I. ARE YOU A NEW-STYLE OR AN OLD-STYLE MANAGER?

Management philosophies and organizational forms change over time to meet new needs. This exercise helps students determine their primary management style as either Theory X (old style) or Theory Y (new style).

II. MANAGEMENT AND ORGANIZATION

An historical perspective on management provides a context or environment in which to interpret current opportunities and problems. Studying management history is a way to achieve strategic thinking, see the big picture, and improve conceptual skills. The first step is to explain the social, political, and economic forces that have influenced organizations and the practice of management.

Social forces refer to those aspects of a culture that guide and influence relationships among people. What do people value? What do people need? What are the standards of behavior among people? These forces shape the social contract, the unwritten, common rules and perceptions about relationships among people and between employees and management. A significant social force today is the changing attitudes, ideas, and values of Generation X and Generation Y employees—young, educated, and technologically adept. Career life cycles are getting shorter, with workers changing jobs every few years. There is a growing focus on work/life balance, reflected in telecommuting and other alternative work arrangements.

Discussion Question #1: How do societal forces influence the practice and theory of management? Do you think new management techniques are a response to these forces?

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Political forces refer to the influence of political and legal institutions on people and organizations. Political forces include basic assumptions underlying the political system such as the desirability of self-government, property rights, contract rights, and justice. People are demanding empowerment, participation, and responsibility in all areas of their lives. On a global scale, growing anti-American sentiments in many parts of the world create challenges for United States companies and managers.

Economic forces pertain to the availability, production, and distribution of resources in a society; organizations require resources to achieve their objectives. The economy of the United States and other developed countries is shifting with the sources of wealth, distribution and decision-making.

The newly emerging economy is based largely on ideas, information, and knowledge; supply chains have been revolutionized by digital technology. Another trend is the importance of small and mid-sized businesses. However, a massive economic shift is not without upheavals. In 2000, stock prices fell, especially for dot.coms, and lay-offs were widespread.

Management practices and perspectives vary in response to these social, political, and economic forces. During hard times, managers look for new ideas to help them cope.

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The classical perspective emerged during the nineteenth and twentieth centuries, and emphasized a rational, scientific approach to the study of management. The factory system of the 1800s faced challenges such as tooling plants, organizing managerial structure, training non-English speaking employees, scheduling, and resolving strikes. These new problems and the development of large complex organizations demanded a new perspective on coordination and control. The classical perspective contained three subfields, each with a slightly different emphasis—scientific management, bureaucratic organizations, and administrative principles.

A. Scientific Management

1. Frederick W. Taylor (1856-1915) developed scientific management, a subfield of the classical perspective that emphasized scientific changes in management to improve labor productivity. However, because scientific management ignored the social context and workers’ needs, it led to increased conflict and clashes between management and employees.

   a. Taylor suggested decisions based on rules of thumb and tradition be replaced with precise work procedures developed after careful study of the situation. In 1898, Taylor used the unloading of iron from rail cars and reloading finished steel to calculate the correct movements and tools needed to increase productivity. Taylor worked out an incentive system that paid each man $1.85 instead of $1.15 a day for meeting the new standard, and productivity shot up as a result.

2. Taylor is the father of scientific management, but Henri Gantt developed the Gantt Chart—a bar graph than measures planned and completed work.

3. Frank B. and Lillian M. Gilbreath pioneered time and motion study, which stressed efficiency and the best way to do a job. Frank is known for work with brick layers, but surgeons were able to save countless lives through the application of the time and motion study. Lillian pioneered the field of industrial psychology and made substantial contributions to human resource management.

4. Scientific management is important today, specifically the idea of arranging work based on careful analysis of tasks for maximum productivity. It is used in developing standards for jobs, selecting workers with appropriate abilities, training workers, supporting workers, eliminating interruptions, and providing wage incentives.

B. Bureaucratic Organizations

1. The bureaucratic organizations approach is a subfield of the classical perspective that looked at the organization as a whole. Max Weber (1864-1920) introduced management on an impersonal, rational basis through defined authority and responsibility, formal recordkeeping, and separation of management and ownership.

   a. Weber’s idea of organization was the bureaucracy: a system that incorporated division of labor, hierarchy, rules and procedures, written decisions, promotion based on technical qualifications, and separation of ownership and management. In a bureaucracy, managers do not depend on personality for successfully giving orders, but rather on the legal power invested in their managerial positions.

2. The term bureaucracy has a negative meaning in today’s organizations and is associated with endless rules and red tape; however, ideally everyone gets equal treatment. For example, UPS has
been successful because of its bureaucracy of rules and regulations, a well-defined division of labor, and technical qualifications as a primary hiring criterion.

C. Administrative Principles

1. The administrative principles approach focused on the total organization rather than the individual worker, delineating the management functions of planning, organizing, commanding, coordinating, and controlling. Henri Fayol (1841-1925), identified 14 principles of that include the following four.

   a. Unity of Command. Each employee should have only one boss.
   
   b. Division of Work. Specialized employees produce more with the same effort.
   
   c. Unity of Direction. Similar activities should be grouped under one manager.
   
   d. Scalar Chain. A chain of authority, which extends from the top of an organization to the bottom.

2. Mary Parker Follett (1868-1933) stressed the importance of people rather than engineering techniques and addressed ethics, power, and empowerment. Her concepts included facilitating rather than controlling employees and allowing employees to act according to the situation.

3. Chester I. Barnard (1886-1961) contributed the concept of the informal organization, which occurs in all formal organizations and includes cliques and social groupings. Barnard argued that organizations were not machines and that informal relationships are powerful forces that can help the organization. Barnard also contributed the acceptance theory of authority—the notion that employees have free will and can choose whether to follow management orders. Acceptance of authority can be critical to success.

Discussion Question #2: Based on your experience at work or school, describe some ways in which the principles of scientific management and bureaucracy are still used in organizations. Do you believe these characteristics will ever cease to be a part of organizational life? Discuss.

IV. HUMANISTIC PERSPECTIVE

Mary Parker Follett and Chester Barnard advocated a more humanistic perspective on management that emphasized the importance of understanding human behaviors, needs and attitudes in the workplace, and social interactions and group processes. Subfields within the humanistic perspective include the human relations movement, the human resources perspective, and the behavioral sciences approach.

A. Human Relations Movement

1. The human relations school considers that truly effective control comes from within the individual worker rather than from strict, authoritarian control. This school of thought recognized and directly responded to social pressures for enlightened treatment of employees. The human relations movement emphasized satisfaction of employees’ basic needs as the key to increased worker productivity.
2. The **Hawthorne Studies** were a series of experiments on worker productivity started in 1924 at the Hawthorne plant of Western Electric Company. The tests were originally designed to investigate the effects of illumination on output; however, many of the tests pointed to the importance of factors other than illumination in affecting productivity.

3. Early interpretations agreed that human relations, not money, caused increased output. Workers performed better when managers treated them positively. New data showed that money mattered, but productivity increased because of increased feelings of importance and group pride employees felt when they were selected for the project.

4. One unintended contribution of the experiments was a rethinking of field research practices. Researchers realized that the researcher could influence the outcome of an experiment by being too involved with research subjects—a phenomenon now known as the **Hawthorne effect**.

**Discussion Question #7:** Why can an event such as the Hawthorne studies be a major turning point in the history of management even if the idea is later shown to be in error? Discuss.

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**B. Human Resources Perspective**

1. The **human resources perspective** suggests jobs should be designed to meet higher-level needs by allowing workers to use their full potential. This perspective combines prescriptions for design of job tasks with theories of motivation.

2. Abraham Maslow (1906-1970), a psychologist, suggested a hierarchy of needs because he observed that problems usually stemmed an inability to satisfy needs. This hierarchy started with physiological needs and progressed to safety, belongingness, esteem, and self-actualization. See Chapter 16 for more on Maslow.

3. Douglas McGregor (1906-1964) formulated his Theory X and Theory Y about workers, believing that the classical perspective was based on Theory X, a set of assumptions about workers that suggest workers:
   a. dislike work and prefer to be directed;
   b. must be coerced to work;
   c. want to avoid responsibility and have little ambition; and
   d. want security above everything.

4. Theory Y was proposed as a more realistic view of workers, consisting of assumptions that:
   a. they do not inherently dislike work;
   b. they will achieve objectives to which they are committed;
   c. they will accept and seek responsibility;
d. they have intellect that could be applied to organizational goals; and

e. the intellectual potential of the average worker is only partially used.

C. Behavioral Sciences Approach

1. The **behavioral sciences approach** applies social science in organizational context, drawing from economics, psychology, sociology, and other disciplines. For example, when Circuit City electronics stores train new managers in employee motivation, the theories and findings are rooted in behavioral science research.

2. One set of management techniques based in the behavioral sciences approach is **organization development (OD)**. The techniques and concepts of organization development have been broadened and expanded to cope with the increasing complexity of organizations.

3. Other concepts that grew out the behavioral sciences approach include matrix organizations, self-managed teams, and ideas about corporate culture. In recent years, behavioral sciences and OD techniques have been applied to help managers build learning organizations. The rapid pace of change and the increased pressure of global competition have spurred even greater interest in improved behavioral approaches to management.

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V. MANAGEMENT SCIENCE PERSPECTIVE

The **management science perspective** emerged after World War II. It applied math, statistics, and other quantitative techniques to managerial problems.

*Operations research* consists of mathematical model building and other applications of quantitative techniques to managerial problems.

*Operations management* refers to the field of management that specializes in the physical production of goods and services using quantitative techniques to solve manufacturing problems. Some of the more commonly used methods are forecasting, inventory modeling, linear and nonlinear programming, queuing theory, scheduling, simulation, and break-even analysis.

*Information Technology (IT)* is the most recent subfield of the management science perspective, often reflected in management information systems. IT has evolved to include intranets and extranets, and software programs that help managers estimate costs, plan and track production, manage projects, and allocate resources. Most organizations have departments of information technology specialists to help them apply management science techniques to complex organizational problems.

**Discussion Question #9:** Do you think management theory will ever be as precise as theories in the fields of finance, accounting, or experimental psychology? Why or why not?
VI. RECENT HISTORICAL TRENDS

Elements of each of the three previously discussed management perspectives are still in use today. The most prevalent of these is the human resources perspective. Major contemporary extensions of the human resource perspective include systems theory, the contingency view, and total quality management.

A. Systems Theory

1. A **system** is a set of interrelated parts that function as a whole to achieve a common purpose. A system functions by taking inputs from the external environment, transforming them, and then discharging the transformed input back into the environment.

2. **Systems theory** describes organizations as open systems that are characterized by entropy, synergy, and subsystem interdependence. Components of systems theory include:
   
a. **Inputs**—the material, human, financial, or informational resources used to produce goods or services;
   
b. The **transformation process**—management’s use of production technology to change inputs into outputs.
   
c. **Outputs**—the goods or services produced.
   
d. **Feedback**—knowledge about the outputs that influences the selection of inputs during the next cycle of the process.
   
e. The **environment** surrounding the organization that includes the social, political, and economic forces noted earlier in this chapter.

3. Ideas in systems theory that have had a substantial influence on management thinking include:
   
a. **Open systems** must interact with the external environment to survive. **Closed systems** do not. All organizations are open systems and the cost of ignoring the environment may be failure.
   
b. **Entropy** is the tendency for a system to run down and die. Systems must receive inputs from the environment or they will cease to exist.
   
c. **Synergy** means that the whole is greater than the sum of its parts. Individuals, groups, and organizations can accomplish more working together than working alone.
   
d. **Subsystems** are parts of a system that depend on one another to function.

4. Changes in one part of an organization affect other parts as the organization must be managed as a coordinated whole.

**Discussion Question #10:** What does it mean to “think systemically”? How would you apply systemic thinking to a problem such as poor performance in your current academic studies? To a problem with a romantic partner or family member?
B. Contingency View

1. The classical management perspective assumed a universalist view; concepts that would work in one organization would work in another. In business education, an alternative view exists, known as the case view, in which each situation is believed to be unique and there are no universal principles. One learns about management by experiencing a large number of case problem situations.

2. The contingency view states that the successful resolution of organizational problems depends on a manager’s identification of key variations in the situation. Management’s job is to search for important contingencies in their industry, technology, the environment, and international cultures.

Discussion Question #8: Explain the basic idea underlying the contingency view. How would you go about identifying key contingencies facing an organization?

C. Total Quality Management (TQM)

1. Total quality management (TQM) focuses on managing the total organization to deliver quality to customers. The ideas of W. Edwards Deming, "father of the quality movement" were scoffed at in America but embraced in Japan, which then became an industrial world power.

2. Japanese management shifted from an inspection-oriented approach to quality control, emphasizing employee involvement in the prevention of quality problems. The preventive approach to quality control infuses quality values throughout every activity, with front-line workers intimately involved in the process. There are four significant elements:

   a. Employee involvement. TQM requires company-wide participation in quality control.

   b. Focus on the customer. TQM companies find out what the customer wants.

   c. Benchmarking. A process whereby companies find out how others do something better and imitate or improve it.

   d. Continuous improvement. The implementation of small, incremental improvements in all areas of the organization on an ongoing basis.

Discussion Question #3: A management professor once said that for successful management, studying the present was most important, studying the past was next, and studying the future was least important. Do you agree? Why?
VII. INNOVATIVE MANAGEMENT THINKING FOR TURBULENT TIMES

New ways of managing more adequately respond to the demands of today’s environment and customers. Two current directions in management thinking include a shift to the learning organization and managing the technology-driven workplace.

A. The Learning Organization

1. In a learning organization, everyone identifies and solves problems, enabling continuous experimentation, change, and improvement, thus increasing capability. The essential idea is problem solving, as opposed to efficiency; all employees look for problems, such as understanding special customer needs. To develop a learning organization, changes on all subsystems are made.

   a. Team-based structure. Self-directed teams are the fundamental unit in a learning organization. People on the team are given the skills, information, tools, motivation, and authority central to the team’s performance and to respond creatively.

   b. Employee Empowerment. Empowerment means unleashing the power and creativity of employees by giving them freedom, resources, information and skills to make decisions and perform effectively. Empowerment may be reflected in self-directed work teams, quality circles, job enrichment, and employee participation groups. Empowerment means decision-making authority, training, and information so that people can perform jobs without close supervision. In a learning organization, people a manager’s primary source of strength, not a cost to be minimized.

   c. Open information. A learning organization is flooded with information. Formal data about budgets, profits, and departmental expenses are available to everyone.

B. Managing the Technology-Driven Workplace

1. The shift to the learning organization goes hand-in-hand with the current transition to a technology-driven workplace. Our lives and our organizations have been engulfed by information technology. Employees are being connected electronically, and may work in virtual teams. In many factories machines have taken over routine work, freeing workers to use their minds. Managers focus on opportunities rather than efficiencies, which requires that they be flexible, creative, and unconstrained by rigid rules and structured tasks.

2. Technology in the Workplace. Technology provides the architecture that supports and reinforces this new workplace.

   a. Supply chain management refers to managing the sequence of suppliers and purchasers, covering all stages of processing from obtaining raw materials to distributing finished goods to consumers. A supply chain is a network of multiple businesses and individuals that are connected through the flow of products or services.

   b. Customer relationship management (CRM) involves collecting and managing large amounts of data about customers and making them available to employees, enabling better decision making and superior customer service.
c. **Outsourcing** means contracting out selected functions or activities of an organization to other organizations that can do the work more cost-efficiently.

**Discussion Question #6:** As organizations become more technology-driven, which do you think will become more important—the management of the human element of the organization or the management of technology? Discuss.

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