DER), a profitable auto parts manufacturer with 78 employees in Jackson, MI. She hopes to keep her small business profitable despite a recent drop in U.S. auto sales that will eventually affect sales of her company's mirror brackets, pistons, and window frames as car makers seek to cut their costs. Quillen is firmly focused on her bottom line; one of her business practices is to break her annual profit goal into monthly sales goals.

2. Track progress toward goals.
   DER tracks sales monthly sales and recently posted its most profitable month in several years.

3. Keep the goal in sight.
   One of Quillen's goals is to increase her personal contacts in the industry in order to drive orders to the firm. "I need to be out meeting people, establishing those

relationships, getting those potential work opportunities in the door," she said. She recently attended a business fair in Dearborn in order to meet buyers from potential customer firms like Fiat Chrysler and Toyota.

4. Accept that setbacks will come.
   Quillen sometimes meets with potential customers over the phone to pitch her company's products. One recent phone meeting was a disappointment; DER had presented a prototype of a new product, but the customer said her company would have to bid the order out to other suppliers before making a purchase. Because DER had invested money in developing its product, Quillen feared her price would be undercut in the bidding process.

5. Celebrate success.
   On learning her company had posted its most profitable month in several years, Quillen celebrated with a toast shared with company executives. Then it was back to work.

YOUR CALL

What major goal of your own have you broken into smaller parts? If you have never done this, for what future goal do you think it would be an effective strategy for you?

5.5 The Planning/Control Cycle

THE BIG PICTURE

The four-step planning/control cycle helps you keep in control, to make sure you're headed in the right direction.

LO 5-5

Outline the planning/control cycle.

Once you've made plans, how do you stay in control to make sure you're headed in the right direction? Actually, there is a continuous feedback loop known as the planning/control cycle. (The "organizing" and "leading" steps within the Planning–Organizing–Leading–Controlling sequence are implied here.) **The planning/control cycle has two planning steps (1 and 2) and two control steps (3 and 4), as follows: (1) Make the plan. (2) Carry out the plan. (3) Control the direction by comparing results with the plan. (4) Control the direction by taking corrective action in two ways—namely, by (a) correcting deviations in the plan being carried out or (b) improving future plans.** *(See Figure 5.5.)* (We will see this model echoed later in Chapter 16 in the discussion of the Plan-Do-Check-Act cycle.)

The planning/control cycle loop exists for each level of planning—strategic, tactical, and operational. The corrective action in step 4 of the cycle (a) can get a project back on track before it's too late or (b) if it's too late, can provide data for improving future plans. ●

FIGURE 5.5

The planning/control cycle

This describes a constant feedback loop designed to ensure plans stay headed in the right direction.

Source: Robert Kreitner, Management, *8th edition.*
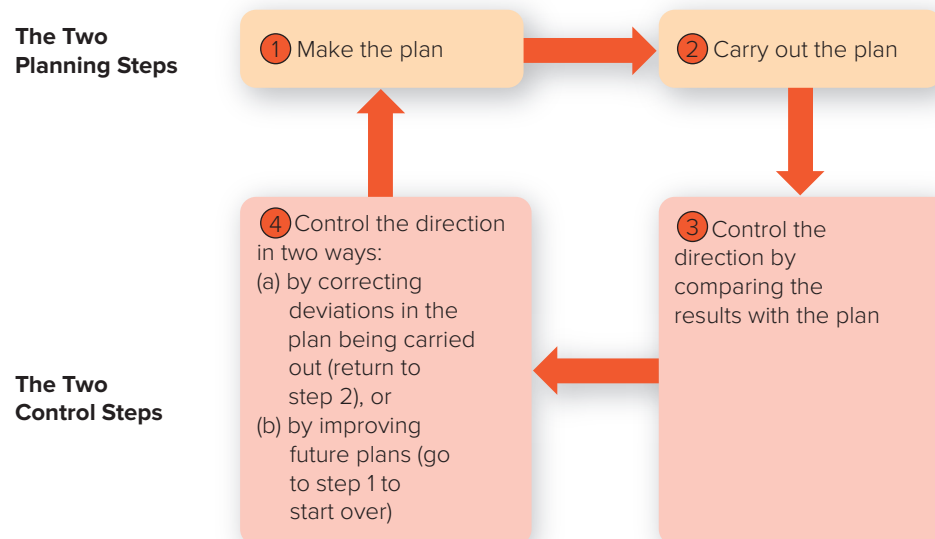
EXAMPLE   The Planning/Control Cycle: Tesla's Long-Awaited Model 3

By early 2018, Tesla's Model 3, the electric-car company's long anticipated, more affordable new vehicle (whose price begins at $35,000) had missed its announced production goals at least twice. In the summer of 2017, the company had promised to make 20,000 Model 3 vehicles by December, but it actually made fewer than 300 during that year's third quarter, and orders placed at that time were not expected to be filled until the middle of 2018, a projection that was later pushed back to "late 2018 or early 2019." The date by which the company would achieve its forecasted production run of 5,000 cars a week was also moved, from the end of 2017 to the end of the second quarter of 2018, with the expectation that in the first quarter only 2,500 cars a week would come off the assembly line. According to Tesla, the change to a slower ramp-up was meant "to focus on quality and efficiency rather than simply pushing for the highest possible volume in the shortest period of time."[52]

"Production bottlenecks" were blamed for these disappointing results, along with the fact that some production systems were not running as quickly as the company had planned. The assembly line was less fully automated than Tesla had wanted, for example, with human workers filling the gaps. The company plans to make production as fully automated as possible but hasn't yet achieved that goal. Battery production has also been slower than hoped, after Tesla was forced to bring it back in house when outside suppliers failed to deliver. The company addressed that problem by creating automatic assembly lines for its batteries. But these lines were built in Germany, so they needed to be disassembled and shipped to the

The Tesla model 3 has experienced tremendous production and logistics problems. One cause is that the company does not have the ability to custom-build the cars in a timely fashion to meet customer demand. This demand is partly driven by the car's features and a competitive price of roughly $49,000. CEO Elon Musk has totally immersed himself in the production process in order to improve the planning/control process. ©Salwan Georges/The Washington Post/Getty Images

United States to be put back together again, which apparently had still not happened by early 2018. "We view the 2,500 target in March, in particular, as extremely aggressive due to management's acknowledgment of needing to get the robotic equipment in Germany disassembled, shipped to the US, and then reassembled and programmed in order to hit roughly 2,000 to 2,500 units per week,"[53] said one market analyst.

Tesla's CEO Elon Musk said he was confident that the difference between projections and reality was "getting smaller with each passing week." But in the fourth quarter of 2017, only 2,425 units were made, and only 1,550 were delivered to customers (leaving almost 300,000 people still waiting for their cars).[54] But almost 800 of those fourth-quarter cars had rolled off the line in a mere seven days, leading some to hope that Tesla had begun producing faster than its newly conservative projections suggested. One possible reason was the company's decision to pull workers off the production of two of the company's other cars and assign them to the Model 3. "The whole team is on it, we've got it covered, it's just going to take us a few months longer than expected," Musk said.[55]

YOUR CALL

Some analysts believe Tesla would have been better off announcing less ambitious production plans for the Model 3 in the first place. Are they right? Do you think the company is doing a good job of making and controlling its paces for the Model 3? Why or why not?

5.6 Career Corner: Managing Your Career Readiness

Describe how to develop the career readiness competency of *proactive learning orientation*.

Planning is not one of the career readiness competencies associated with the model shown below. *(See Figure 5.6.)* The reason is not that employers don't value planning skills. Rather, it's the fact that other Career Readiness competencies are foundational to good planning. The soft skill of critical thinking/problem solving is a prime example.

The competency of *critical thinking/problem solving* is defined as sound reasoning to analyze situations, make decisions, and solve problems. These are all critical activities associated with planning and require the ability to obtain, interpret, and analyze both qualitative and quantitative information. In turn, this competency is driven by another career readiness competency: *proactive learning orientation*. Let's consider the link between planning, critical thinking, and proactive learning in more detail.

Critical thinkers don't make quick or rash decisions during the planning process. Instead, they consider alternative solutions to problems and remain open-minded. They remain open-minded by obtaining and considering a wide range of information before making a judgment. This is precisely what happens when someone has a proactive learning orientation. Proactive learners seek information and knowledge so that they expand their knowledge base, which makes them more effective planners. The point is that good planning requires critical thinking, which in turn requires a proactive learning orientation. This process ultimately results in expanding the career readiness competency of *task-based/functional* knowledge.

Effective planning requires you to be a proactive learner in areas beyond the technicalities of your profession. It also applies to two additional career readiness competencies: *understanding the business* and *networking*. Organizations want all of us to stay abreast of what is happening in the industries and markets in which we work. Doing so enables us to consider a wider bandwidth of information when planning. For example, staying current about trends in higher education enables us as authors to do a better job in planning the revisions of this product. We also find that many people fail to keep their social and professional networks up to date over time. This is a mistake! Failing to proactively maintain such networks means that we are losing contacts and valuable information that can aid the planning process and our career progression. As authors, for instance, we rely on our social networks to get feedback about what students and educational institutions are looking for in a textbook. As you can see, effective planning is grounded in information that comes from staying current about events within the industry in which we work and with people in our social networks.

FIGURE 5.6

Model of Career Readiness

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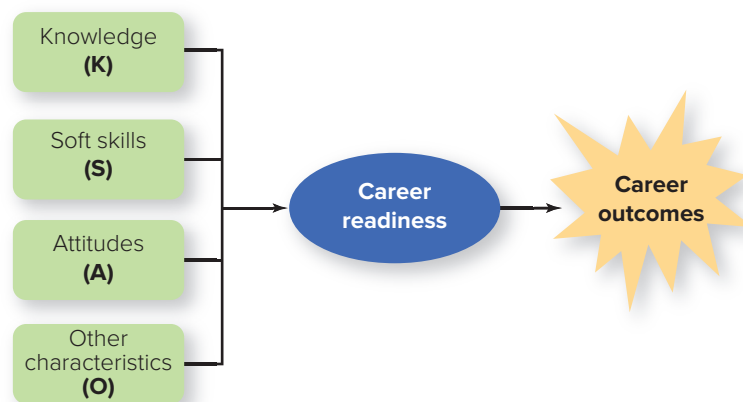
Becoming More Proactive

Being "intentionally proactive" is the first step to becoming a proactive learner. "Being proactive means relying on your own choices instead of luck and circumstances. It's about controlling the situation rather than simply waiting for the outcomes," said one business writer.[56] Lina Tinsley, a brand manager at MARS, put this recommendation into practice. "I give my 100 percent every day and I'm committed to be intentional in all I do. For me, work is an opportunity to live my purpose and bring my best, to deliver consistent results, and to positively influence the people around me," she said.[57] You can put Lina's beliefs into practice by following four key recommendations:[58]

1. Focus on solutions rather than problems.
2. Take initiative and rely on yourself.
3. Set realistic goals and don't overpromise.
4. Participate and contribute to personal and professional conversations.

Keeping an Open Mind and Suspending Judgment

Keeping an open mind and suspending judgment are essential for developing a proactive learning orientation. This exercise was designed to assist you in this pursuit. Focus on your school work or a current job to practice the technique. You can repeat this process in the future whenever you desire to be open-minded.[59]

- **Step 1** Make a list of your current tasks, projects, or commitments at school or work.
- **Step 2** For each task listed in step one, identify the key moments it would be important to be open-minded and suspend judgment.
- **Step 3** For each of these moments, think of how you might apply the four key skills of being open minded:[60]

    1. Question your beliefs. Many of us make decisions based on false beliefs and assumptions. You can check yourself by asking: What specific evidence supports my view? Is my knowledge based on facts or my experience? Why am I arguing with others who have more experience and knowledge? Am I offering an opinion or being opinionated? Based on answers to these questions, you can either proceed in the discussion or take a step back and allow your mind to take in new information.
    2. Pause and seek feedback. Observe how others respond to your opinions and recommendations. Don't be married to a perspective. If the goal of a discussion is to conduct better planning and make better decisions, then it does not matter whether people agree or disagree with your views. Your goal is to arrive at better decisions and help people to grow.
    3. Watch for communication blocks. Be aware of words, concepts, or communication styles that elicit emotional responses from you and others. Emotionality leads to defensiveness and the blocking of listening. Be aware of your emotions when talking with others.
    4. Check the accuracy of your past judgments and predictions. If your judgments and predictions have been wrong, consider the reasons and adjust in the future. ●

Key Terms Used in This Chapter

Key Points

5.1 Planning and Strategy

• Planning is defined as setting goals and deciding how to achieve them. It is also defined as coping with uncertainty by formulating future courses of action to achieve specified results.

• A plan is a document that outlines how goals are going to be met. One important type of plan is a business plan, a document that outlines a proposed firm's goals, the strategy for achieving them, and the standards for measuring success. The business plan describes the business model, which outlines the need the firm will fill, the operations of the business, its components and functions, as well as the expected revenues and expenses.

• A strategy, or strategic plan, sets the long-term goals and direction for an organization.

• Strategic management is a process that involves managers from all parts of the organization in the formulation and implementation of strategies and strategic goals.

• An organization should adopt planning and strategic management for three reasons: They can (1) provide direction and momentum, (2) encourage new ideas, and above all (3) develop a sustainable competitive advantage.

5.2 Fundamentals of Planning

• An organization's reason for being is expressed in a mission statement.

• A vision is a long-term goal describing "what" an organization wants to become. It is a clear sense of the future and the actions needed to get there. A vision statement expresses what the organization should become, where it wants to go strategically.

• Both mission and vision should express the organization's values. A values statement, or core values statement, expresses what the company stands for, its core priorities, the values its employees embody, and what its products contribute to the world.

• From these are derived strategic planning, then tactical planning, then operational planning. In strategic planning, managers determine what the organization's long-term goals should be for the next 1–5 years with the resources they expect to have available. In tactical planning, managers determine what contributions their work units can make with their given resources during the next 6–24 months. In operational planning, they determine how to accomplish specific tasks with available resources within the next 1–52 weeks.

5.3 Goals and Plans

• Whatever its type, the purpose of planning is to set a goal and then formulate an action plan.

• Goals are of two types: long-term and short-term.

• Long-term goals are generally referred to as strategic goals. They tend to span one to five years and focus on achieving the strategies identified in a company's strategic plan.

• Short-term goals are sometimes referred to as tactical goals, operational goals, or just plain goals. They generally span 12 months and are connected to strategic goals in a hierarchy known as a means-end chain.

• A means-end chain shows how goals are connected or linked across an organization. The accomplishment of low-level goals is the means leading to the accomplishment of high-level goals or ends.

• Strategic goals are set by and for top management and focus on objectives for the organization as a whole. Tactical goals are set by and for middle managers and focus on the actions needed to achieve strategic goals. Operational goals are

set by first-line managers and are concerned with short-term matters associated with realizing tactical goals.

- An operating plan is a plan that breaks long-term output into short-term targets or goals. Operational plans turn strategic plans into actionable short-term goals and action plans.

- An action plan defines the course of action needed to achieve the stated goal. Whether the goal is long-term or short-term, action plans outline the tactics that will be used to achieve the goal. Each tactic also contains a projected date for completing the desired activities.

- The goal should be followed by an action plan, which defines the course of action needed to achieve the stated goal. The operating plan, which is typically designed for a one-year period, defines how you will conduct your business based on the action plan; it identifies clear targets such as revenues, cash flow, and market share.

- Plans may be either standing plans, developed for activities that occur repeatedly over a period of time, or single-use plans, developed for activities that are not likely to be repeated in the future.

- There are three types of standing plans: (1) A policy is a standing plan that outlines the general response to a designated problem or situation. (2) A procedure outlines the response to particular problems or circumstances. (3) A rule designates specific required action.

- There are two types of single-use plans: (1) A program encompasses a range of projects or activities. (2) A project is a single-use plan of less scope and complexity.

5.4 Promoting Consistencies in Goals: SMART Goals, Management by Objectives, and Goal Cascading

- The five characteristics of a good goal are represented by the acronym SMART. A SMART goal is one that is specific, measurable, attainable, results-oriented, and has target dates.

- Management by objectives (MBO) is a four-step process in which (1) managers and employees jointly set objectives for the employee, (2) managers develop action plans, (3) managers and employees periodically review the employee's performance, and (4) the manager makes a performance appraisal and rewards the employee according to results. The purpose of MBO is to motivate rather than to control subordinates.

- For MBO to be successful three things have to happen. (1) The commitment of top management is essential. (2) The goals must be applied organizationwide. (3) Goals must cascade—be linked consistently down through the organization. Cascading goals is the process of ensuring that the strategic goals set at the top level align, or "cascade," downward with more specific short-term goals at lower levels within an organization, including employees' objectives and activities.

- Deadlines are essential to planning because they become great motivators both for the manager and for subordinates.

5.5 The Planning/Control Cycle

- Once plans are made, managers must stay in control using the planning/control cycle, which has two planning steps (1 and 2) and two control steps (3 and 4), as follows: (1) Make the plan. (2) Carry out the plan. (3) Control the direction by comparing results with the plan. (4) Control the direction by taking corrective action in two ways—namely, by (a) correcting deviations in the plan being carried out or (b) improving future plans.

5.6 Career Corner: Managing Your Career Readiness

- Planning requires the use of multiple career readiness competencies, including *critical thinking/ problem solving, proactive learning orientation, task-based/functional knowledge, understanding the business, and networking*.

- You can increase the competency of *proactive learning orientation* by becoming more proactive and keeping an open mind and suspending judgement.

Understanding the Chapter: What Do I Know?

1. What are planning, strategy, and strategic management?
2. Why are they important?
3. What is the difference between a mission and a vision, a mission statement and a vision statement?
4. What are three types of planning?
5. What are two types of goals?
6. What are different kinds of plans?
7. What are SMART goals?
8. What is management by objectives?
9. What three things have to happen for MBO to be successful?
10. Explain the planning/control cycle.

Management in Action

Fender Rebrands to Stay in Tune with the Times

Fender Musical Instruments Corporation produces some of the most recognized electric and bass guitars in the world. The organization was one of the first to mass produce guitars and has an illustrious history dating back to the late 1940s. Fender's guitars revolutionized popular music by allowing smaller groups of musicians to play together.[61]

Today, these small groups include megastar customers like Eric Clapton, Sheryl Crow, and U2. With stars of this caliber using Fender guitars on stage, you might imagine business is booming. Sadly, it is not. *Fortune* reports that Fender "spent the better part of the past decade struggling with debt and a lack of growth, and in 2012 abandoned an IPO, citing unfavorable market conditions."[62] Andy Mooney was hired as CEO in 2015 to turn around the company. Let's consider his plan.

A NEW PLAN FOR AN UNRELIABLE CONSUMER

Fender began its transformation by coming to terms with the high quit-rate of beginning guitar players. According to Mooney, "Almost everyone who picks up a guitar, about 90 percent, abandons it within the first year."[63] There are two main contributors to this dire statistic—the method of learning the instrument and the cost associated with doing so.

Fender's plan focused on how amateur players preferred to learn. Ethan Kaplan, Fender's general manager of digital, noted that "The way that I learned piano when I was a kid is no longer the way most people learn. They sit at a computer. They sit on an iPhone. They do things in little bites versus sitting through hour-long lessons."[64] Mooney and Kaplan's assessment of Fender's current reality provided crucial insight into the cost of lessons. According to *Fortune*, " . . . new players spend four times as much on lessons as they do on the instrument."[65]

The company's plan to overcome these challenges was based on experimenting with different apps. The plan strives to ensure that beginning guitar players can easily use digitized materials to quickly learn how to play guitar at a reasonable cost.

Fender's first app was Fender Play. This subscription-based app can be used on a mobile device as a way to assist a "do-it-yourself" society learn how to quickly play the guitar. The app uses bite-sized, multi-angle video lessons focused on helping new players learn popular songs. A professional guitarist provides step-by-step lessons in the videos, and players can track their progress in the app. Beginners quickly learn how to play a familiar song from bands such as the Rolling Stones, Foo Fighters, Tim McGraw, and Coldplay.

They will be less likely to quit once they achieve this milestone and more likely to buy more Fender guitars in the future.[66] Players will also be spending much less than they would have with private lessons, since the subscription costs only $20 a month.

The software may not be for everybody, though. As *Business Insider* reports, "No program of instruction will be perfect, and Fender Play isn't going to work for everyone . . . And for those who don't like it, there are many free options on the web, and you can always hire a real, live teacher!"[67] Obviously, Fender cannot rely on a one-product-fits-all plan.

The company has developed additional apps to speed up the learning process. For example, Fender developed Fender Tune to teach players how to tune a guitar without having any level of proficiency. "When the kid plugs [the guitar] in for the first time, it doesn't sound like a screaming cat when it comes out of an amp," according to Mooney.[68]

Fender is also looking to release a practice-room app that can assist someone in playing any song in its music library. This provides an opportunity for amateur players to practice and develop their skills.

Another app lets an amp emulate the sounds of famous guitarists. The company's newest amp model will be able to connect to this app wirelessly, through Bluetooth, so players can alter and share sound effects.[69]

IMPACT ON THE BOTTOM LINE

Although Fender has built guitars for Eric Clapton, Stevie Ray Vaughn, and Jimi Hendrix, its growth plan is based on the needs of amateur musicians. According to Kaplan, "We never really concentrated on those 45% of players who buy a guitar for the first time every year." Even a slight improvement in that 90% abandonment statistic would be significant for the company. If Fender can get a 10% increase in the number of beginners who stick with their guitar, it could double the size of its instrument business.[70]

Fender also plans on tapping into an important evolution process with its digital products. If it can get players hooked on cheap starter guitars, then have them upgrade to fancier guitars as they become more committed to playing, it may be able to turn players into collectors. The company would be able to realize more revenue by following the lifecycle of its customers.[71]

Fender's sales strategy goes beyond digital. The company does almost all its business through traditional retailers, with online sales from its website making up less than 2% of North American sales. However, the National Retail Federation says that online sales hit a record $108.2 billion during the 2017 holiday season (a 14.7% increase from the year before).[72] These statistics suggest that Fender's strategy of using traditional retailers may be

outdated. Mooney doesn't seem to be worried. "Players need to touch, feel, and play a guitar before they buy one," he says. Fender, he says, prefers to use the Internet as a learning tool, rather than a sales mechanism.[73]

Some factors seem to be out of the company's control. As *Bloomberg* reports, "Detractors have predicted the death of the electric guitar for years, pointing to the rise of rap and electronic music on pop charts." Fender doesn't seem overly concerned about this either. "More women are playing guitar these days," says Mooney, a trend he credits to singer Taylor Swift. The company is also quick to point to rising guitar sales over the past decade. "The pendulum swings back and forth," Mooney says.

Can Fender's new digital strategy swing the pendulum in its direction?

FOR DISCUSSION

Problem-Solving Perspective

1. What is the underlying problem in this case from Fender CEO Andy Mooney's perspective?

2. What are some of the causes of this problem?

3. Do you believe Fender's strategy and plans will turn around the company? Explain.

Application of Chapter Content

1. Using the steps in Figure 5.1, describe how Fender is transforming into a digital company.

2. Define one specific strategic, tactical, and operational plan that Fender can utilize for its transformation.

3. Develop a simple strategic goal, operational goal, and action plan for Fender Play: The goals need to be SMART. Then utilize a means-end chain to illustrate the relationship among the three.

4. Assume 8% of Fender's current customers are women. Would it be wise for the company to set a strategic goal of increasing this number to 40% in the next 12 months? Why or why not? Explain your response using Figure 5.4.

5. Based on CEO Mooney's standard for success in making sure beginners stick with their guitars, develop a planning/control cycle to make sure Fender is headed in the right direction.

Legal/Ethical Challenge

Is Pfizer Putting Profits above Alzheimer's Patients?

Planning and strategy go together, and they flow from a company's mission and vision. Decisions made in the pursuit of corporate strategy are challenging because they ultimately involve choices about how to spend valuable resources. U.S. pharmaceutical giant Pfizer is a good illustration.

Pfizer decided in January 2018 to no longer pursue new research and development (R&D) in treatments for Alzheimer's disease, resulting in the loss of hundreds of jobs. Worse yet, the approximately 5.5 million U.S. adults with this neurological disease no longer have one of the biggest pharmaceutical companies in their corner.[74] Pfizer made this challenging decision because of either low profitability or limited capacity.

With respect to profitability, Alzheimer's research has proven to be costlier than most other R&D pursuits. A neuroscientist at Edinburgh University told *BBC Radio* that "More than 99% of trials for Alzheimer's drugs have failed in past 15 years."[75] Investors thus are pressuring pharmaceutical companies to spend less on this research when they can pursue more profitable projects, such as treatments for anxiety disorders and erectile dysfunction.

Capacity becomes an issue in pharmaceutical research and development because it's difficult to run multiple large-scale R&D programs at the same time. This has led pharmaceutical companies to focus only on specific drugs. A former head of research and development at Pfizer told the *Financial Times* that "You can't run several programmes of that size, even with a budget like Pfizer's. . . . How many times can these companies take another shot when other parts of science like gene therapy are exploding, and when there's a desperate need for new drugs to replace opioids? There are many more areas where you can see the goal lines."[76] Pfizer's management team apparently agrees with this conclusion. The organization said in a statement that not pursuing Alzheimer's research "was an exercise to reallocate [spending] across our portfolio, to focus on those areas where our pipeline, and our scientific expertise, is strongest."[77]

Though Pfizer may be changing its strategy and its resource allocations, the company has kept its mission statement the same: "To be the premier, innovative biopharmaceutical company." Its values include "customer focus" and "integrity."[78] However, its latest decision is seen by some as contradictory to its mission and values. Alzheimer's Research UK says that companies should be encouraged to invest in research into neuroscience. For its part, the Alzheimer's Society called Pfizer's decision "disappointing" and a "heavy blow" to those living with dementia.[79]

Other big drug makers are not letting profit and limited capacity get in their way. A top scientist at Eli Lilly, one of Pfizer's competitors, told *Financial Times* that "Taking care of Alzheimer's patients is a huge economic cost to society and now is not the time to give up." Eli Lilly's most advanced Alzheimer's drug failed in a large trial in 2016, but the company has vowed to continue Alzheimer's treatment R&D.[80] Another U.S. competitor, AstraZeneca, also remains committed to fighting the disease.

SOLVING THE CHALLENGE

What would you do if you were Pfizer's CEO?

1. Move on to other projects. Pfizer has an obligation to its shareholders not to throw money at projects that prove to be unsuccessful.

2. Continue funding Alzheimer's R&D. As a global leader in the pharmaceutical industry, Pfizer has an obligation to society to find treatments for diseases affecting millions of people. This would also be in line with its mission statement and values.

3. Contribute to agencies such as the National Institutes of Health so they can continue their studies of Alzheimer's.

4. Suggest other options.

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Learn how Uber's corporate strategies have changed from those pursued by founder and CEO Travis Kalanick to those identified by current CEO Dara Khosrowshahi. Assess your ability to apply concepts discussed in this chapter to the case by going to Connect.