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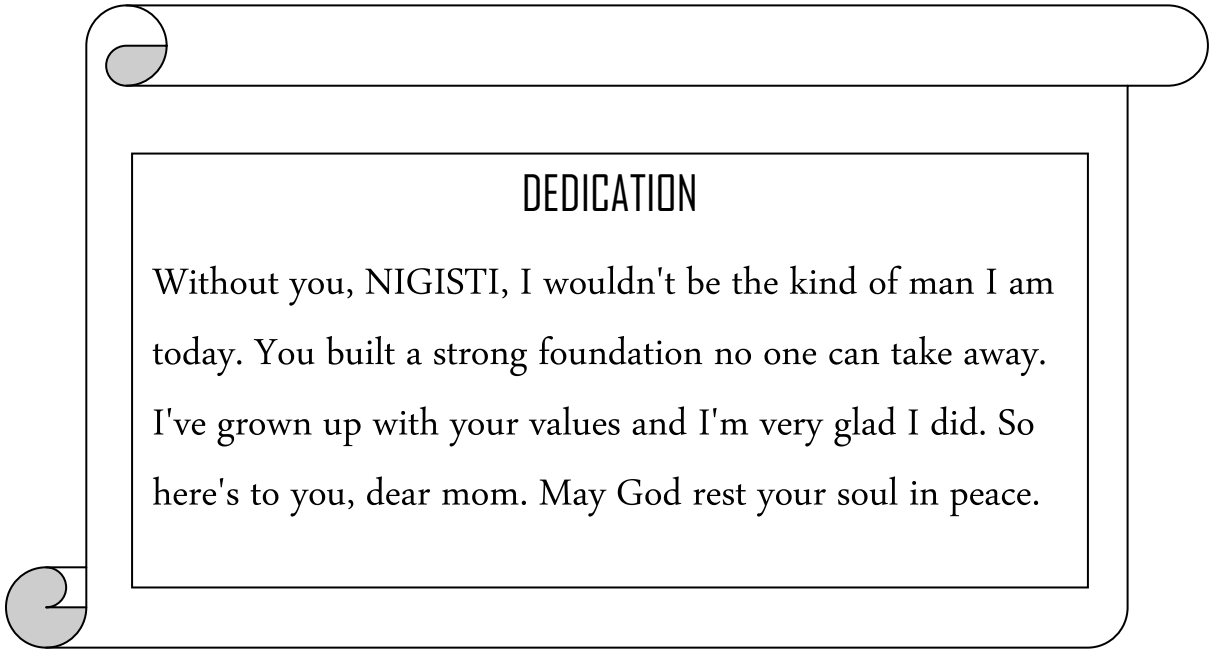

## DEDICATION

Without you, NIGISTI, I wouldn't be the kind of man I am today. You built a strong foundation no one can take away. I've grown up with your values and I'm very glad I did. So here's to you, dear mom. May God rest your soul in peace.

## D I S C L A I M E R

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# Preface

## BACKGROUND AND PURPOSE

Initially this teaching material was prepared as a handout since the introduction of the course into the undergraduate curriculum and has been in use by instructors and students. I, therefore, felt that it should be upgraded into a teaching material so that end users can have a better access to it.

The material is mainly a compilation work. I have tried to extract important concepts from different books and journals with the hope of making the material concise, relevant, and consistent with the course outline prescribed in the course curriculum.

This teaching material on "*Management Thought and Emerging Trends*" is prepared with the hope to fill the gap that is being observed in the existing books. Among other things, there is no any single book that fully meets the course objectives and descriptions.

However, the material is by no means complete. As a result, I intend to develop this material further into a textbook by localizing the concepts discussed here through research-based Ethiopian experiences, integrating new developments in the field, and also adding some practical case exercises in the near future.

## ORGANIZATION AND OPTIONS

This teaching material traces the evolution of management thought from its earliest days to the present, by examining the backgrounds, ideas and influences of its major contributors. It further examines the contemporary and emerging issues in the field.

Every chapter in "*Management Thought and Emerging Trends*" has been reviewed and updated to convey an appreciation of the people and ideas underlying the development of management theory and practice. The author´s intent is to place various theories of management in their historical context, showing how they have changed over time. The material does this in a chronological framework, yet each part is designed as a separate and self-contained unit of study; substantial cross-referencing provides the opportunity for connecting earlier to later developments as a central unifying theme.

This material is divided evenly into two parts. At the end of each part, wrap up questions (REFRESHER) and cases (MANAGEMENT IN PRACTICE) are provided. Each part of the material is also enriched by illustrative case study and exhibits that enhance understanding.

At the end of every important section or chapter, discussion questions are given under 'FOOD FOR THOUGHT'. The appendices at the end of the material are also a valuable plus point for advanced learners.

After all, graduate students also can make best use of the material though the intended audience remains to be undergraduate students.

## ACKNOWLEDGEMENTS

I praise You O LORD, for You are such a wonderful GOD!

Producing any material or book requires assistance from many others. I am especially grateful to the various authors in the field for I have used their resourceful knowledge found in their respective books and journals.

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Enjoy reading!

**Hagos Meresa Weldu**
PARIS, 2011

# PART I: HISTORICAL DEVELOPMENT OF MANAGEMENT THOUGHT

For many generations, people believed that the earth was flat and the center of the universe. No educated person believes this today. Throughout history one generation's "fact" has become, in part or in total, the next generation's fiction. The conventional wisdom of every era evolves as its cherished beliefs are challenged by the new, leaving behind only those elements that have survived the test of time. So it is with the various schools of thought about the ways in which organizations, their resources, and their processes should be managed.

People ignorant of the past are destined to repeat it. Knowing what has gone before allows us to avoid mistakes and repeat successes. In order to understand the present one must see its connections to the past. All the theories and schools that make up the history of management thought have some value for today's managers. A manager should utilize the best and reject the obsolete contributions of each theory.

Since the Industrial Revolution began in the late 1700s, those in charge of organizations have been alternatively creating, testing, embracing, and rejecting various theories of management. All have contributed in various ways to how managers currently practice their art. This part of the material begins with an overview to the evolution of management thought and then after examines the three well-established schools of management that have evolved over the past two hundred years and assesses them for their relevance to the third millennium.

# 1. THE EVOLUTION OF MANAGEMENT THOUGHT – AN OVERVIEW

## LEARNING OBJECTIVES

**Upon completing this chapter, students should be able to:**

1. Explain the setting in which management theory is first developed.
2. Describe the ways in which a theory can be useful.
3. Explain the value of studying management history
4. Identify some major pre-twentieth-century contributions to management
5. Describe how the need to increase organizational efficiency and effectiveness has guided the evolution of management theory.

## INTRODUCTION

Both organizational growth and its increasing influence on our economy and standard of living are relatively recent in history; thus, the study of management is relatively new. Many of the individuals who did study and write about management were practicing managers. They described their own experiences and tried to generalize the principles they believed could be applied in similar situations. Even today, a great deal of what we know about management comes from autobiographies and memoirs of men and women who are or have been practicing managers.

Now, however, other individuals also are interested in management for scientific reasons. Social and behavioral scientists view the management of organizations as an extremely important social phenomenon which deserves studying through scientific inquiry. As scientists, these people make no value judgments regarding good or bad management practices. Their objective is to understand and explain the practice of management.

Between the two extremes of management practice and management science are many individuals who have contributed to the study of management. They include engineers, psychologists, anthropologists, lawyers, economists, accountants, mathematicians, political scientists, and philosophers.

Such differing perspectives on the same subject cannot be neatly classified. Thus, as a manager, you will have at your disposal many ways of looking at management's tasks. Each may be more useful for some problems than for others. For instance, a management theory that emphasizes employee satisfaction may be more helpful in dealing with a

problem of high employee turnover than with delays in production. Because there is no single, universally accepted management approach, you should be familiar with the various major theories.

It is common practice to consider the origins of the management field not in terms of the contributions of specific individuals, but in terms of the approaches taken by so-called schools. According to Miner, Singleton, and Luchsinger (1985), Schools are groups of individuals who think along the same lines and tend to emphasize on common factors. On the first part of this material, we will focus on three well-established schools of management: the ***classical school***, the ***behavioral school***, and the ***management science school***. Although these schools, or theoretical approaches, were developed in historical sequence, later ideas have not *replaced* earlier ones. Instead, each new school has tended to complement or coexist with previous ones. At the same time, each school has continued to evolve, and some have even been merged with others (Stoner and Freeman, 1992; Donnelly, Gibson, and Ivancevich, 1995).

Each of these schools (approaches) indicates that managers can make a difference in firms of all sizes. Managers can create opportunities for employees, judge performance accurately, and encourage optimum productivity. When managers accomplish these worthy outputs, people being managed can be very productive. Of course, the study of management also points out errors that managers make by being selfish, insensitive, harsh, and autocratic. As we review the history of managing people, we identify lessons, principles, and functions that have continuing value for practitioners as we manage in the 21$^{st}$ century.

In this material we will see how different management theories were developed and continue to evolve. Before going onto our discussion of the major management theories, however, let's take a moment to look at the reasons for studying management and its theories.

## 1.1. THE RATIONALE OF STUDYING MANAGEMENT THEORY

Learning about management is important for at least two reasons. First, our society depends on specialized institutions and organizations that provide the goods and services

we desire. These organizations are guided and directed by the decisions of one or more individuals designated as "managers."

Second, individuals not trained as managers often find themselves in managerial positions. Many individuals presently being trained to be teachers, accountants, musicians, salespersons, artists, physicians, or lawyers will one day earn their livings as managers. They will manage schools, accounting firms, orchestras, sales organizations, museums, hospitals, and government agencies. According to Donnelly *et al.* (1995), there are approximately 16 million organizations that must have managers in the United States alone. There is, however, a large non-American world that also requires managers. As indicated, the world offers many opportunities to managers and entrepreneurs who are creative, knowledgeable, and hard-working individuals deciding that a management career is of value to them personally. Hence, many believe that managing is one of the most stimulating and rewarding careers a man or woman can choose.

Theories are perspectives with which people make sense of their world experiences. Formally, a **theory** is a coherent group of assumptions put forth to explain the relationship between two or more observable facts. John Clancy calls such perspectives "invisible powers" to emphasize several crucial uses of theories, the "unseen" ways in which we approach our world. Thus, studying management theories is crucial for at least the following reasons:

1. Theories provide a *stable focus* for understanding what we experience. A theory provides criteria for determining what is relevant. To Henry Ford[1], a large and compliant workforce was one relevant factor as he theorized about his business. In other words, his theory of management included, among other things, this assumption about the supply of labor.
2. Theories enable us to communicate efficiently and thus move into more and more complex relationships with other people. Imagine the frustration you would encounter if, in dealing with other people, you always had to define even the most basic assumptions you make about the world in which you live! Because Ford and his

[1] Henry Ford is the founder of Ford automobile corporation. The ILLUSTRATIVE CASE STUDY in chapter two describes him and his management principles.

managers fully understood Ford's theory about manufacturing automobiles, they could interact easily as they faced day-to-day challenges.

3. Theories make it possible--indeed, challenge us--to keep learning about our world. By definition, theories have boundaries; there is only so much that can be covered by any one theory. Once we are aware of this, we are better able to ask ourselves if there are alternative ways of looking at the world (especially when our theories no longer seem to "fit" our experiences) and to consider the consequences of adopting alternative beliefs.

For example, Ford has been criticized for not using his approach as a way to learn about better ways to run his company. While Ford was giving his customers no choice about anything other than price (which was attractive!), Alfred Sloan was transforming General Motors. Beginning in the 1920s, Sloan rejected part of Ford's theory about running a business in favor of alternative ways to design automobiles and organize manufacturing and distribution systems. General Motors' marketing strategy had always been to market nationwide with cars of interest to different segments of the public. Sloan set up separate divisions, with central direction from headquarters, to market the Buick, Oldsmobile, Pontiac, Cadillac, and Chevrolet lines. In contrast to Ford, each type of car has its own distinction and price differentials.

Each generation of managers needs to understand the lessons learned by its predecessors and build on them. People who ignore the past are destined to relive it. A person who is unaware of mistakes made by others is likely to repeat them. The wise person studies the past to avoid its pitfalls and benefit from its achievements. Towards this end, let's look at some early ideas about how to run organizations efficiently and effectively.

## 1.2.HISTORICAL BACKGROUND OF MANAGEMENT

### 1.2.1 ANCIENT MILESTONES IN MANAGEMENT

It can be deducted, from earliest recorded times, that groups of people have been organized to work together towards planned goals. Their efforts have been coordinated and controlled to achieve such outcomes.

As long as there have been human endeavors, there have been people willing to take charge – people willing to plan, organize, staff, and control the work. One might say that nature abhors a vacuum and thus someone will always step forward to fill a leadership void.

Probably the natural emergence of leadership grew out of our instinct for survival. In the hostile world of early humankind, food, shelter, and safety needs usually required cooperative efforts, and cooperative efforts required some form of leadership. Certainly leadership was vested in the heads of early families via the patriarchal system. The oldest member of the family was the most experienced and presumed to be the wisest member of the family and thus was the natural leader.

As families grew into tribes and tribes evolved into nations, more complex forms of leadership were required and did evolve. Division of labor and supervision practices are recorded on the earliest written record, the clay tablets of the Sumerians. In Sumerian society, as in many others since, the wisest and best leaders were thought to be the priests and other religious leaders.

Likewise, the ancient Babylonian cities developed very strict codes, such as the code of Hammurabi. King Nebuchadnezzar used color codes to control production of the hanging gardens, and there were weekly and annual reports, norms for productivity, and rewards for piecework.

After all, management functions have existed for thousands of years since people began to work in group/organized endeavor was recognized important for the achievement of organizational goals. The following can be ancient indications showing the importance and application of management:

## 1. LITERATURES

The earliest Egyptian and Chinese literature, for instance, contain references to the need for efficient and effective administration of public affairs. Confucius, for example, wrote parables that offered practical suggestions for public administration.

Ancient Greek literature pours to the existence of administrative apparatus like councils, courts and boards of military personnel to manage the affairs of the state. For instance, the city-states of Greece were commonwealths, with councils, courts, administrative officials, and boards of generals. Socrates talked about management as a skill

separate from technical knowledge and experience. Plato wrote about specialization and proposed notions of a healthy republic.

## 2. MONUMENTAL ACCOMPLISHMENTS

The Egyptians organized their people and their slaves to build their cities and pyramids. Construction of one pyramid, around 5000 BC., required the labor of 100,000 people working for approximately 20 years. Planning, organizing, and controlling were essential elements of those projects and other feats, many of which are long term. The ancient Egyptian Pharaohs had long-term planners and advisors, as did their contemporaries in China.

Generally, had there not been considerable skill in the various management functions, world heritage accomplishments such as the pyramid of Egypt, the Great Wall of China & Harer ('*Jegol Ginb*'), the monuments in Axum, the temples in Lalibela, the Castle of Gondar, and the terraces of Konso would have not been possible.

## 3. RELIGIOUS INSTITUTIONS

Many concepts of authority were developed in a religious context. One example is the Roman Catholic Church with its efficient formal organization and management techniques. The chain of command or path of authority, including the concept of specialization, was the most important contribution to management theory.

In the Old Testament, Moses led a group of Jewish slaves out of Egypt and then organized them into a nation. Exodus 18: 13-26 – indicate the advice which was given by Jethro, the father-in-law of Mosses, to Mosses. According to International Standard Version bible translation:

> *Exo 18:20 "You are to teach them the statutes and instructions and make known to them the way they're to go and the things they're to do."*

- In modern terms organizations need to have a statement of policies, rules, & procedures.

> *Exo 18:21 "You are to look for capable men among the people, men who fear God, men of integrity who hate dishonest gain. You are to set these men over them as officials over thousands, hundreds, fifties, and tens."*

- In modern terms, it is the base for delegation of authority (Span of management).

*Exo 18:22 "They are to judge the people at all times. Let them bring every major matter to you, but let them judge every minor matter. It will lighten your burden, and they'll bear it with you."*

- In modern terms, it is related to the exception principle.

Moses listened to his father-in-law and acted accordingly.

## 4. MILITARY INSTITUTIONS

Much management theory has military origins, probably because efficiency and effectiveness are essential for success in warfare. The concepts of unity of command, line of command, staff advisors, and division of work all can be traced back at least to Alexander the Great, or even earlier, to Lao Tzu.

The Roman Empire is thought by many to have been so successful because of the Romans' great ability to organize the military and conquer new lands. Those sent to govern the far-flung parts of the empire were effective administrators and were able to maintain relationships with leaders from other provinces and across the empire as a whole.

China perfected military organization based on line and staff principles and used them in the early Chinese dynasties.

There are numerous other ancient leaders who were skillful organizers, at least as indicated by their accomplishments, such as Hannibal, who shepherded an army across the Alps, and the first emperor of China, who built the Great Wall. Many of the practices employed today in leading, managing, and administering modern organizations have their origins in antiquity.

**EXHIBIT 1: MACHIAVELLI AND SUN TZU EARLY STRATEGISTS**

Although the adjective 'Machiavellian' is often used to describe cunning and manipulative opportunists Machiavelli was a great believer in the virtues of a republic. This is evident in *Discourses*, a book Machiavelli wrote in 1531 while he lived in the early Italian republic of Florence. The principles he set forth can be adapted to apply to the management of organizations today.

1. An organization is more stable if members have the right to express their differences and solve their conflicts within it
2. While one person can begin an organization, "it is lasting when it is left in the care of many and when many desire to maintain it."
3. A weak manager can follow a strong one, but not another weak one, and maintain authority.
4. A manager seeking to change an established organization "should retain at least a shadow of the ancient customs."

Another classic work that offers insights to modem managers is *The Art of War*, written by the Chinese philosopher Sun Tzu more than 2,000 years ago. It was modified and used by Mao Zedong, who founded the People's Republic of China in 1949. Among Sun Tzu's dictums are the following:

1. When the enemy advances, we retreat!
2. When the enemy halts we harass!

3. When the enemy seeks to avoid battle, we attack!
4. When the enemy retreats, we pursue!

Although these rules were meant to guide military strategy, they have been used when planning a strategy to engage business competitors.

Neither Machiavelli nor Sun Tzu was trying to develop a theory of management. Nonetheless, their insights teach us an important lesson about history.

Military organizations also contributed in their own simplistic way to the development of managerial practices though there was little use of theory in it. Even so, their techniques of authority-relationships between individuals and groups, direction, motivation, and communication underwent considerable improvement over the years.

Looking back through world history, we can trace the stories of people working together in formal organizations such as the Greek and Roman armies, & the Roman Catholic Church. People have also long been writing about how to make organizations efficient and effective – since long before terms such as "management" came into common usage.

Two prominent and instructive examples are the writings left for us by Niccolo Machiavelli and Sun Tzu (see **Exhibit 1**, above). Machiavelli also wrote about authority, stressing that it comes from the consent of the masses. However, the ideas Machiavelli expressed in The Prince are more often viewed as mainly concerned with leadership and communication.

### 1.2.2 INDUSTRIAL REVOLUTION: THE TURNING POINT

Until about the middle of the 18th century, the people of Western Europe used basically the same methods and instruments of production that had been used for centuries. Management practice in business, government, and the church remained quite stable through the centuries. It was carried through trial and error basis. Then within a few decades a series of inventions were made and the whole picture of industrial activity was enormously attained. That new period, commonly referred to as the *industrial revolution*, was the landmark in human history and management itself.

The impetus for the Industrial Revolution was developed by the seventeenth century. Agricultural methods had been improved in Europe to the extent that surpluses were generated. These surpluses were used for trade. Trade routes were by this time expanding, on a global scale, including those to the East and the Americas to the West.

Technical advances were being made, most importantly in textile manufacturing, notably in the eighteenth century, Hargreaves's spinning jenny, Arkwright's water frame and Compton's mule. The steam engine first developed in 1698 by Thomas Savory, was harnessed by James Watt. Improved hygiene and diet, including the boiling of water to make tea (from the East) led to expanding populations.

These factors, technological developments, expanding trade/ markets, growing populations created opportunities for merchants and entrepreneurs to invest in new factories. This was the beginning of the Industrial Revolution. With it came the need to improve work methods, quality, and productivity.

The industrial revolution brought massive technological changes. It revolutionized the economic system, initiated mass production and the factory system of production brought the need of huge collection of capital. Those changes of production methods reduced the crafts, which were the main factors in production into wage earner (employees) in the factory.

Introduction of mass production, large-scale industry, the use of expensive machines, extended markets, etc *made things very complex*. In addition, maintaining harmonious *relationship between the employer & the employees* was a problem.

These factors/negative consequences brought the need for more thoughtful, resourceful and dynamic management. Management on traditional lines became useless. Rule of thumb could no longer exist. It had to be replaced by *logical and rational principles, scientific approach and psychological handling.*

By and large, the Industrial Revolution created a need for new thinking and the refinement of old thinking. Time and motion studies intensified the division of work, as did centralized production and research and development.

### 1.2.3 MANAGEMENT PIONEERS IN THE EARLY FACTORY

**Adam Smith**, in the eighteenth century, advocated making work efficient by means of *specialization*. He advocated breaking the work down into simple tasks. He saw three advantages of the division of labor;

- the development of skills
- the saving of time
- the possibility of using specialized tools.

Following on rapidly from Smith, changes in the process of manufacturing developed.

After the War of Independence, there was a shortage of musket parts in the United States. **Eli Whitney** proposed the manufacturing of muskets by means of using interchangeable parts. Though the idea was viewed with initial skepticism, his process was successful in producing large quantities of interchangeable parts. Thus, born was the process of tooling up for production. At this time Whitney developed and used techniques such as cost accounting and quality control.

Records from the Soho Bell Foundry in Chelsea, around the same time as Whitney, reveal evidence of the use of production standards, cost control, work study and incentives.

In 1832, **Charles Babbage**, an engineer, philosopher and researcher, examined the division of labor in his book "*On the Economy of Machinery and Manufacturers"*. His work raised important questions about production, organizations and economics.

One factor, crucial in the latter development of incentives, Babbage proposed, as an advantage of the division of labor, that the amount of skill needed to undertake a specialized task was only the skill necessary to complete that task. He illustrated this concept by breaking down the manufacture of a pin, into seven elements.

The important implication for employers was that they need only pay for the amount of skill necessary to complete each individual task. He advocated breaking down jobs into elements and costing each element. In this way, potential savings from investments in training, process and methods could be quantified.

Thus, these developments presaged the machine age, replacing traditional manual labor and improving productivity.

- Machines were located near sources of power, first water later coal for steam.
- Large concentrations of machines were gathered in one place under one roof in the factories.
- This required large numbers of people, who came together to work these machines and in the distribution of the outputs from the factories.

Thus, the management functions of control, planning and coordination were required to be studied in order to further improve productivity.

Probably the first attempt at formally timing work was in 1760 when a Frenchman, **Jean Radolphe Perronet**, studied the manufacture of pins and attempted to establish standard times for various operations.

Documents have been found relating to the Old Derby China works for the year 1792 in which a Mr. **Thomas Mason** pledged himself to undertake time studies in the factory and to undertake his work conscientiously and diligently.

At the turn of the century the problems of layout and method were studied by **Robert Owen**. He was a successful textile mill manager in Scotland from 1800-1828. Owen's work at the New Lanark Mills was revolutionary at the time. Through experimentation, he succeeded in raising the living conditions of his workers whilst reorganizing his mills on commercial principles.

Robert Owen is credited with being the first to recognize fatigue and the work environment as factors affecting the performance of factory workers. Hence, he is credited as the "*Father of modern Personnel Management".*

Own believed that human resources are as valuable as financial & material resources to the production of goods, and factory workers would be more productive if they were motivated through rewards rather than punishments.

He experienced with several motivating techniques. To mention some, for instance, he improved working conditions within the factory, i.e., providing meals, bath facilities, housing & marketing facilities; reduced the workday to 10 ½ hrs with no night work for children; and refused to hire children under the age of 10.

**FOOD FOR THOUGHT**

1. What contributions of these early management theorists would still be applicable to today's organizations? Why?
2. Analyze whether an organization's division of labor is meeting its current needs. Consider ways to change the level of job specialization to increase performance.

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# 2. CLASSICAL MAMAGEMENT THEORIES

## LEARNING OBJECTIVES

**Upon completing this chapter, students should be able to:**

1. Explain the principle of job specialization and division of labor, and tell why the study of person–task relationships is central to the pursuit of increased efficiency.
2. Summarize the contributions of the scientific management advocates.
3. Identify the principles of administration and organization that underlie effective organizations.
4. Describe the contributions of Follett and Bertrand to modern management.
5. Distinguish the scientific management theory, the classical organization theory, and the transitional theory of management.

## INTRODUCTION

Despite the suggestions given by the early theorists, owners & managers did not begin to raise the concern of the problem of material & human efficiency. When markets were getting saturated, demands for greater profits were remarkably increasing, and competition was becoming keen. This emphasis on cutting costs and increasing efficiency led to the emergency of the classical school of management theory. These include scientific management, classical organization theory, and the more people oriented – transitional theories.

As you study these approaches, keep one important fact in mind: the managers and theorists who developed the assumptions about human relationships were doing so with little precedent. Large-scale industrial enterprise was very new. Some of the assumptions that they made might, therefore, seem simple or unimportant for you, but they were crucial to Ford (see the **ILLUSTRATIVE CASE STUDY**, below) and his contemporaries.

## ILLUSTRATIVE CASE STUDY THE APOSTLE OF MASS PRODUCTION

Henry Ford and the Model T have long been symbols of the industrial age. Even the subsequent growth and success of Ford's rival, General Motors, was due in large part to GM's need to find an innovative response to the Model T. In large measure, the managerial approach of Henry Ford, as well as his preferences in managerial theory, is a paradigm of much that was constructive and much that was imperfect--in early approaches to management.

The son of a poor Irish immigrant, Henry Ford was born in 1863 and grew up on a farm in rural Michigan. He was fascinated by machinery and was quite skilled in repairing and improving almost any machine. He started the Ford Motor Company in 1903, and by 1908, the Model T was built.

In the part of the century when automobiles were introduced, they were a symbol of status and wealth, the near exclusive province of the rich. Ford intended to change that: the Model T was to be for the masses--a car that virtually anyone could afford. He understood that the only way to make such a car was to produce it at high volume and low cost. Ford focused his factory efforts on efficiency, mechanizing wherever possible, and breaking down tasks into their smallest components. One worker would perform the same task over and over, producing not a finished part, but one of the operations necessary for the production of the whole; the incomplete part would then be passed on to another worker, who would contribute a successive operation. Ford was able to achieve remarkable efficiencies: Although the first Model T took over 12 ½ hours to produce, only 12 years later, in 1920, Ford was producing one Model T every minute. By 1925, at the peak of the car's popularity, a Model T was rolling off Ford's assembly lines at the rate of one every 5 seconds.

However, mechanization of the plant had some adverse effects. The faster Ford pushed his workers, the more disgruntled they became. In 1913, turnover was 380 percent, and Ford had to hire ten times more workers than he needed just to keep the line moving. In an action that at the time was unprecedented, Ford simply decided to double wages in order to get the best people and motivate them to work even harder. In the days following the announcement that wages were being doubled, thousands and thousands of men came to the Ford plant in search of work. Police had to be called in to control the crowds.

When he died in 1945, Ford was worth over $600 million. He left an indelible mark on both American industry and society. His name is synonymous with mass production and the development of modern management theory.

Most people associate Henry Ford with the Model T, the affordable mass-produced automobile that changed society. But Ford is also important as a management thinker because he developed ideas about how organizations function. Moreover, Ford hired theorists, the likes of Frederick Winslow Taylor, and gave them the chance to develop their management theories.

## 2.1. THE SCIENTIFIC MANAGEMENT SCHOOL

Scientific Management theory arose in part from the need to increase productivity. In the United States especially, skilled labor was in short supply at the beginning of the twentieth century. The only way to expand productivity was to raise the efficiency of workers. Therefore, Frederick W. Taylor, Henry L. Gantt, and Frank and Lillian Gilbreth devised the body of principles known as **scientific management theory.**

### 2.1.1 FREDERICK W. TAYLOR

[2]Frederick W. Taylor (1856-1915) was an American Engineer and worked in the Midvale steel co. as an apprentice pattern maker, a common laborer, a foreman, a master

[2] **Appendix B** provides a general description of this management theorist together with observations on the environment in which this theory was applied and the successes that it achieved.

mechanic and then a chief engineer of the steel co. That gave him ample opportunity to know at first hand the problems & attitudes of workers and to see the great opportunities for improving the quality of management. By far the most influential person of the time and someone, who has had an impact on management service practice as well as on management thought up to the present day, was F. W. Taylor.

Taylor formalized the principles of scientific management, and the fact-finding approach put forward and largely adopted was a replacement for what had been the old rule of thumb. Taylor was not the originator of many of his ideas, but a pragmatist with the ability to synthesize the work of others and promote them effectively to a ready and eager audience of industrial managers who were striving to find new or improved ways to increase performance. Taylor rested his philosophy on four basic principles:

**Principle 1**: *Study the way workers perform their tasks, gather all the informal job knowledge that workers possess, and experiment with ways of improving the way tasks are performed.*

To discover the most efficient method of performing specific tasks, Taylor studied in great detail and measured the ways different workers went about performing their tasks. One of the main tools he used was a time-and-motion study, which involves the careful timing and recording of the actions taken to perform a particular task. Once Taylor understood the existing method of performing a task, he tried different methods of dividing and coordinating the various tasks necessary to produce a finished product. Usually this meant simplifying jobs and having each worker perform fewer, more routine tasks, as at the pin factory or on Ford's car assembly line. Taylor also sought ways to improve each worker's ability to perform a particular task—for example, by reducing the number of motions workers made to complete the task, changing the layout of the work area or the type of tool workers used, or experimenting with tools of different sizes.

**Principle 2**: *Codify the new methods of performing tasks into written rules and standard operating procedures.*

Once the best method of performing a particular task was determined, Taylor specified that it should be recorded so that the procedures could be taught to all workers performing the same task. These rules could be used to standardize and simplify jobs further—essentially, to make jobs even more routine. In this way, efficiency could be increased throughout an organization.

**Principle 3**: *Carefully select workers so that they possess skills and abilities that match with the needs of the task, and train them to perform the task according to the established rules and procedures.*

To increase specialization, Taylor believed workers had to understand the tasks that were required and be thoroughly trained in order to perform the tasks at the required level. Workers who could not be trained to this level were to be transferred to a job where they were able to reach the minimum required level of proficiency.

**Principle 4**: *Establish a fair or acceptable level of performance for a task, and then develop a pay system that provides a reward for performance above the acceptable level.*

To encourage workers to perform at a high level of efficiency, and to provide them with an incentive to reveal the most efficient techniques for performing a task, Taylor advocated that workers should benefit from any gains in performance. They should be paid a bonus and receive some percentage of the performance gains achieved through the more efficient work process.

Taylor contended that the success of these principles required "a complete mental revolution" on the part of management and labor. Rather than quarrel over profits, both sides should try to increase production; by so doing, he believed, profits would rise to such an extent that labor and management would no longer have to fight over them. In short, Taylor believed that management and labor had a common interest in increasing productivity.

Taylor based his management system on production-line time studies. Instead of relying on traditional work methods, he analyzed and timed steel workers' movements on a series of jobs. Using ***time study*** as his base, he broke each job down into its components and designed the quickest and best methods of performing each component. In this way he established how much workers should be able to do with the equipment and materials at hand. He also encouraged employers to pay more productive workers at a higher rate than others did, using a "scientifically correct" rate that would benefit both company and workers. Thus, workers were urged to surpass their previous performance standards to earn more pay Taylor called his plan the **differential rate system.**

His views on motivation, management and organization all presupposed certain conditions to be constant, which we now know, are not. The ***assumptions*** underlying his work were:

- the presence of a capitalist system and a money economy, where companies in a free market have, as their main objective, the improvement of efficiency and the maximization of profit;
- the Protestant work ethic, that assumes people will work hard and behave rationally to maximize their own income, putting the perceived requirements of their organization before their own personal objectives and goals;
- an increased size is desirable in order to obtain the advantages of the division of labor and specialization of tasks.

Taylor's impact has been so great because he developed a concept of work design, work-measurement, production control and other functions, that completely changed the nature of industry. Before scientific management was evolved, such departments as work study, personnel, maintenance and quality control did not exist. What was more his methods proved to be very successful.

### 2.1.2 HENRY L. GANTT

Henry L. Gantt (1861-1919) worked with Taylor on several projects. But when he went out on his own way as a consulting industrial engineer, Gantt began to reconsider Taylor's incentive system.

Abandoning the differential rate system as having too little motivational impact, Gantt came up with a new idea. Every worker who finished a day's assigned work load would win a 50-cent bonus. Then he added a second motivation. The *supervisor* would earn a bonus for each worker who reached the daily standard, plus an extra bonus if all the workers reached it. This, Gantt reasoned, would spur supervisors to train their workers to do a better job.

Every worker's progress was rated publicly and recorded on individual bar charts,--in black on days the worker made the standard, in red when he or she fell below it. Going beyond this, Gantt originated a charting system for production scheduling; the "Gantt chart" is still in use today. The Gantt chart for which he will also be remembered, is a

visual display chart used for scheduling which is based on time, rather than quantity, volume or weight.

In fact, the Gantt Chart was translated into eight languages and used throughout the world. Starting in the 1920s, it was in use in Japan, Spain, and the Soviet Union. It also formed the basis for two charting devices which were developed to assist in planning, managing, and controlling complex organizations: the Critical Path Method (CPM), originated by Du Pont, and Program Evaluation and Review Technique (PERT), developed by the Navy. Lotus 1-2-3 is a creative application of the Gantt Chart.

### 2.1.3 THE GILBRETHS

Frank B. and Lillian M. Gilbreth (1868-1924 and 1878-1972) made their contribution to the scientific management movement as a husband-and-wife team. Lillian and Frank collaborated on ***fatigue and motion studies*** and focused on ways of promoting the individual worker's welfare. To them, the ultimate aim of scientific management was to help workers reach their full potential as human beings. Frank and Lillian Gilbreth were associates of Frederick Winslow Taylor. The Gilbreths, unlike Taylor, had experience in unionized industry, which presumably limited their enthusiasm for timing jobs.

In Frank Gilbreth's early career he was interested in standardization and method study. Noticing, in the bricklaying, at construction sites where he worked, that no two bricklayers used exactly the same method or even the same set of motions when working fast as opposed to slow, he set about trying to find an improved method. The result was that he was able to raise output from 1000 to 2700 bricks per day.

Frank and his wife Lillian developed recording techniques called "***Therbligs***" and process-flow-charting. Therbligs are the basic elements of on-the-job motions and provide a standard basis for recording movements. They included such items as search, find, graph, assemble and inspect. Flow-process-charts (process flow-charts) were devised to enable the whole operation or process to be scientifically analyzed as opposed to a single task or operation.

It was they who coined the term 'motion study' to cover their field of research and as a way of distinguishing it from those involved in 'time study'; it is a technique that they believed should always precede method study. This still holds true today.

The use of the camera in motion study stemmed from this time and the Gilbreths used micro-motion study in order to record and examine detailed short-cycled movements as well as inventing cyclographs and chronocycle graphs to observe rhythm and movement.

In their conception, motion and fatigue were intertwined—every motion that was eliminated reduced fatigue. Using motion picture cameras, they tried to find the most economical motions for each task in order to upgrade performance and reduce fatigue. The Gilbreths argued that motion study would raise worker morale because of its obvious physical benefits and because it demonstrated management's concern for the worker.

From their various studies the Gilbreths developed, the laws of human motion from which evolved the principles of motion economy.

### 2.1.4 CHARLES BEDAUX

Another pioneering contributor to the field of scientific management was Charles Bedaux. Although not embarking on his career until after Taylor's death, he was to have widespread influence, firstly in the USA and later in Europe.

Many major European companies were his clients, although many who experienced his work had unscrupulous managers who brought his name into disrepute.

Bedaux introduced the concept of rating assessment in timing work.

He adhered to Gilbreth's introduction of a rest allowance to allow recovery from fatigue. His system has been of great consequence to the subsequent development of work study.

He is also known for extending the range of techniques employed in work study which include value analysis.

**FOOD FOR THOUGHT**

1. Choose a fast-food restaurant, a department store, or some other organization with which you are familiar, and apply Taylor's principles of scientific management to improve the performance of the organization you chose.
2. Why might scientific management lead to an increase in labor union participation?
3. What contributions of scientific management theorists would still be applicable to today's organizations? Why?

### CONTRIBUTIONS OF SCIENTIFIC MANAGEMENT THEORY

The modem assembly line pours out finished products faster than Taylor could ever have imagined. This production "miracle" is just one legacy of scientific management. In addition, its efficiency techniques have been applied to many tasks in non-industrial organizations, ranging from fast-food service to the training of surgeons.

### LIMITATIONS OF SCIENTIFIC MANAGEMENT THEORY

Although Taylor's method led to dramatic increases in productivity and to higher pay in a number of instances, workers and unions began to oppose his approach because they feared that working harder or faster would exhaust whatever work was available, causing layoffs.

Moreover, Taylor's system clearly meant that time was of the essence. His critics objected to the "speed up" conditions that placed undue pressures on employees to perform at faster and faster levels. The emphasis on productivity—and, by extension, profitability—led some managers to exploit both workers and customers. As a result, more workers joined unions and thus reinforced a pattern of suspicion and mistrust that shaded labor-management relations for decades.

## 2.2.CLASSICAL ORGANIZATION THEORY

Scientific management was concerned with increasing the productivity of the shop and the individual worker. **Classical organization theory** grew out of the need to find guidelines for managing such complex organizations as factories.

### 2.2.1 HENRI FAYOL

[3]Henri Fayol (1841-1925) is generally hailed as the founder of the classical management school--not because he was the first to investigate managerial behavior, but because he was the first to systematize it. Fayol believed that sound management practice falls into certain patterns that can be identified and analyzed. From this basic insight, he drew up a blueprint for a cohesive doctrine of managers—one that retains much of its force to this day.

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[3] **Appendix B** provides a general description of this management theorist together with observations on the environment in which this theory was applied and the successes that it achieved.

Based on his own experience in the field, Fayol developed ***fourteen principles of management*** which are useful not only in business organizations, but also in military, religious, governmental and financial institutions. But these principles are not commandments; they are used by modifying, or adjusting to fix the prevailing realities.

**EXHIBIT 2: FAYOL'S 14 PRINCIPLES OF MANAGEMENT**

1. DIVISION OF LABOR The more people specialize, the more efficiently they can perform their work. This principle is epitomized by the modern assembly line.
2. AUTHORITY Managers must give orders so that they can get things done. While their formal authority gives them the right to command, managers will not always compel obedience unless they have personal authority (such as relevant expertise) as well.
3. DISCIPLINE Members in an organization need to respect the rules and agreements that govern the organization. To Fayol, discipline results from good leadership at all levels of the organization, fair agreements (such as provisions for rewarding superior performance), and judiciously enforced penalties for infractions.
4. UNITY OF COMMAND Each employee must receive instructions from only one person. Fayol believed that when an employee reported to more than one manager, conflicts in instructions and confusion of authority would result.
5. UNITY OF DIRECTION Those operations within the organization that have the same objective should be directed by only one manager using one plan. For example, the personnel department in a company should not have two directors, each with a different hiring policy.
6. SUBORDINATION OF INDIVIDUAL INTEREST TO THE COMMON GOOD In any undertaking, the interests of employees should not take precedence over the interests of the organization as a whole.
7. REMUNERATION Compensation for work done should be fair to both employees and employers.
8. CENTRALIZATION Decreasing the role of subordinates in decision making is centralization; increasing their role is decentralization. Fayol believed that managers should retain final responsibility, but should at the same time give their subordinates enough authority to do their jobs properly. The problem is to find the proper degree of centralization in each case.
9. THE HIERARCHY The line of authority in an organization—often represented today by the neat boxes and lines of the organization chart—runs in order of rank from top management to the lowest level of the enterprise.
10. ORDER Materials and people should be in the right place at the right time. People, in particular, should be in the jobs or positions they are most suited to.
11. EQUITY Managers should be both friendly and fair to subordinates.
12. STABILITY OF STAFF A high employee turnover rate undermines the efficient functioning of an organization.
13. INITIATIVE Subordinates should be given the freedom to conceive and carry out their plans, even though some mistakes may result.
14. ESPIRIT DE CORPS Promoting team spirit will give the organization a sense of unity. To Fayol, even small factors should help to develop the spirit. He suggested, for example, the use of verbal communications instead of formal, written communication whenever possible.

**Source**: Henri Fayol. (1930). *Industrial and General Administration*, J.A.Caubrough, trans.(GIMI)

With his faith in scientific methods, Fayol was like Taylor, his contemporary advocate. While Taylor was basically concerned with *organizational functions*, however Fayol was interested in the *total organization* and focused on management, which he felt had been the most neglected of business operations.

Before Fayol, it was generally believed that "managers are born, not made." Fayol insisted, however, that management was a skill like any other--one that could be taught once its underlying principles were understood.

The management function, Fayol believed, consisted of planning, organizing, commanding, coordinating and controlling. Many practicing managers, even today, would identify similar elements as the core of their activities.

Fayol was also one of the first people to characterize a commercial organization's activities into its basic components. He suggested that organizations could be sub-divided into six main areas of activity:

1. **Technical –** include activities of production and manufacturing;
2. **Commercial –** include activities of buying, selling or exchange;
3. **Financial –** include activities of searching for & optimum use of capital;
4. **Security –** include protection of property and persons;
5. **Accounting –** include activities of recording and taking stock of costs, profits & liabilities, keeping balance sheets, and compiling statistics; and
6. **Managerial –** include planning, organizing, commanding, coordinating and controlling.

Fayol felt that the first five activities were well known and performed by business people, but little was known about the managerial activities and it had been the most neglected aspect of business operations. Thus, he concentrated /devoted much of his time on the analysis of the managerial activities.

Notice that most of these activities are very task-oriented, rather than people-oriented. This is very like Taylor and Scientific Management.

His theory focuses on the total organization and attempts to develop rules and principles that will direct managers to more efficient activities. (i.e., realizes the importance of efficiency at all levels). Hence, he is credited as the "father *of modern Operations Management".*

### 2.2.2 MAX WEBER

At the turn of the 19th century, a German sociologist named [4]Max Weber (1864-1920) began to *study* the new forms of organization being developed for managing large numbers of people in far-flung and complex activities. Furthermore, Germany had been an early leader in developing a civil service. At the same time, German industry was beginning to adopt the organizational methods developed in the United States. Surveying this scene, Weber attempted to isolate the elements common to all of these new organizations.

Reasoning that any goal-oriented organization consisting of thousands of individuals would require the carefully controlled regulation of its activities, Max Weber developed a theory of bureaucratic management that stressed the need for a strictly defined hierarchy governed by clearly defined regulations and lines of authority. He considered the ideal organization to be a **bureaucracy** whose activities and objectives were rationally thought out and whose divisions of labor were explicitly spelled out. Weber also believed that technical competence should be emphasized and that performance evaluations should be made entirely on the basis of merit.

Weber developed the principles of **bureaucracy**—a formal system of organization and administration designed to ensure efficiency and effectiveness. A bureaucratic system of administration is based on five principles.

**Principle 1**: *In a bureaucracy, a manager's formal authority is derived from the position he or she holds in the organization.*

**Authority** is the power to hold people accountable for their actions and to make decisions concerning the use of organizational resources. Authority gives managers the right to direct and control their subordinates' behavior to achieve organizational goals. In a bureaucratic system of administration, obedience is owed to a manager, not because of any personal qualities that he or she might possess— such as personality, wealth, or social status—but because the manager occupies a position that is associated with a certain level of authority and responsibility.

**Principle 2**: *In a bureaucracy, people should occupy positions because of their performance, not because of their social standing or personal contacts.*

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[4] **Appendix B** provides a general description of this management theorist together with observations on the environment in which this theory was applied and the successes that it achieved.

This principle was not always followed in Weber's time and is often ignored today. Some organizations and industries are still affected by social networks in which personal contacts and relations, not job-related skills, influence hiring and promotional decisions.

**Principle 3**: *The extent of each position's formal authority and task responsibilities, and its relationship to other positions in an organization, should be clearly specified.*

When the tasks and authority associated with various positions in the organization are clearly specified, managers and workers know what is expected from them and what to expect from each other. Moreover, an organization can hold all its employees strictly accountable for their actions when each person is completely familiar with his or her responsibilities.

**Principle 4**: *Positions in an organization should be arranged hierarchically so that authority can effectively be exercised and employees will know to whom they have to report and who have to report to them.*

Managers must create an organizational hierarchy of authority that makes it clear who reports to whom and to whom managers and workers should go if conflicts or problems arise. This principle is especially important in the armed forces, CSIS, RCMP, and other organizations that deal with sensitive issues involving possible major repercussions. It is vital that managers at high levels of the hierarchy be able to hold subordinates accountable for their actions.

**Principle 5**: *Managers must create a well-defined system of rules, standard operating procedures, and norms so that they can effectively control behavior within an organization.*

**Rules** are formal written instructions that specify actions to be taken under different circumstances to achieve specific goals (for example, if *A* happens, do *B*). **Standard operating procedures (SOPs)** are specific sets of written instructions about how to perform a certain aspect of a task. A rule might state that at the end of the workday employees are to leave their machines in good order and a set of SOPs then specifies exactly how they should do so, itemizing which machine parts must be oiled or replaced. **Norms** are unwritten, informal codes of conduct that prescribe how people should act in particular situations. For example, an organizational norm in a restaurant might be that waiters should help each other if time permits.

Rules, SOPs, and norms provide behavioral guidelines that improve the performance of a bureaucratic system because they specify the best ways to accomplish organizational tasks. Companies such as McDonald's and Wal-Mart have developed extensive rules and procedures to specify the types of behaviors that are required of their employees, such as, "Always greet the customer with a smile."

Weber believed that organizations that implement all five principles will establish a bureaucratic system that will improve organizational performance. The specification of positions and the use of rules and SOPs to regulate how tasks are performed make it easier for managers to organize and control the work of subordinates. Similarly, fair and equitable selection and promotion systems improve managers' feelings of security, reduce stress, and encourage organizational members to act ethically and further promote the interests of the organization.

If bureaucracies are not managed well, however, many problems can result. Sometimes, managers allow rules and SOPs—"bureaucratic red tape"—to become so cumbersome that decision making becomes slow and inefficient and organizations are unable to change. When managers rely too much on rules to solve problems and not enough on their own skills and judgment, their behavior becomes inflexible. A key challenge for managers is to use bureaucratic principles to benefit, rather than harm, an organization.

For Weber the term ***bureaucracy*** was inseparable from the term ***rationality***. And we may speak of his concept as a "rational bureaucracy" But what were the features he developed to make bureaucracies rational? (1) functional specialization (2) clear lines of hierarchical authority, (3) expert training of managers, and (4) decision making based on rules and tactics developed to guarantee consistent and effective pursuit of organizational goals.

Weber noted additional features of rational bureaucracies that are simple extensions of the four just outlined. To ensure expert management, appointment and promotion are based on merit rather than favoritism, and those appointed treat their positions as full-time, primary careers.

To ensure order in decision making, business is conducted primarily through written rules records, and communications.

Weber's idea of functional specialization applies both to persons within an organization and to relations between larger units or divisions of the organization. Accordingly, work has to be broken down into many special tasks, and employees were assigned to one or a few such tasks, including the tasks involved in coordinating the work of others. (Such coordination is called administration or management.) Furthermore, an organization has to be separated into a number of divisions, each specializing in one of the tasks in the elaborate process of bringing meat from the ranch to the consumer. Weber argued that such specialization is essential to a rational bureaucracy and that the specific boundaries separating one functional division from another must be fixed by explicit rules, regulations, and procedures.

For Weber it was self-evident that coordinating the divisions of large organizations requires clear lines of authority organized in a hierarchy. That means there are clear "levels of graded authority." All employees in the organization must know who their boss is, and each person should always respect the chain of command; that is, people should give orders only to their own subordinates and receive orders only from their own immediate superior In this way, the people at the top can be sure that directives arrive where they are meant to go and know where responsibilities lie.

Furthermore, hierarchical authority is required in bureaucracies so that highly trained experts can properly be used as managers. It does little good to train someone to operate a stockyard, for example, and then have that manager receive orders from someone whose training is in advertising. Rational bureaucracies can be operated, Weber argued, only by deploying managers at all levels who have been selected and trained for their specific jobs. Persons ticketed for top positions in bureaucracies are often rotated through many divisions of an organization to gain firsthand experience of the many problems that their future subordinates must face.

Finally, Weber stressed that rational bureaucracies must be managed in accordance with carefully developed rules and principles that can be learned and applied and that transactions and decisions must be recorded so that rules can be reviewed. Only with such rules and principles can the activities of hundreds of managers at different levels in the organization be predicted and coordinated. If we cannot predict what others will do, then we cannot count on them.

Today we often think of bureaucracies as vast, impersonal organizations that put impersonal efficiency ahead of human needs. We should be careful, though, not to apply our negative connotations of the word bureaucracy to the term as Weber use it. Like the scientific management theorists, Weber sought to improve the performance of socially important organizations by making their operations predictable and productive. Although we now value innovation and flexibility as much as efficiency and predictability, Weber's model of bureaucratic management clearly advanced the formation of huge corporations such as Ford. Bureaucracy was a particular pattern of relationships for which Weber saw great promise.

For a long time, Weber's rational bureaucracy model dominated social science thinking about large, modern organizations. If organizations did not operate quite as Weber had said a bureaucracy should, then the solution was to bring them in line with the ideal bureaucratic procedures. However by World War II, sharp criticism of Weber's ideas began to surface. Social scientists began to argue that Weber had ignored much of what really went on in organizations-the conflicts, the cliques, and the sidestepping of rules and the chain of command. The problem lay in the fact that bureaucracies were not and could not be like machines because they consisted of human beings. In the final analysis, people will simply not imitate machines.

**FOOD FOR THOUGHT**

1. Examine the way your organization works in reference to Weber and Fayol's principles. Decide if the distribution of authority in the hierarchy best meets the organization's needs. Similarly, decide if the right system to discipline or remunerate employees is being used.
2. Examine organizational policies to see if managers are consistently behaving in an equitable manner and whether these policies lead to ethical employee behavior.
3. In what ways are Weber's and Fayol's ideas about bureaucracy and administration similar? In what ways do they differ?
4. What contributions of classical organization theorists would still be applicable to today's organizations? Why?

## CONTRIBUTIONS OF CLASSICAL ORGANIZATION THEORY

- Viewed management as a profession that can be trained and developed
- Emphasized the broad policy aspects of top-level managers
- Offered universal managerial prescriptions
- Promotes efficient performance of routine organizational activities
- Eliminates subjective judgment by employees and management
- Emphasizes position rather than the person

### LIMITATIONS OF CLASSICAL ORGANIZATION THEORY

- Universal prescriptions need qualifications for environmental, technological and personnel factors.
- Limited organizational flexibility and slow decision making
- Ignores the importance of people and interpersonal relationships
- Accumulation of power can lead to authoritarian management
- Rules may become ends by themselves
- Difficult to dismantle once established

## 2.3. TRANSITIONAL THEORIES: BECOMING MORE PEOPLE–ORIENTED

These special group of theorists chronologically belong to the classical school of management. Moreover, they have also played an invaluable role in building a classic framework upon which the classical school was founded. The themes of their work have, however, been unlocking the potential of the "*factory man"* beyond the scientific principles of the times. Many behavioral scientists that came next have studied deeply the human aspect of organizations. Hence, these theorists and their work is coined to be *transitional* – between "classical" and management theories that emerged after.

### 2.3.1 MARY PARKER FOLLETT

Mary Parker Follett (1868-1933) was among those who built on classic framework of the classical school. However, she introduced many new elements especially in the area of human relations and organizational structure. In this, she initiated trends that would be further developed by the emerging behavioral and management science schools.

If F.W. Taylor is considered to be the *father* of scientific management, Mary Parker Follett serves as its *mother*. Much of her writing about management and about the way managers should behave toward workers was a response to her concern that Taylor was ignoring the human side of the organization. She pointed out that management often overlooks the multitude of ways in which employees can contribute to the organization

when managers allow them to participate and exercise initiative in their everyday work lives. Taylor, for example, relied on time-and-motion experts to analyze workers' jobs for them. Follett, in contrast, argued that because workers know the most about their jobs, they should be involved in job analysis and managers should allow them to participate in the work development process.

Follett proposed that, "Authority should go with knowledge ... whether it is up the line or down." In other words, if workers have the relevant knowledge, then workers, rather than managers, should be in control of the work process itself, and managers should behave as coaches and facilitators – not as monitors and supervisors. In making this statement, Follett anticipated the current interest in self-managed teams and empowerment. She also recognized the importance of having managers in different departments communicate directly with each other to speed decision making. She advocated what she called "cross-functioning": members of different departments working together in cross-departmental teams to accomplish projects—an approach that is increasingly utilized today.

**EXHIBIT 3: APPLYING RELATIONSHIPS AT HOME DEPOT**

Home Depot Americas largest home-improvement retailer, practices much of what Follett had in mind. Before Home Depot opens a new store, all employees receive about four weeks of training. To maintain contact and to reinforce information about the company, the retailer holds quarterly Sunday morning meetings for its 23,000 employees using satellite TV hook-ups in each store. The sessions are known as "Breakfast with Bernie and Arthur" (the founders of Home Depot). The telecast is interactive, allowing for exchange of information and permitting employees to phone the company's top executives to ask questions. Home Depot also has an in-house TV station that produces programs designed to teach the Home Depot "service spirit" to new store employees.

Home Depot also educates customers. Stores offer clinics, taught by staff or by supplier representatives, on how to do a variety of home improvement projects. Home Depot also strives to make improvements based on customer experiences and suggestions. For instance, when contractors requested a special checkout area near the lumber racks, Home Depot complied, finding that the change speeded "front-of-store" check out. The team spirit, sharing of information and quality customer service that define Home Depot has made it the dominant power in the $115 billion home improvement industry. In 1993, among 404 major corporations in the U.S., Home Depot was ranked as the second most admired company.

Fayol also mentioned expertise and knowledge as important sources of managers' authority, but Follett went further. She proposed that knowledge and expertise, and not managers' formal authority deriving from their position in the hierarchy, should decide who would lead at any particular moment. She believed, as do many management theorists

today, that power is fluid and should flow to the person who can best help the organization achieve its goals. Follett took a horizontal view of power and authority, in contrast to Fayol, who saw the formal line of authority and vertical chain of command as being most essential to effective management.

Follett's model was an important forerunner of the idea that management meant more than just what was happening inside a particular organization. By explicitly adding the organizational environment to her theory, Follett paved the way for management theory to include a broader set of relationships, some inside the organization and some across the organization's borders. A diverse set of model management theories pays homage to Follett on this point.

Follett's approach to management was very radical for its time. (I strongly recommend you to go through **Appendix A**, at the end of this material, to learn more about this star – ahead of her time).

### 2.3.2 CHESTER I. BARNARD

Chester Barnard (1886-1961), like Follett, introduced elements to classical theory that would be further developed in later schools. Barnard, who became president of New Jersey Bell in 1927, used his work experience and his extensive reading in sociology and philosophy to formulate theories about organizations. According to Barnard, people come together in formal organizations to achieve ends they cannot accomplish working alone. But as they pursue the organization's goals, they must also satisfy their individual needs. And so Barnard arrived at his central thesis: An enterprise can operate efficiently and survive only when the organization's goals are kept in balance with the aims and needs of the individuals working for it. What Barnard was doing was specifying a principle by which people can work in stable and mutually beneficial relationships over time.

For example, to meet their personal goals within the confines of the formal organization, people come together in informal groups such as cliques. To ensure its survival, the firm must use these informal groups effectively, even if they sometimes work at purposes that run counter to management's objectives. Barnard's recognition of the importance and universality of this "informal organization" was a major contribution to management thought.

Barnard believed that individual and organizations purposes could be kept in balance if managers understood an employee's **zone of indifference--**that is, what the employee would do without questioning the manager's authority. Obviously, the more activities that fell within an employee's zone of indifference (what the employee would accept), the smoother and more cooperative an organization would be. Barnard also believed that executives had a duty to instill a sense of moral purpose in their employees. To do this, they would have to learn to think beyond their narrow self-interest and make an ethical commitment to society. Although Barnard stressed the work of *executive* managers, he also paid considerable attention on the role of the individual worker as "the basic strategic factor in an organization." When he went further to emphasize on the organization as the cooperative enterprise of individuals, working together as groups, he set the stage for the development of a great deal of current thinking.

For example, companies are increasingly using teams. In fact, some advocate using teams, as the building blocks of the organization. Because teams are generally self-managing, supervisory roles are limited. Management provides direction by giving each team a common purpose and holds the teams accountable for measurable performance goals. Companies such as Motorola, DuPont, AT&T, and General Electric are moving in this direction.

**FOOD FOR THOUGHT**

1. Why was the work of Mary Parker Follett ahead of its time? To what degree do you think it is appropriate today?
2. What contributions of classical transitional theorists would still be applicable to today's organizations? Why?
3. Why is it important to think about the human side of management?

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# 3. THE BEHAVIORAL SCHOOL: THE ORGANIZATION IS PEOPLE

## LEARNING OBJECTIVES

**Upon completing this chapter, students should be able to:**

1. Explain the importance of the Hawthorne Studies to management
2. Enumerate the conclusions of the Hawthorne Experiments
3. Describe the contributions of the early organizational behavior advocates: Abraham Maslow, Douglas McGregor, and Herzberg
4. Explain the difference between human relations and behavioral science theorists.

## INTRODUCTION

The behavioral school emerged partly because the classical approach did not achieve sufficient production efficiency and workplace harmony. To managers' frustration, people did not always follow predicted or expected patterns of behavior. Thus there was increased interest in helping managers deal more effectively with the "people side" of their organizations. Several theorists tried to strengthen classical organization theory with the insights of sociology and psychology.

## 3.1 THE HUMAN RELATIONS MOVEMENT

Human relations is frequently used as a general term to describe the ways in which managers interact with their employees. When "employee management" stimulates more and better work, the organization has effective human relations; when morale and efficiency deteriorate, its human relations are said to be ineffective. The human relations movement arose from early attempts to systematically discover the social and psychological factors that would create effective human relations.

**EXHIBIT 4: APPLYING HUMAN RELATIONS THEORIES**

The application of these human relations theories can be seen in today's competitive environment. For example, with the restructuring of today's competitive global economy, many companies have made the decision to "downsize" or reduce the numbers of managers and workers. However, some companies, well aware of the dynamics pointed out by the Hawthorne studies, have approached employee reductions with great care. At Sky Chiefs, a $450 million airline in-flight services corporation, the problems experienced by the airlines industry such as price wars, brisk competition from foreign airlines, aging fleets, and the increasing cost of new planes, were directly affecting the company. Forced to reduce staff, management realized that if it managed the process poorly and didn't take into consideration the needs of employees, those who remained after the downsizing would be less loyal and cohesive as a group.

To minimize potential problems after the downsizing, the management adopted "total quality leadership" to provide the company with a framework for implementing the restructuring. It spent thousands of hours and dollars to fund

training and improvement processes related to total quality leadership. The key to the success of the restructuring was that instead of management dictating what would happen and to whom employees, seen as the backbone of the company, were empowered to facilitate the process. For example, prior to the restructuring process, employees participated in evaluating all headquarters functions.

An employee-managed restructuring committee was selected by management to assemble, interpret, and evaluate the data. Then smaller action teams were created to address the downsizing. To help those who were to be let go, extensive counseling and outplacement services were provided, including group workshops on networking, interviewing techniques, and hiring, and employees were videotaped to help with future interviews.

Now, after the restructuring, productivity and operating profits are increasing. The remaining employees have accepted their new roles and responsibilities, and morale continues to improve.

Probably because of its radical nature, Follett's work was unappreciated by managers and researchers until quite recently. Instead, researchers continued to follow in the footsteps of Taylor and the Gilbreths. One focus was on how efficiency might be increased through improving various characteristics of the work setting, such as job specialization or the kinds of tools workers used. One series of studies was conducted from 1924 to 1932 at the Hawthorne Works of the Western Electric Company.

This research, now known as the Hawthorne studies, began as an attempt to investigate how characteristics of the work setting—specifically the level of lighting or illumination—affect worker fatigue and performance.

The research undertaken at Hawthorne can be grouped in four phases. Each successive developed as an attempt on the part of the researchers to answer questions raised by the previous phase. The four stages were:

1. Experiments to determine the effects of changes in illumination on productivity
2. Experiments to determine the effects of changes in hours and other working conditions (e.g., rest periods, refreshments) on productivity (the relay assembly test room experiment)
3. Conducting plant wide interview program to determine worker attitudes and sentiments
4. Determination and analysis of social organization at work (the bank wiring observation room experiment)

The human relations movement grew out of a famous series of studies conducted at the Western Electric Company from 1924 to 1933. These eventually became known as

the "Hawthorne Studies" because many of them were performed at Western Electric's Hawthorne plant near Chicago by George Elton Mayo[5] and his colleagues from MIT.

**EXHIBIT 5: THE HAWTHORNE EXPERIMENTS**

**1. EXPERIMENTS IN ILLUMINATION**

The first experiments were with illumination - lighting in the factory. It was thought that workers might work better when there was more light, but light was very expensive, so they needed to find the optimum level to satisfy both requirements. The Hawthorne Studies began as an attempt to investigate the relationship between the level of lighting in the workplace and worker productivity--the type of question Frederick Taylor and his colleagues might well have addressed.

They assigned workers making induction coils to 2 groups: *test* and *control*. Both started with same amount of light. Then the Test group was given more light. Productivity went up. But, unfortunately, it also went up in the control group. So then they increased the light in the Test group again. Once again, productivity went up or stayed the same in both groups. Again they raised the light level, and again the same result.

So then they reduced the lighting in the Test group way down, below the level in control group. Productivity soared in the Test group, and continued to go up in the control group. They reduced light some more: same result. They finally got down to a level of light equivalent to a moonlit night, and found that productivity was still the same or higher. This really confused the researchers. As one of the researchers put it at the time, they were "knocked galley-west" by the results.

They finally took two workers and put them in a closet with no light at all -- just the crack under the door. Productivity Was just fine.

*They had to conclude that light didn't seem to matter in the way they expected. And there was something very strange about why output kept going up relative to the rest of the factory. So they planned a more elaborate experiment.*

**2. RELAY ASSEMBLY TEST ROOM EXPERIMENT**

The second experiment was the relay assembly test room. Six women who assembled telephone relay switches were taken out of the main area and placed in special test room where they could be observed. All immigrants (as were most factory workers).

It was a 5 year experiment. Productivity was measured the whole time by a machine that counted the number of relays that each person assembled as she dropped it down a little chute. They gauged the effects of rest pauses, shorter work days, shorter work weeks, wage incentives and different supervisory practices on output.

*The results were just like the results of the lighting experiment. No matter what change they introduced, it always seemed to either have no effect, or it improved productivity, even when the change was just returning the variable to its original state!*

**3. EMPLOYEE INTERVIEWS**

As a result of these two studies, the Hawthorne team theorized that there was a key variable that managers had been ignoring, which had to do with workers' relationships, attitudes, feelings, and perceptions. So an important conclusion (in spite of the experimental design problem) was that people did not necessarily behave according to models of *economic rationality*. Social processes within the group that formed were much more important than purely material gains. Also, even material goods or physical events or wages or work hours etc. were perceived differently by different people in different situations and so it's not so much the money or the hours themselves that matter, it's what meaning they hold for people, and meaning is something that is socially mediated. The group affects how the individual interprets things.

An example occurs in the next phase of the experiments, the bank wiring room, where it turned out that workers conferred a lot of meaning on which chair people occupied (front or back of room). The front of the room was higher status. This was not something that management was even aware of. But it affected relationships among people in the

[5] **Appendix B** provides a general description of this management theorist together with observations on the environment in which this theory was applied and the successes that it achieved.

room.

To really understand employee grievances, complaints, and squabbles requires understanding employee's position in the group social structure. Employee complaints are subjective: they can't be treated as objective facts. Often, they are symptoms of other issues that may have little to do with the complaint itself.

For example, suppose a worker refuses to be moved to another desk, claiming that the light isn't as good and it smells there. But it's really that that area is where the people of the out-group sit, and she's a member of the in-group, and she would rather die than sit with the out-group. If management isn't aware of this, they will simply think she is irrational.

The meaning and value that employee assigns to his or her position depends on the degree to which position permits him to fulfill his social obligations to others in the group. A social organization provides a system of values that provide basis of action and satisfaction.

*On the basis of their extensive interview program, hence, proposed that the work group as a whole determined the production output of individual group members by enforcing an informal norm of what a fair day's work should be.*

### 4. BANK WIRING OBSERVATION ROOM EXPERIMENT

The final phase of the experiments was designed to investigate the social structure of employees. How it formed, what it consisted of, how it affected productivity, and so on.

The room contained 9 wiremen, 3 solder men, 2 inspectors, and the observer. Each solder man serviced 3 wiremen. Wiremen attached wires to panels in a particular order, and solder men soldered the connections closed. Then the inspectors would test them electrically with some test equipment. Also, among the 9 wiremen, 3 worked only on selectors and the other 6 worked on connectors. The connector stations were located in the front of the room.

A basic question asked was, is the informal social structure based on occupations? The answer was "somewhat". For example, connector wiremen were all together at front of room. The men said they preferred connectors to selectors Supposedly they were lighter to carry but they only had to carry two of them each day, so that sounded like an excuse). It also happened that new men were typically added to back of room. New men were slow, and had low hourly rates. People in front were old hands, more proficient, and therefore more status. So people preferred connectors because that's what the more prestigious people were doing.

It was found that wiremen had higher prestige than solder men. New people started as solder men then became wiremen .Evidence for prestige was in things like who had to get lunch for everyone, some fights over the windows, and bits of conversation.

Another job was trucker: he brought wire and raw materials into the room each day and took away finished terminals. For each terminal who took away, he had to put on an id tag and a stamp. The men called him "goofy" and "gigolo" and would annoy him constantly: spitting on the terminals right where he had to pick them up, jogging his arm just as he was putting on stamp, holding on to the hand truck, tickling him when his hands were full etc.

When a new trucker came on, they behaved the same way towards him. Note that it was not exactly in the company manual that wiremen should harass truckers. It was just something that developed.

The inspectors reported through a different branch of the organization. They were better educated and wore nicer clothes. In the Bank Wiring room, they were higher status for most things, but considered outsiders. They did not have lunch with others and had no control over windows. Again, it was obviously not something management had mandated.

One of main things going on in the room was games: matching coins, lagging coins, shooting craps, card games, bets on combinations of digits in the serial numbers of weekly pay checks, pools on horseracing, baseball, quality records. Also chipped in to buy candy, and they practiced binging (punching each other in the arm), and they did a special kind of arguing that was like a white version of playing the dozens: they would insult each other until somebody got mad. Whoever got mad lost. The games went on basically within two groups: a front-of-room group and a back-of-room group.

Other things going on where conflicts over the windows: should they be shut or open? In-group members could control the windows.

There was also job trading and helping each other out. A guy labeled w3 by the researchers was the most popular guy.

He was also one of the fastest workers and didn't really need any help, but everybody wanted to help him. He didn't reciprocate much but that didn't matter.

As in all groups, there were long-term friendships and antagonisms, whose effects come out practically every day. In general, the wiremen were antagonistic to the inspectors and vice-versa. But the men particularly hated I3, and eventually ousted him. In contrast, they liked I1. I1 would point out errors without charging them. The men also hated W5 for squealing on them.

In the end, most of the relationships came down to two cliques, each with a hanger-on, and some isolates. The groups included several different professions. They seemed based more on physical closeness than anything else. These groups were recognized by the men themselves. They developed ideas about each other. In private interviews would say things like "we talk about interesting things, those guys in the back just horse around."

The basic determinants of clique membership:

- *not a rate-buster*: don't work too much
- *not a chiseler*: don't work too little
- *not a squealer*: don't let supervisor know anything that could possibly be used against operators
- *not officious*: don't act like an inspector

Clique membership/ostracism acted as a form of social control, forcing people to conform to group desires. If a person would have chosen to "disobey" their group, they would have been alone because the other group wouldn't have taken them in. Membership was also used to manage bosses. The men in a group would all stick together on stories, and would fudge reports so as to achieve uniform results. They also covered for each other.

The groups established norms regarding output, treatment of supervisor, reciprocity and other interpersonal relations: effective controls and sanctions. But the main thing of course was to keep piece-rates from changing. By having group cohesion, they could resist change.

The cliques served as a system for sense-making about organizational events. They developed their own set of beliefs, explaining things to each other like the complicated western electric payment system (which they had completely wrong). Consequently, employee logic didn't always agree with management or rational logic: e.g. they restricted their output even though it cost them money.

The investigators found that tests of intelligence, manual dexterity, and physical health were unrelated to productivity. This means that social factors like norms of productivity overwhelmed any differences in ability among the workers.

It should be noted that the social organization of the room had elements of the official structure (like relations between solder men and wiremen), but also had entirely foreign elements.

Overall conclusion: *Formal organizations are not as formal as they may seem, even if they are bureaucracies. When human beings interact with each other over a long period of time, they develop a social structure that is only partly based on the formal organizational structure.*

To Mayo, then, the concept of "*social man*"--motivated by social needs, wanting rewarding on-the-job relationships, and responding more to work-group pressures than to management control--was necessary to ***complement*** the old concept of "*rational man*" motivated by personal economic needs. All these findings might unremarkable today. But compare what Mayo and his associates considered relevant with what Ford and Weber found relevant, and you see what a change these ideas brought to management theory.

## 3.2 THE BEHAVIORAL SCIENCE APPROACH

Mayo and his colleagues pioneered the use of the scientific method in their studies of people in the work environment. Later researchers, more rigorously trained in the social sciences (psychology, sociology, and anthropology), used more sophisticated research methods and became known as "*behavioral scientists*" rather than "*human relations theorists*."

The behavioral scientists brought two new dimensions to the study of management and organizations. First, they advanced an even more sophisticated view of human beings and their drives than did Mayo and his contemporaries. Abraham Maslow and Douglas McGregor among others, wrote about "self actualizing" people. Their work spawned new thinking about how relationships can be beneficially arranged in organizations. They also determined that people wanted more than "instantaneous" pleasure or rewards. If people were this complex in the way they led their lives, then their organizational relationships needed to support that complexity.

Second, behavioral scientists applied the methods of scientific investigation to the study of how people behaved in organizations as whole entities. The classic example is the work of James March and Herbert Simon m the late 1950's. March and Simon developed hundreds of propositions for scientific investigation, about patterns of behavior, particularly with regard to communication, in organizations. Their influence in the development of subsequent management theory has been significant and ongoing. Since the work of *behavioral theorists* is discussed in detail in other "Behavioral Sciences" courses, here I will give you just a bird's eye view of their work.

### TRADITIONAL THEORY 'X'

This can best be ascribed to Sigmund Freud who was no lover of people, and was far from being optimistic. Theory X assumes that people are lazy; they hate work to the extent that they avoid it; they have no ambition, take no initiative and avoid taking any responsibility; all they want is security, and to get them to do any work, they must be rewarded, coerced, intimidated and punished. This is the so-called '*stick and carrot*' philosophy of management. If this theory were valid, managers will have to constantly police their staff, whom they cannot trust and who will refuse to cooperate. In such an oppressive and frustrating atmosphere, both for the manager and the managed, there is

**no possibility of any achievement or any creative work**. But fortunately, as we know, this is not the case.

**THEORY 'Y'**

This is in sharp contrast to theory 'X'. McGregor believed that people want to learn and that work is their natural activity to the extent that they develop self-discipline and self-development. They see their reward not so much in cash payments as in the freedom to do difficult and challenging work by themselves. The manager's job is to 'dovetail' the human wish for self-development into the organizations need for maximum productive efficiency. The basic objectives of both are therefore met and with imagination and sincerity, the enormous potential can be tapped.

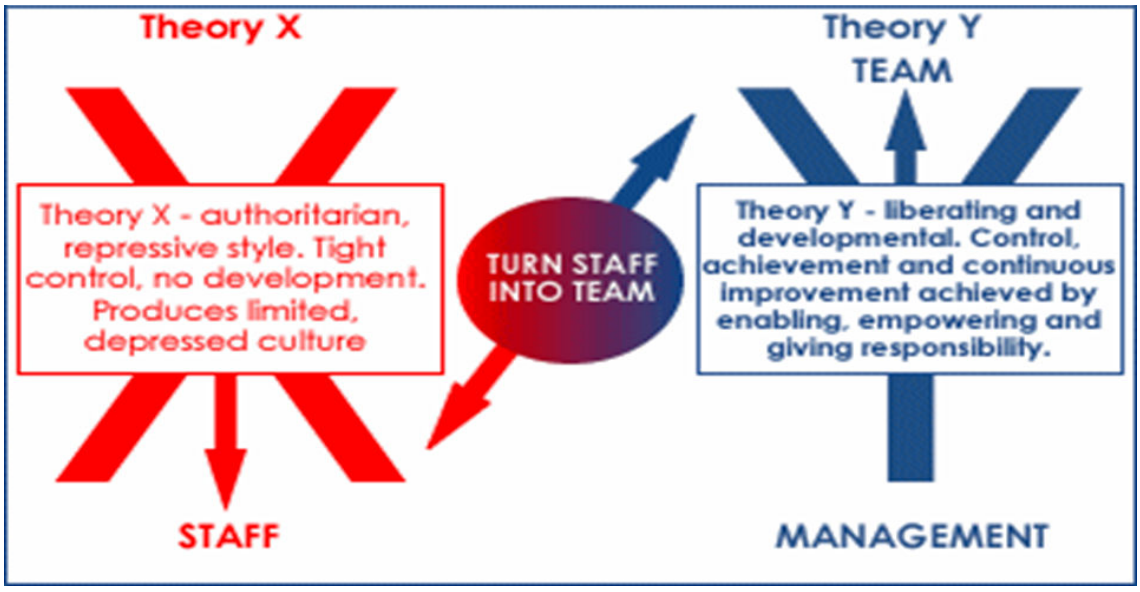


FIGURE 1: CONTRAST BETWEEN THEORY 'X' AND THEORY 'Y'

Does it sound too good to be true? It could be construed, by some, that Theory 'Y' management is soft and slack. This is not true and the proof is in the 'pudding', for it has already proved its worth in the USA and elsewhere. For best results, the persons must be carefully selected to form a homogeneous group. A good leader of such a group may conveniently 'absent' from group meetings so they can discuss the matters freely and help select and 'groom' a new leader. The leader does no longer hanker after power, lets people develop freely, and may even (it is hoped) enjoy watching the development and actualization of people, as if, by themselves. Everyone, and most of all the organization, gains as a result.

## MASLOW'S HIERARCHY OF NEEDS

This is a refreshing change from the theory X of Freud, by a fellow psychologist, Abraham Maslow. Maslow totally rejects the dark and dingy Freudian basement and takes us out into the fresh, open, sunny and cheerful atmosphere. He is the main founder of the humanistic school or the third force which holds that all the good qualities are inherent in people, at least, at birth, although later they are gradually lost.

Maslow's central theme revolves around the meaning and significance of human work and seems to epitomize Voltaire's observation in Candide, 'work banishes the three great evils - boredom, vice and poverty'. A man's personality is the sum total of his works and that only his works survive a man at death. This is perhaps the essence of Maslow's hierarchy of needs theory, as it is more commonly know.

Maslow's theory of human motivation is, in fact, the basis of McGregor's theory 'Y' briefly described above. Figure 2 depicts Maslow's hierarchy of human needs.

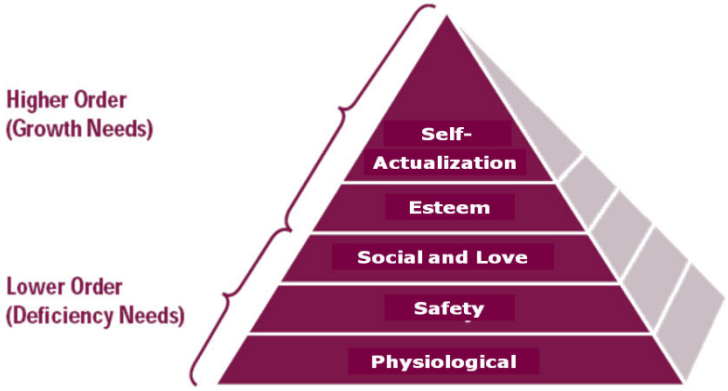


FIGURE 2: MASLOW'S HIERARCHY OF NEEDS

Man's behavior is seen as dominated by his unsatisfied needs and he is a 'perpetually wanting animal', for when one need is satisfied he aspires for the next higher one. This is, therefore, seen as an ongoing activity, in which the man is totally absorbed in order to attain perfection through self-development.

The highest state of self-actualization is characterized by integrity, responsibility, magnanimity, simplicity and naturalness. Self-actualizers focus on problems external to themselves. His prescription for human salvation is simple, but not easy: 'Hard work and total commitment to doing well the job that fate or personal destiny calls you to do, or any important job that "calls for" doing'.

Maslow has had his share of critics, but he has been able to achieve a refreshing synthesis of divergent and influential philosophies of:

- Marx - economic and physical needs;
- Freud - physical and love needs;
- Adler - esteem needs;
- Goldstein - self-actualization.

### FREDERICK HERZBERG - HYGIENE / MOTIVATION THEORY

This is based on analysis of the interviews of 200 engineers and accountants in the Pittsburgh area in the USA. According to this theory, people work first and foremost in their own self-enlightened interest, for they are truly happy and mentally healthy through work accomplishment. Peoples needs are of two types:

TABLE 1: HYGIENE FACTORS AND MOTIVATORS

| Animal Needs (hygiene factors) | Human Needs (motivators) |
|---|---|
| Supervision | Recognition |
| Interpersonal relations | Work |
| Working conditions | Responsibility |
| Salary | Advancement |

Unsatisfactory hygiene factors can act as de-motivators, but if satisfactory, their motivational effect is limited. The psychology of motivation is quite complex and Herzberg has exploded several myths about motivators such as:

- shorter working week;
- increasing wages;
- fringe benefits;
- sensitivity / human relations training;
- communication.

As typical examples, saying 'please' to shop-floor workers does not motivate them to work hard, and telling them about the performance of the company may even antagonize them more. Herzberg regards these also as hygiene factors, which, if satisfactory, satisfy animal needs but not human needs.

### CHRIS ARGYRIS

According to Argyris, organization needs to be redesigned for a fuller utilization of the most precious resource, the workers, in particular their psychological energy. The pyramidal structure will be relegated to the background, and decisions will be taken by small groups rather than by a single boss. Satisfaction in work will be more valued than material rewards. Work should be restructured in order to enable individuals to develop to the fullest extent. At the same time work will become more meaningful and challenging through self-motivation.

### RENSIS LIKERT

Likert identified four different styles of management:

- exploitative-authoritative;
- benevolent-authoritative;
- consultative;
- participative.

The participative system was found to be the most effective in that it satisfies the whole range of human needs. Major decisions are taken by groups themselves and this results in achieving high targets and excellent productivity. There is complete trust within the group and the sense of participation leads to a high degree of motivation.

**FOOD FOR THOUGHT**

1. What contributions of human relations movement theorists would still be applicable to today's organizations? Why?
2. Visit various organizations in your community, and identify those that seem to operate with a Theory X or a Theory Y approach to management. [Hint: Use **Appendix D**]
3. Map the relationship between Maslow's *Hierarchy of needs* and Herzberg's *Two factors theory*.

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# 4. THE MANAGEMENT SCIENCE SCHOOL

## LEARNING OBJECTIVES

**Upon completing this chapter, you should be able to:**

1. Define what management science is.
2. Identify application areas of management science.
3. Pinpoint the role of management science in management information systems and operations management.

## INTRODUCTION

At the beginning of World War II, Great Britain desperately needed to solve a number of new, complex problems in Warfare. With their survival at stake, British formed the first operational research (OR) teams. By pooling the expertise of mathematicians, physicists, and other scientists in OR teams, the British were able to achieve significant technological and tactical breakthroughs. When the Americans entered the war, they formed what they called **operations research** teams, based on the successful British model, to solve similar problems. The teams used early computers to perform the thousands of calculations involved in mathematical modeling.

When the war was over, the applicability of operations research to problems in industry gradually became apparent. New industrial technologies were being put into use and transportation and communication were becoming more complicated. These developments brought with them a host of problems that could not be solved easily by conventional means. Increasingly, OR specialists were called on to help managers come up with answers to these new problems. Over the years, OR procedures were formalized into what is now more generally called the **management science school.**

The management science school gained popularity through two postwar phenomena. First, the development of high-speed computers and of communications among computers provided the means for tackling complex and large-scale organizational problems. Second, Robert McNamara implemented a management science approach at Ford Motor Company in the 1950s and 1960s. (Later, he brought the same approach to his assignment as Secretary of Defense in the Johnson Administration.) As McNamara's so-called "Whiz Kids" protégés moved to management positions at Ford and across American

industry, the management science school flourished. If you find yourself working m an organization where "crunching the numbers" is the central way that management decisions are reached and justified, you can thank McNamara and his generation.

Today the management science approach to solving a problem begins when a mixed team of specialists from relevant disciplines is called in to analyze the problem and propose a course of action to management. The team constructs a mathematical model that shows, in symbolic terms, all relevant factors bearing on the problem and how they are interrelated. By changing the values of the variables in the model (such as increasing the cost of raw materials) and analyzing the different equations of the model with a computer, the team can determine the effects of each change. Eventually, the management science team presents management with an objective basis for making a decision.

## 4.1 THE NATURE AND MEANING OF MANAGEMENT SCIENCE

Many definitions of management science have been offered, as well as many arguments as to why it cannot be defined. The following definitions provide a useful basis for an initial understanding of the nature of OR/MS:

- *A scientific method of providing executive management with a quantitative base for decisions regarding operations under their control (Mores-Kimball 1943).*
- *The application of the scientific method by inter-disciplinary teams to problems involving the control of organized (man-machine) systems so as to provide solutions which best serve the purpose of the organization as a whole (Ackoff- Sasieni 1968).*
- *Scientific approach to problem solving for executive management (Wagner 1969).*
- *Optimal decision-making in, and modeling of, deterministic and probabilistic systems that originate from real life. These applications, which occur in government, business, engineering, economics, and the natural and social sciences, are largely characterized by the need to allocate limited resources. In these situations, considerable insight can be obtained from scientific analysis, such as that provided by OR/MS (Hiller-Lieberman 1974).*
- *A branch of applied mathematics wherein the application is to the decision-making process (Gross 1979).*

Comparing definitions given by More-Kimball and Gross, the divergence is notable after almost 40 years: in one case, OR/MS is defined as scientific method, while in the other it is seen as a branch of mathematics.

In examining these definitions, it should be noted that neither the old and well-established scientific discipline nor science itself has ever been defined in a way that is acceptable to most practitioners.

### 4.1.1 WHAT IS MANAGEMENT SCIENCE?

Now, let us ask ourselves first "What is in the name ***Management Science***?" To ***manage*** means to utilize what is controllable, and to be able to predict what is uncontrollable in order to achieve a specific objective. ***Science*** is a continuing search; it is a continuing generation of theories, models, concepts, and categories. Therefore, *Management Science* is the science for managing and usually involves decision-making.

In 1967 Stafford Beer characterized the field of management science as "the business use of Operations Research". However, in modern times the term management science may also be used to refer to the separate fields of organizational studies or corporate strategy. Like operations research itself, management science (MS), is an interdisciplinary branch of applied mathematics devoted to optimal decision planning, with strong links with economics, business, engineering, and other sciences. It uses various scientific research-based principles, strategies, and analytical methods including mathematical modeling, statistics and numerical algorithms to improve an organization's ability to enact rational and meaningful management decisions by arriving at optimal or near optimal solutions to complex decision problems. In short, management sciences help businesses to achieve their goals using the scientific methods of operations research.

The management scientist's mandate is to use rational, systematic, science-based techniques to inform and improve decisions of all kinds. Of course, the techniques of management science are not restricted to business applications but may be applied to military, medical, public administration, charitable groups, political groups or community groups.

Management science is concerned with developing and applying models and concepts that may prove useful in helping to illuminate management issues and solve managerial problems, as well as designing and developing new and better models of organizational excellence.

Management science involves the investigation, development and application of solutions to real managerial and organizational problems, using mathematics, project management, systems thinking, and information systems design. Often, these solutions involve computerization, and information systems and organizational change. It also requires knowledge of the industry and functional business areas.

### 4.1.2 APPLICATIONS OF MANAGEMENT SCIENCE

Applications of management science are abundant in industry as airlines, manufacturing companies, service organizations, military branches, and in government. The range of problems and issues to which management science has contributed insights and solutions is vast. It includes:

- scheduling airlines, including both planes and crew,
- deciding the appropriate place to site new facilities such as a warehouse, factory or fire station,
- managing the flow of water from reservoirs,
- identifying possible future development paths for parts of the telecommunications industry,
- establishing the information needs and appropriate systems to supply them within the health service, and
- identifying and understanding the strategies adopted by companies for their information systems

Management science is also concerned with so-called ”soft-operational analysis”. In dealing with these sorts of challenges mathematical modeling and simulation are not appropriate or will not suffice. Therefore, during the past 30 – 40 years, a number of non-quantified modeling methods have been developed. These include:

- stakeholder based approaches including met game analysis and drama theory
- morphological analysis and various forms of influence diagrams
- approaches using cognitive mapping
- the Strategic Choice Approach
- robustness analysis

## 4.2 THE MULTIDISCIPLINARY & INTERDISCIPLINARY NATURE OF OR/MS

The growing trends in interventional managerial decision-making increasingly utilize applications of more than one technique and involve individuals from other disciplines. Moreover, they involve a blend of "hard" and "soft" as well as a mixing of different "hard" or "soft" techniques with the increasing use of multiple methods within one piece of analysis. A creative thinking must look in detail at how those from disciplines outside of OR/MS can come to work in the organizations on multi-disciplinary studies. Those who have come from such backgrounds, clearly share their perspectives and experiences.

### 4.2.1 OR/MS AS MANAGEMENT INFORMATION SYSTEMS

There is much overlap between the OR/MS and Information Systems fields. Many business operations require intensive knowledge of computing and information systems. Similarly, management of computing and information facilities often require a deep understanding of issues such as scheduling, replacement strategy, and policies on the development and adaptation of new technology.

The business world is becoming more computer and information intensive; therefore, specialists in OR/MS and Information Systems combine a background in OR/MS modeling process and a good knowledge of current computing technologies. They design and manage computerized systems that control the production and distribution of a firm's goods and services. Career opportunities exist in most industries and government organizations in the areas of systems analysis and design.

### 4.2.2 OR/MS AS PRODUCTION AND OPERATIONS MANAGEMENT

Operations Management is the functional area of business that is concerned with the production of goods and services. In conjunction with other functional areas, it also deals with the management of resources (inputs) and the distribution of finished goods and services to customers (outputs).

Operations Management is concerned with management of the production and distribution of the goods and services of a firm or government organization. Issues in the management of operations include: forecasting of the demand for the organization's products and/or services; development of efficient manufacturing processes; Inventory

planning and control; work force scheduling; and design and management of distribution and transportation networks.

The study of Operations Management embraces the disciplines of OR/MS, Statistics, and Computing and Information Systems. This field is a blend of field studies and the use of computerized models to analyze and simulate the operation of real systems.

Operations are at the heart of most organizations, and opportunities are found in the area of forecasting, inventory management, the design of production facilities, work force scheduling, and the location and layout of distribution networks. Specialization in Operations Management is particularly useful when combined with the study of another functional area of business such as marketing, finance, or management information systems.

Management science offered a whole new way to think about time. With sophisticated mathematical models, and computers to crunch the numbers, forecasting the future based on the past and present became a popular activity. Managers can now play with the "what if the future looks like this?" questions that previous management theories could not handle. At the same time, the management science school pays less attention to relationships per se in organizations. Mathematical modeling tends to ignore relationships as data, emphasizing numerical data that can be relatively easily collected or estimated. The criticism is thus that management science promotes an emphasis on only the aspects of the organization that can be captured in numbers, missing the importance of people and relationships.

**FOOD FOR THOUGHT**

1. Identify some organizational problems that could be solved by the management science approach. (Examples include reducing waiting time in "Darfur" Café, reducing the number of rejects for unacceptable product quality, opening a new building on a college campus, etc.)
2. Are there significant differences in what is referred to as scientific management and management science? Explain.
3. Why is management science such a multidisciplinary field of study?

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# Management @ glance

In introducing the three well-established approaches to management, we have established that all modern managers, in any country in this world, essentially face three managerial tasks:

1. Managing work and organizations (***Classical knowledge***)
2. Managing people (***Behavioral knowledge***)
3. Managing production and operations (***Management Science knowledge***)

No matter what an organization engages in, its managers face these three tasks. Thus, according to Donnelly *et al.* (1995), managing is more than solving behavioral problems; it is more than solving technical problems; it more than managing individual work; it is more than planning a department's future. The work of management is all of these. Learning to be a manager requires knowledge and skills relevant to each of these three tasks, which provide a point of departure for the study of management. These three fundamental tasks must be learned and practiced in a world that is globalizing, where there is demand and competition for better quality products and services, where the workforce is becoming increasingly culturally diverse, and where the public insists upon ethical and socially responsible decisions. After all, the challenge of managing in the changing world has made management an exciting occupation.

**REFRESHER** USE THIS EXERCISE TO RECAP WHAT YOU´VE LEARNT SO FAR.

1. According to Fayol, the idea that every worker should receive direction from one, and only one, superior is known as:
   A. line of authority.
   B. unity of command.
   C. unity of direction.
   D. order.
2. Adam Smith believed that job specialization decreased the efficiency of the organization.
   A. True B. False
3. Follet adopted a _____ view of power and authority, while Fayol adopted a _____ chain of command.
   A. vertical; horizontal
   B. horizontal; vertical
   C. horizontal; horizontal
   D. vertical; vertical
4. Bureaucracy is an informal system of organization and administration designed to ensure efficiency and effectiveness.
   A. True B. False
5. Distinguish the wrong statement among the following.
   A. While Taylor was basically concerned with organizational units, Fayol was interested in the total organization.
   B. While Babbage was an early advocator of '*Human Relations*', Own was striving for '*Management Science*'.
   C. While Fayol viewed authority flows from the top of an organization to the bottom, Barnand viewed authority flows from the bottom of an organization to the top.
   D. While Henry Gantt is credited for developing the *principles of work scheduling*, the Gilbreths are credited for developing the *principles of work simplifications.*
6. Authority gives managers the right to control the behavior of their subordinates.
   A. True B. False
7. The main contributions of scientific management theory are observed today in many areas, except
   A. on the assembly line production.
   B. on the job design.
   C. on the scientific selection of employees.
   D. None of the above
8. Fayol's two principles that show a difference between his concept of an ideal organization and that of Weber's are:
   A. unity of command and unity of direction.
   B. order and equity.
   C. initiative and esprit de corps.

D. specialization and discipline.

9. Which of the following doesn't explain Abraham Maslow's *Hierarchy of Needs Theory*?
   A. Only unsatisfied need can influence behavior.
   B. A person's needs are arranged in a priority order of importance.
   C. A person will at least minimally satisfy each level of need before feeling the need at the next level.
   D. Hygiene factors are the primary elements involved in job dissatisfaction.
   E. None of the above
10. According to Douglar McGregor's Theory X and Theory Y, a Theory Y manager assumes that:
   A. The average human being has an excellent dislike of work and avoids it if he/she can.
   B. Under the right condition, the average person will both accept and seek responsibility.
   C. Most people must be coerced, controlled or threatened with punishment to get them to work.
   D. The average human being prefers to be directed, wishes to avoid responsibility and has relatively little ambition.
   E. None of the above
11. Management science theory is a modern version of the scientific management ideas developed by Taylor.
   A. True B. False
12. Which of the following is not among the limitations of classical organization theories?
   A. Limited organizational flexibility and slow decision making
   B. Emphasizes position rather than the person
   C. Ignores the importance of people and interpersonal relationships
   D. Rules may become ends by themselves

[See **Appendix E** to check if you answered them correct or not.]

## MANAGEMENT IN PRACTICE: Simulations

Take the role of Taylor, Fayol, Bernard, Follett, Maslow, Herzberg, and Stafford Beer (Management science). How would each of these scholars interpret and manage the following situations:

the introduction of robots into the workplace,

actual sales projections,

employee dissatisfaction,

product quality decline?

## MANAGEMENT IN PRACTICE: Managing Your Own Business

Imagine that you are the founding entrepreneur of a software company that specializes in developing computer games for home computers. Customer demand for your games has increased so much that over the last year you have grown from a busy one-person operation to employ 16 people. In addition to yourself, you employ six software developers to produce the software, three graphic artists, two computer technicians, two marketing and sales personnel, and two secretaries. In the next year, you expect to hire 30 new people, and you are wondering how best to manage your growing company.

**QUESTIONS**

**1.** Use the principles of Weber and Fayol to decide on the system of organization and management that you think will be most effective for your growing organization. How many levels will the managerial hierarchy of your organization have? How much authority will you decentralize to your subordinates? How will you establish the division of labor between subordinates? Will your subordinates work alone and report to you or work in teams?

**2**. What management approach (for example, Theory X or Theory Y, Scientific Management, etc.) do you propose to use to run your organization?

**3**. In 50 words or less, write a statement describing the management approach you propose to use to motivate and coordinate your subordinates, and tell why you think this style will be best.

# PART II: EMERGING TRENDS IN MANAGEMENT THOUGHT

From the era of industrial revolution to globalization, we saw how the business evolved from a supplier controlled market to a consumer controlled market. The businesses have been constantly changing with new business requirements.

Management is by nature complex and dynamic. Elements of each of the schools we have discussed are still in use today. The preceding historical review indicates that thinking about management and leadership is in large part situational and that practices evolved to deal with new situations that arose. It also indicates that yesterday's principles and theories are surprisingly contemporary and surprisingly sophisticated. Some overlap occurs, of course, and some gaps. Today's theorists have attempted to fill in the gaps and adapt the theories to current situations. Yet, like in other areas of thought, not much is of recent origin in the field of management theory.

Contemporary management commentators use *dynamic engagement* to convey the mood of current thinking and debate about management and organizations. It is quite likely that twenty years from now, well into your organizational lives, you will look back and call this period of movement by some other name.

This part of the material, hence, begins with the Organizational Environment Theory followed by Quality Management and then after examines the Contemporary Issues in management. Finally, it proceeds to highlight major themes in Managing in the 21st Century.

# 5. ORGANIZATIONAL ENVIRONMENT THEORY

## LEARNING OBJECTIVES

**Upon completing this chapter, you should be able to:**

1. Explain why the study of the external environment and its impact on an organization has become a central issue in management thought.
2. Understand the historical context in which the systems approach, and the contingency approach to management theory have developed.

## INTRODUCTION

During the last half a century, there have been attempts to integrate the three schools of management – classical, behavioral, and management science. An important milestone in the history of management thought occurred when researchers went beyond the study of how managers can influence behavior within organizations to consider how managers control the organization's relationship with its external environment, or organizational environment—the set of forces and conditions that operate beyond an organization's boundaries but affect a manager's ability to acquire and utilize resources. Resources in the organizational environment include the raw materials and skilled people that an organization requires to produce goods and services, as well as the support of groups including customers who buy these goods and services and provide the organization with financial resources. One way of determining the relative success of an organization is to consider how effective its managers are at obtaining scarce and valuable resources.

The importance of studying the environment became clear after the development of *systems approach* – stresses that organizations must be viewed as total systems, with each part linked to every other part; and *contingency approach* – stresses that the correctness of a managerial practice is contingent on how it fits the particular situation in which it is applied during the 1960s.

## 5.1 THE SYSTEMS APPROACH

Rather than dealing separately with the various segments of an organization, the **systems approach** to management views the organization as a unified, purposeful system

composed of interrelated parts. This approach gives managers a way of looking at the organization as a whole and as a part of the larger, external environment. Systems theory tells us that the activity of any segment of an organization affects, in varying degrees, the activity of every other segment.

Production managers in a manufacturing plant, for example, prefer long uninterrupted production runs of standardized products in order to maintain maximum efficiency and low costs. Marketing managers, on the other hand, who want to offer customers quick delivery of a wide range of products, would like a flexible manufacturing schedule that can fill special orders on short notice. *Systems oriented* production managers make scheduling decisions only after they have identified the impact of these decisions on other departments and on the entire organization. The point of the systems approach is that managers cannot function wholly within the confines of the traditional organization chart. They must mesh their department with the whole enterprise. To do that, they have to communicate not only with other employees and departments, but frequently with representatives of other organizations as well. Clearly, systems managers grasp the importance of webs of business relationships to their efforts.

## SOME KEY CONCEPTS

Many of the concepts of general systems theory are finding their way into the language of management. Managers need to be familiar with the systems vocabulary so they can keep pace with current developments.

**SUBSYSTEMS** The parts that make up the whole of a system are called **subsystems**. And each system in turn may be a subsystem of a still larger whole. Thus a department is a subsystem of a plant, which may be a subsystem of a company, which may be a subsystem of a conglomerate or an industry, which is a subsystem of the national economy, which is a subsystem of the world system.

**SYNERGY** Synergy means that the whole is greater than the sum of its parts. In organizational terms, **synergy** means that as separate departments within an organization cooperate and interact, they become more productive than if each were to act in isolation. For example, in a small firm, it is more efficient for each department to deal with one finance department than for each department to have a separate finance department of its own.

**OPEN AND CLOSED SYSTEMS** A system is considered an **open system** if it interacts with its environment; it is considered a **closed system** if it does not. All organizations interact with their environment, but the extent to which they do so varies. An automobile plant, for example, is a far more open system than a monastery or a prison.

**SYSTEM BOUNDARY** Each system has a boundary that separates it from its environment. In a closed system, the **system boundary** is rigid; in an open system, the boundary is more flexible. The system boundaries of many organizations have become increasingly flexible in recent years. For example, managers at oil companies wishing to engage in offshore drilling now must consider public concern for the environment. A trend is that American communities are demanding more and more environmental responsibility from companies. For example, Santa Rosa, California, a city of 125,000, treats environmental violations such as "off-gassing" a waste product, which is, allowing it to evaporate into the atmosphere, as a potential criminal offense.

**FLOW** A system has **flows** of information, materials, and energy (including human energy). These enter the system from the environment as *inputs* (raw materials, for example), undergo transformation processes within the system (operations that alter them), and exit the system as *outputs* (goods and services).

**FEEDBACK** Feedback is the key to system controls. As operations of the system proceed, information is fed back to the appropriate people, and perhaps to a computer, so that the work can be assessed and, if necessary, corrected. For example, when Aluminum Company of America began feeding production data back to the factory floor, workers in the Addy, Washington, magnesium plant quickly observed ways to improve operations, boosting productivity by 72 percent.

The systems perspective describes the important and dynamic nature of management. System theory calls attention to the dynamic and interrelated nature of organizations and the management task. Thus, it provides a framework within which we can plan actions and anticipate both immediate and far-reaching consequences while allowing us to understand unanticipated consequences as they develop. With a systems perspective, general managers can more easily maintain a balance between the needs of the various parts of the enterprise and the needs and goals the whole firm.

## ILLUSTRATIVE CASE STUDY THE ORGANIZATION AS AN OPEN SYSTEM

One of the most influential views of how an organization is affected by its external environment was developed by Daniel Katz, Robert Kahn, and James Thompson in the 1960s. These theorists viewed the organization as an **open system**— a system that takes in resources from its external environment and converts or transforms them into goods and services that are then sent back to that environment, where they are bought by customers (see Figure 3).

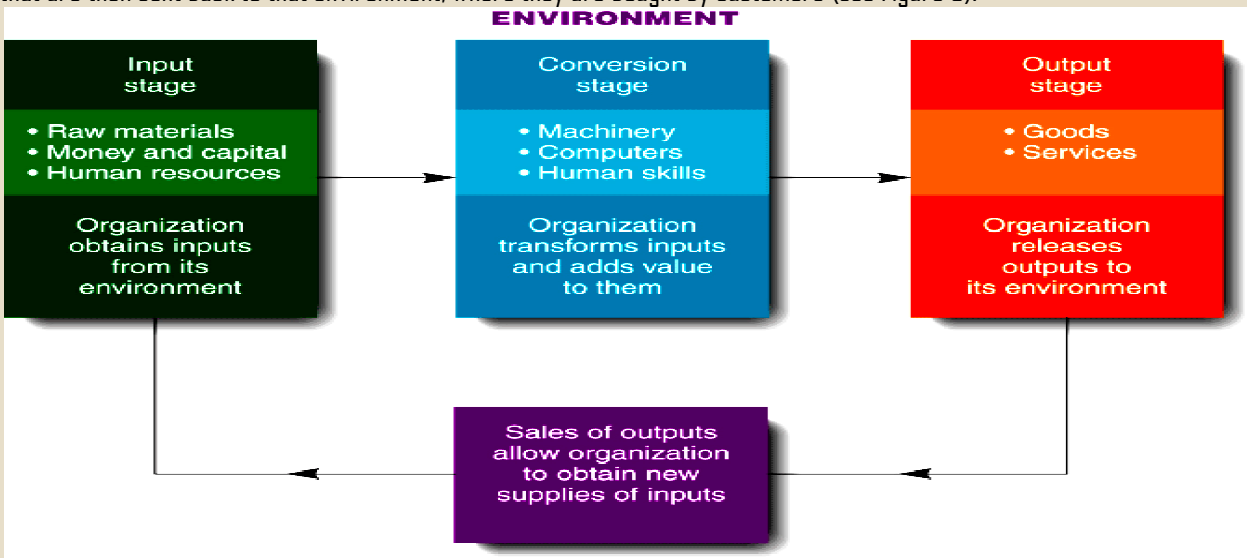


FIGURE 3: THE ORGANIZATION AS AN OPEN SYSTEM

At the *input stage*, an organization acquires resources such as raw materials, money, and skilled workers to produce goods and services. Once the organization has gathered the necessary resources, conversion begins. At the *conversion stage*, the organization's workforce, using appropriate tools, techniques, and machinery, transforms the inputs into outputs of finished goods and services such as cars, hamburgers, or flights to Hawaii. At the *output stage*, the organization releases finished goods and services to its external environment, where customers purchase and use them to satisfy their needs. The money the organization obtains from the sales of its outputs allows the organization to acquire more resources so that the cycle can begin again.

The system just described is said to be "open" because the organization draws from and interacts with the external environment in order to survive; in other words, the organization is open to its environment. A closed system, in contrast, is a self-contained system that is not affected by changes that occur in its external environment. Organizations that operate as **closed systems**, that ignore the external environment and that fail to acquire inputs, are likely to experience **entropy**, the tendency of a system to lose its ability to control itself and thus to dissolve and disintegrate.

Management theorists can model the activities of most organizations by using the open-systems view. Manufacturing companies like Ford and General Electric, for example, buy inputs such as component parts, skilled and semiskilled labor, and robots and computer-controlled manufacturing equipment; then, at the conversion stage, they use their manufacturing skills to assemble inputs into outputs of cars and computers. competition between organizations for resources is one of several major challenges to managing the organizational environment.

Researchers using the open-systems view are also interested in how the various parts of a system work together to promote efficiency and effectiveness. Systems theorists like to argue that "the parts are more than the sum of the whole"; they mean that an organization performs at a higher level when its departments work together rather than separately. **Synergy**, the performance gains that result when individuals and departments coordinate their actions, is possible only in an organized system. The recent interest in using teams comprising people from different departments reflects systems theorists' interest in designing organizational systems to create synergy and thus increase efficiency and effectiveness.

Its advocates believe systems theory will either absorb concepts of the other management schools until it becomes dominant or eventually develop into a well-defined school by itself. At present, though, it seems most likely that systems theory will be incorporated into thinking of all the major schools. The systems approach has already permeated management thinking and the concepts just described are an integral part of the thought processes and research designs of both on-the-job managers and academic theorists of all three major schools.

## 5.2 THE CONTINGENCY APPROACH

The well-known international economist Charles Kindleberger was fond of telling his students at MIT that the answer to any really engrossing question in economics is: :It depends." The task of the economist, Kindleberger would continue, is to specify *upon what* it depends, and in what ways.

"It depends" is an appropriate response to the important questions in management as well. Management theory attempts to determine the predictable relationships between situations, actions, and outcomes. So it is not surprising that a recent approach seeks to integrate the various schools of management thought by focusing on the interdependence of the many factors involved in the managerial situation.

The **contingency approach** (sometimes called the situational approach) was developed by managers, consultants, and researchers who tried to apply the concepts of the major schools to real-life situations. When methods highly effective in one situation failed to work in other situations, they sought an explanation. Why, for example, did an organizational development program work brilliantly in one situation and fail miserably in another. Advocates of the contingency approach had a logical answer to all such questions: Results differ because situations differ; a technique that works in one case will not necessarily work in all cases.

Actually, the idea of contingency, or situational, thinking is not new. During the 1920s, an early writer in the classical school mentioned the "law of the situation." Mary Parker Follett noted that "different situations require different kinds of knowledge, and the man

possessing the knowledge demanded by a certain situation tends in the best managed businesses, other things being equal, to become the leader of the moment."[6]

According to the contingency approach the manager's task is to identify which technique will, *in a particular situation, under particular circumstances, and at particular time*, best contribute to the attainment of management goals. A method highly effective in one situation may not work in other situations. The contingency approach seeks to match different situations with different management methods. If for instance, productivity needs to be increased, the manager should not automatically assume a new work method is needed (a classical solution) or that a new motivational approach needs to be tried (a behavioral solution). Instead, the manager should study the characteristics of the workers, the nature of the job, and his own leadership approach before deciding on a solution. Where workers need to be encouraged to increase productivity, for example, the classical theorist may prescribe a new work-simplification scheme. The behavioral scientist may instead seek to create a psychologically motivating climate and recommend some approach like *job enrichment*--the combination of tasks that are different in scope and responsibility and allow the worker greater autonomy in making decisions. But the manager trained in the contingency approach will ask, "Which method will work best here?" If the workers are unskilled and training opportunities and resources are limited, work simplification would be the best solution. However, with skilled workers driven by pride in their abilities, a job-enrichment program might be more effective. The contingency approach represents an important turn in modern management theory, because it portrays each set of organizational relationships in its unique circumstances.

For example, when managers at Taco Bell addressed the question of what would work best for its restaurants, they redefined business based on the simple premise that customers value food, service, and the physical appearance of the restaurant. To implement the new customer-focused goals, the company recruited new managers who were committed to creating or delivering goods that customers value and who could coach and support staff in the new direction. To concentrate on customers, Taco Bell outsourced much of the assembly-line food preparation, such as shredding lettuce, allowing employees to focus on

[6] **Appendix A** provides an extensive narration of this management theorist.

customers. As a result, it has enjoyed a 60 percent growth in sales at company-owned stores. Other fast food restaurants might base their business on different situational factors, by the contingency view.

**EXHIBIT 6: APPLYING CONTINGENCY THEORY: MECHANISTIC AND ORGANIC STRUCTURES**

Drawing on Weber's and Fayol's principles of organization and management, Burns and Stalker proposed two basic ways in which managers can organize and control an organization's activities to respond to characteristics of its external environment: They can use a *mechanistic structure* or an *organic structure*. As you will see, a mechanistic structure typically rests on Theory X assumptions, and an organic structure typically rests on Theory Y assumptions.

When the environment surrounding an organization is stable, managers tend to choose a mechanistic structure to organize and control activities and make employee behavior predictable. In a mechanistic structure, authority is centralized at the top of the managerial hierarchy, and the vertical hierarchy of authority is the main means used to control subordinates' behavior. Tasks and roles are clearly specified, subordinates are closely supervised, and the emphasis is on strict discipline and order. Everyone knows his or her place, and there is a place for everyone. A mechanistic structure provides the most efficient way to operate in a stable environment because it allows managers to obtain inputs at the lowest cost, giving an organization the most control over its conversion processes and enabling the most efficient production of goods and services with the smallest expenditure of resources. McDonald's restaurants operate with a mechanistic structure. Supervisors make all important decisions; employees are closely supervised and follow well-defined rules and standard operating procedures.

In contrast, when the environment is changing rapidly, it is difficult to obtain access to resources, and managers need to organize their activities in a way that allows them to cooperate, to act quickly to acquire resources (such as new types of inputs to produce new kinds of products), and to respond effectively to the unexpected. In an organic structure, authority is decentralized to middle and first-line managers to encourage them to take responsibility and act quickly to pursue scarce resources. Departments are encouraged to take a cross-departmental or functional perspective, and, as in Mary Parker Follett's model, authority rests with the individuals and departments best positioned to control the current problems the organization is facing. In an organic structure, control is much looser than it is in a mechanistic structure, and reliance on shared norms to guide organizational activities is greater.

Managers in an organic structure can react more quickly to a changing environment than can managers in a mechanistic structure. However, an organic structure is generally more expensive to operate, so it is used only when needed—when the organizational environment is unstable and rapidly changing. To facilitate global expansion, managers at Philips (a Dutch electronics company) were forced to change from a mechanistic to an organic structure, and their experience illustrates the different properties of these structures.

According to Donnelly, Gibson, and Ivancevich (1995), Managers around the globe use more of a contingency approach to survive. Sole reliance on classical or a behavioral or a management science approach is not sufficient for organizations. Thus, the contingency view has become relevant and prominent because of the following factors:

1. Increased globalization of enterprise and the need for more government-business alliances to compete internationally;
2. Demands for ethical and socially responsive leadership;
3. Changing demographics and skill requirements of the workforce;

4. The emergence of new organizational structures that emphasize speed in reacting to environmental changes; and
5. Changing needs, preferences, and desires of employees for job security, participation, ownership, and personal fulfillment (Donnelly *et al*., 1995, p. 21).

To sum up, the organizational environment theory (both the systems approach and the contingency approach) can provide valuable insights and complement the *classical*, *behavioral*, and *management science* approaches. The systems approach forces managers to recognize that organizations are systems made up of interdependent parts and that a change in one part affects other parts. It seeks to identify the characteristics of jobs, people, and organizations, allowing managers to see the interdependence between the various segments of an organization. The basic idea of the contingency approach is that there is no best way to plan, organize, lead, or control. Rather, managers must find different ways to fit different situations. As the contingency approach suggests, the student of management preparing to manage in the 21st century must learn multiple ways to compete, innovate, create, motivate, and lead.

**FOOD FOR THOUGHT**

1. Why is it likely that contingency approach to managing people, information, or change is needed in a rapidly globalizing and interconnected world?
2. How would you determine whether Americans, Japanese, or Germans are better managers? Is it even worthwhile to discuss which country has better managers? Why?
3. Compare and contrast systems approach and contingency approach.

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# 6. QUALITY MANAGEMENT

## LEARNING OBJECTIVES

**Upon completing this chapter, you should be able to:**

1. Understand the historical context in which quality management has developed.
2. Define total quality management.
3. Distinguish between Kaizen and Reengineering approaches to quality management
4. Grasp the key concepts of Kaizen
5. Comprehend the four core steps of systematic reengineering

## INTRODUCTION

The history of quality management, from mere 'inspection' to Total Quality Management, and its modern 'branded interpretations such as '**Six Sigma**', has led to the development of essential processes, ideas, theories and tools that are central to organizational development, change management, and the performance improvements that are generally desired for individuals, teams and organizations.

Quality Management resulted mainly from the work of the quality gurus and their theories: the American gurus featured in the 1950's Japan: Joseph Juran, W Edwards Deming, and Armand Feigenbum; the Japanese quality gurus who developed and extended the early American quality ideas and models: Kaoru Ishikawa, Genichi Taguchi, and Shigeo Shingo; and the 1970-80's American Western gurus, notably Philip Crosby and Tom Peters, who further extended the Quality Management concepts after the Japanese successes.

It is appropriate to note the passing a little while back now, of Joseph Juran, a seminal figure in the history of quality management, who died 28 February 2008, age 103. Juran did more than teach the Japanese about quality management. He was also arguably the first quality expert to emphasize that no quality management system works unless people are empowered and committed to take responsibility for quality - as an ongoing process - effectively for quality to become part of part of people's behavior and attitudes - an ethos. Section 6.1.1 below, on Kaizen, explains the connections between the true ethos of quality management, and the positive ethical management of people.

## 6.1 APPROACHES TO QUALITY MANAGEMENT

According to Plunkett (1997), quality is defined as the ability of a product or service to satisfy the stated or implied goals or requirements of users or customers of that product or service. The essence of the quality of any output is its ability to meet the needs of the person or group requiring it. This is, of course, the heart of the **quality school** of management thought. There are two major approaches to deal with quality management theory: kaizen approach and reengineering approach.

### 6.1.1 KAIZEN APPROACH

***Kaizen*** is a very significant concept within quality management and deserves specific explanation. Kaizen (usually pronounced 'kyzan' or 'kyzen' in the western world) is a Japanese word, commonly translated to mean 'continuous improvement'. The *Kaizen* approach to quality means that an individual or organization cannot rest after any achievement. No matter how well things are going, the individual or organization can do better.

Originally developed and applied by Japanese industry and manufacturing in the 1950s and 60s, Kaizen continues to be a successful philosophical and practical aspect of some of the best known Japanese corporations, and has for many years since been interpreted and adopted by 'western' organizations all over the world.

Kaizen is a way of thinking, working and behaving, embedded in the philosophy and values of the organization. Kaizen should be 'lived' rather than imposed or tolerated, at all levels. The aims of a Kaizen organization are typically defined as:

- To be profitable, stable, sustainable and innovative.
- To eliminate waste of time, money, materials, resources and effort and increase productivity.
- To make incremental improvements to systems, processes and activities before problems arise rather than correcting them after the event.
- To create a harmonious and dynamic organization where every employee participates and is valued.

## KEY CONCEPTS OF KAIZEN

- **Every –** is a key word in Kaizen: improving everything that everyone does in every aspect of the organization in every department, every minute of every day.
- Evolution rather than revolution: continually making small, 1% improvements to 100 things is more effective, less disruptive and more sustainable than improving one thing by 100% when the need becomes unavoidable.
- Everyone involved in a process or activity, however apparently insignificant, has valuable knowledge and participates in a working team or Kaizen group.
- Everyone is expected to participate, analyzing, providing feedback and suggesting improvements to their area of work.
- Every employee is empowered to participate fully in the improvement process: taking responsibility, checking and coordinating their own activities. Management practice enables and facilitates this.
- Every employee is involved in the running of the company, and is trained and informed about the company. This encourages commitment and interest, leading to fulfillment and job satisfaction.

At its best, Kaizen is a carefully nurtured philosophy that works smoothly and steadily, and which helps to align 'hard' organizational inputs and aims (especially in process-driven environments), with 'soft' management issues such as motivation and empowerment.

Like any methodology however, poor interpretation and implementation can limit the usefulness of Kaizen practices, or worse cause them to be counter-productive. Kaizen is unsuccessful typically where:

- Kaizen methods are added to an existing failing structure, without fixing the basic structure and philosophy.
- Kaizen is poorly integrated with processes and people's thinking.
- Training is inadequate.
- Executive/leadership doesn't understand or support Kaizen.
- Employees and managers regard Kaizen as some form of imposed procedure, lacking meaningful purpose.

Kaizen works best when it is 'owned' by people, who see the concept as both empowering of individuals and teams, and a truly practical way to improve quality and performance, and thereby job satisfaction and reward. As ever, such initiatives depend heavily on commitment from above, critically:

- to encourage and support Kaizen, and
- to ensure improvements produce not only better productivity and profit for the organization, but also better recognition and reward and other positive benefits for employees, whose involvement drives the change and improvement in the first place.

Interestingly, the spirit of Kaizen, which is distinctly Japanese in origin - notably its significant emphasis upon individual and worker empowerment in organizations - is reflected in many 'western' concepts of management and motivation, for example the Y-Theory principles described by Douglas McGregor; Herzberg's Motivational Theory, Maslow's Needs Hierarchy and related thinking; Adams' Equity Theory; and Charles Handy's motivational theories.

Fascinatingly, we can now see that actually very close connections exist between:

- **the fundamental principles of Quality Management** - which might be regarded as cold and detached and focused on 'things' not people, and
- **progressive 'humanist' ideas about motivating and managing people** - which might be regarded as too compassionate and caring to have a significant place in the optimization of organizational productivity and profit.

The point is that in all effective organizations a very strong mutual dependence exists between:

- systems, processes, tools, productivity, profit - the 'hard' inputs and outputs (some say '*left-side brain*'), and
- people, motivation, teamwork, communication, recognition and reward - the 'soft' inputs and outputs ('*right-side brain*')

Kaizen helps to align these factors, and keep them aligned.

### 6.1.2 REENGINEERING APPROACH

One constant life is change and it comes more quickly now to all of us and our organizations than at any time in our past. Perhaps the greatest challenges facing managers

at every level are to sense the need for change, see change coming, and react effectively to it when it comes. As a result, rapid, radical, and even revolutionary changes may be called for.

Albert Einstein once observed, "No problem can be solved from the same consciousness that created it. We must learn to see the world anew." Einstein realized that a new way of thinking is necessary to grow past any problem. The problem that businesses face today is the need to reorder their operations into process-centered enterprises to satisfy the growing demands of their customers. To achieve this, businesses must exchange their traditional ways of thinking for new mindsets that enable them to keep pace with today's rapid changes and anticipate the needs of tomorrow's business world.

What is a business process? Michael Hammer describes it as "a related group of tasks that together create a result of value to a customer" (1996, p. 5). Ivar Jacobson, one of the founders of the object-oriented school of software design, also studied business processes. Jacobson points out that, while processes are often "owned" by organizational entities, they tend to be independent of existing structural hierarchies. Looking at business processes yields a dynamic view of how organizations deliver value, while looking at hierarchies presents a static view of the responsibilities and reporting relationships within an organization. Hammer states this most clearly when he says, "Processes are concerned with results, not with what it takes to produce them. The essence of a process is its inputs and its outputs, what it starts with and what it ends up with. Everything else is detail" (1996, p. 12).

According to Hammer, a process-centered enterprise must:

- ✓ Recognize and name its processes
- ✓ Ensure that everyone is aware of these processes
- ✓ Identify the key measures by which each of these processes will be assessed
- ✓ Manage the processes

Hammer and Champy claim that "reengineering is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance…" (2001). A team of experts from Coopers & Lybrand agrees that business reengineering is "the means by which an organization can

achieve radical change in performance…by the application of a variety of tools and techniques that focus on the business as a set of related customer-oriented core business processes, rather than a set of organizational functions" (Johansson et al. 1993).

What are core business processes? A core process addresses the needs and desires of the marketplace, and reflects and supports an organization's core competencies. Core competencies are the things an organization is good at. They provide the framework upon which the organization should build its strategies. However, Hammer points out that organizations have historically found it difficult to define and exploit their core competencies. The process-centered perspective, by characterizing an enterprise in terms of how it works, allows an organization to answer not only the question of "What should we do?" but also "Are we able to do it?"

Business process analysis (BPA) is a tool for engineering the process-centered enterprise. You use BPA first, to capture the "as-is" state of an organization's key processes, then, to define the "should be" state and negotiate the "can-be" state. The "can-be" state is then modeled and analyzed. Implementing the reengineered processes calls for techniques to manage change and teamwork effectively. The result can lead to significant improvements in organizational performance.

Organizational improvement can come about through either incremental or radical change. Hammer points out the difference when he states, "Eliminating unproductive activities or changing the means by which a task is performed are typical incremental process changes that lead to the small improvements in performance that are usually sufficient to keep a process competitive. Periodically, however, there is a more dramatic change in the world: The old design suddenly becomes obsolete, an entirely new measure becomes important, or a quantum leap is required in an existing one" (1996, p. 80).

[7]Business Process Reengineering (**BPR**) creates the latter type of organizational change, the radical redesign of business processes. Because such radical redesign has been known to displace workers when processes are reengineered, BPR is a term that can instill fear in workplaces. Incremental change is the type of change that quality

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[7] **Appendix C** takes a look at companies who have successfully applied BPR and became process enterprises, noted some of the obstacles these companies faced and how the obstacles were overcome, and reaffirmed the techniques for becoming a successful process enterprise.

improvement programs such as Total Quality Management (TQM) seek to create. However, as Hammer's statement indicates, organizations may not have the opportunity to choose between radical or incremental change. Sometimes circumstances leave no choice but radical redesign.

To make your business processes as effective and efficient as possible, you begin by asking questions such as, "How well does this process do the job? Are better results needed? Are there redundant steps that don't add value? Can the same, or even better, results be achieved cheaper?" In some cases, the goal may be to improve the quality of the process, in others to minimize the cost of achieving an appropriate outcome. In either case the method is the same: weigh the value of the result against the costs of obtaining it.

For each business process there is, both theoretically and practically, a more cost-effective solution. This is the solution that uses the minimum number of steps needed to accomplish the task. Additional steps increase the time and cost to complete the transaction. Anyone advocating adding a step to a process, such as obtaining a second approval signature, should prove that the incremental benefits of the step exceed the incremental costs. Otherwise, an organization may waste money and time that it could allocate to more productive ends.

Once you have documented your business processes, you can apply, in the following order, the four core steps of systematic reengineering (Andersen 1999):

1. Eliminating activities that do not add value
2. Simplifying the activities that remain
3. Integrating jobs or groups, thereby eliminating interfaces between areas of responsibility
4. Automating selected activities

These techniques can be applied using only the data from your own process map.

The effort of conducting a BPA should not be wasted on trivial processes. Candidate processes for reengineering or improvement should be processes that:

- Add value for your customers
- Contribute to your organization's goals
- Have potential for dramatic improvement, such as significant decreases in cost or cycle time

## 6.2 TOTAL QUALITY MANAGEMENT

In the global marketplace increased levels of competition have resulted in quality becoming of increasing importance to organizations and consequently total quality management (TQM) has become a key management issue. A considerable number of companies are applying TQM and the topic is the subject of many books and papers. As the end of the twentieth century approaches, TQM appears to be a well-accepted system of management.

Before discussing the TQM's significance, it is necessary to examine evolution of the term. Specifically, what has been the process of development of TQM theory and practice, and when and why did the term come into being?

Let us look back at the 1950s. At that time, we focused on quality control developing statistical methods and advanced measuring and test technologies with increasing degrees of automation and computerized techniques to select products of high quality in the factory.

The growing complexity in products, services and in the key processes of a company made a broader approach necessary: product quality as a result of well-designed and controlled processes (see Figure 4).

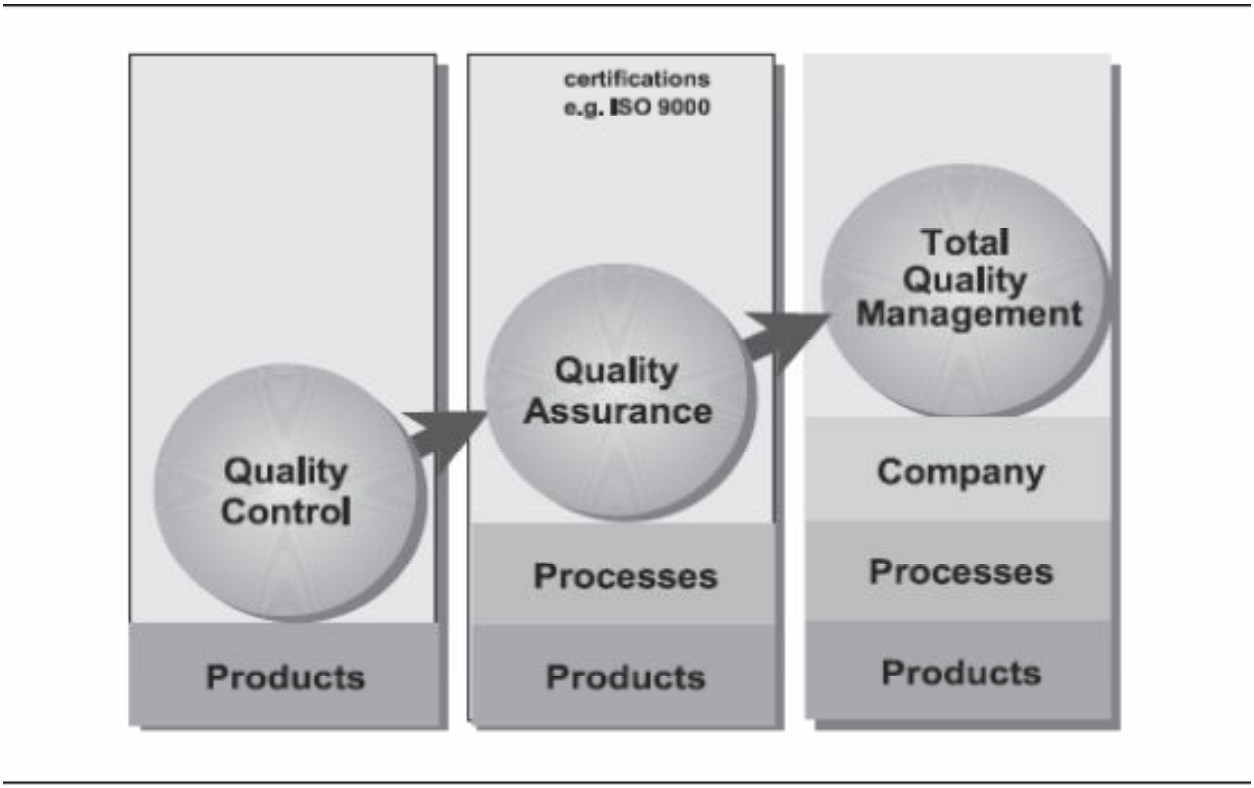


FIGURE 4: THE EVOLUTION TOWARD TOTAL QUALITY MANAGEMENT (TQM)

In the middle of the 1980s, the international standards ISO 9000 series introduced the main principles of quality management in all branches. These standards focused on the involvement of the management for quality on controlled processes, in all core activities and on continuous improvement of all processes in the company.

Over time, companies recognized the essentials of these ideas and learned to introduce a quality management system with its quality elements step by step in their various processes in the factories, in development and engineering, as well as in sales and marketing.

Although Deming, along with Joseph Juran, Phillip Crosby, and Kaoru Ishikawa laid the foundations of TQM, the term was actually coined by the U.S. Navy in the early 1980s.

Dr. Deming, a statistician and management expert credited with guiding Japan's economic recovery following World War II, created the foundation for TQM. In 1947 he was invited to help the Japanese work on their census tracts. Two years later, he returned to Japan to teach a course on statistical control. The Japanese were quite receptive to the idea of improving quality because they wanted a larger export market.

Joseph Juran followed Deming to Japan where his name is just as illustrious as that of Deming. While Deming centered upon statistical tools, Juran centers upon the role of employees in quality management. In addition Juran published *The Quality Control Handbook* in 1950 which became the standard reference book on quality world-wide.

Another of the TQM gurus is Phillip Crosby, who developed a framework for Total Quality Management. His focus is "zero defects", or "get it right the first time". Crosby defines quality as conformance to the requirements which the company itself has established for its products based directly on its customers' needs.

The fourth guru associated with TQM is Kaoru Ishikawa who initiated Company-wide Quality Control (CWQC) that started in Japan during the period 1955-1960, following the visits of Deming and Juran. Ishikawa sees the CWQC as implying that quality does not only mean the quality of product, but also of after sales service, quality of management, the company itself and the human life. Ishikawa's biggest contributions are in simplifying statistical techniques for quality control and inventing quality circles. In addition, he created the cause-and-effect diagram (the Ishikawa diagram or the fishbone diagram).

**EXHIBIT 7: TQM: ORIGINS AND DIMMENSIONS OF THE TERM**

Powell (1995) makes the points that: "TQM's origins can be traced to 1949, when the Union of Japanese Scientists and Engineers formed a committee of scholars, engineers, and government officials devoted to improving Japanese productivity, and enhancing their post-war quality of life" and "American firms began to take serious notice of TQM around 1980". Bemowski (1992) states that the term TQM was initially coined in 1985 by the Naval Air Systems Command to describe its Japanese-style management approach to quality improvement.

If the origins of the TQM dimensions are traced and analyzed, the following key points emerge:

- Those related with workforce management and the need for top management leadership have their origins in the USA, arising from the Hawthorne studies (Roethlisberger and Dickson, 1939), the works of Maslow (1954) and McGregor (1960) and, more recently, that of Ouchi (1981).
- With respect to process flow management, SPC has its roots in the USA with Shewhart (1931) and the UK with Dudding (BS 600 (1935)). On the other hand, mistake proofing systems are a Japanese idea (Shingo, 1986), as is the importance of cleanliness and organisation of tools and housekeeping using the fives and CANDO (cleanliness, arrangement, neatness, discipline and orderliness) principles.
- The concern about consumers needs has been of inherent interest to marketing theorists since it first appeared; the main development work on this subject has been conducted in the USA. The increase in competition and demanding consumers have been the main reasons for companies treating this need to listen to "customers' voices" in a serious manner.
- Most of the recommendations about design processes have arisen from observation of Japanese procedures and best practices. Taguchi methods (Taguchi, 1986) were developed by Genichi Taguchi, a statistician and electrical engineer who was involved in rebuilding the Japanese telephone system. Quality function deployment (QFD) methods were also developed in Japan, but, as with the case of many other Japanese management tools and techniques, they have been popularized world-wide by North American writers such as Hauser and Clausing (1988).
- The grounds of the supplier relationship dimension can be found mostly in JIT theories, which were first developed in Toyota (Monden, 1983).
- The role of the quality department has been widely analyzed by American writers such as Feigenbaum (1991) and Juran et al. (1974).
- Benchmarking was first developed in Xerox, an American company (Tucker et al., 1987) and popularized by the work of Camp (1989).

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All in all, total Quality Management features centrally the customer-supplier interfaces, (external and internal customers and suppliers). A number of processes sit at each interface. Central also is an organizational commitment to quality, and the importance of communicating this quality commitment, together with the acknowledgement that the right organizational culture is essential for effective Total Quality Management.

After all, TQM is the relationship between quality and productivity. It emphasizes process improvement to improve the quality of the product or service, reducing costs, and higher productivity.

**FOOD FOR THOUGHT**

1. Compare and contrast Total Quality Management and the Kaizen approach
2. Compare and contrast Total Quality Management and the Reengineering approach
3. Which approach to quality would you recommend for a public University? Why?
4. Why is quality management becoming a hot issue in this age?

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# 7. CONTEMPORARY ISSUES IN MANAGEMENT

## LEARNING OBJECTIVES

**Upon completing this chapter, you should be able to:**

1. Explain the differences between American and Japanese management practices.
2. Describe the attributes of excellence.
3. Summarize the philosophy of management according to Peter Drucker.
4. Appreciate the importance of people in organizations.

## INTRODUCTION

Management research and practice continues to evolve and new approaches to the study of management continue to be advanced. This section briefly reviews the work of some contemporary gurus in the field of management: *Theory Z* (William Ouchi), *In Search of Excellence* (Peters and Waterman), and *A Philosophy of Management* (Peter Drucker). While neither of these management thinkers offer a complete theory of management, they do offer additional insights into the management field. All of them emphasize the importance of people in the work place, hence, they are also called *Neo-Human Relations Movements*.

## 7.1 THEORY Z

Theory Z is Japanese consensus management style based on the assumptions that (1) employees want to build cooperative relationships with their employers, peers, and other employees in the firm; for this they (2) require high degree of support in the form of secure employment and facilities for development of multiple skills through training and job rotation, (3) they value family life, culture and traditions, and social institutions as much as material success, (4) they have well-developed sense of dedication, moral obligations, and self-discipline, and (5) they can make collective decisions through consensus. Introduced by the author William Ouchi (born 1943) in his book 'Theory Z.'

### DIFFERENCES BETWEEN AMERICAN AND JAPANESE MANAGEMENT PRACTICES

William Ouchi proposed the concept of theory Z organizations. The concept was developed in his efforts to understand the best practices of Japanese management which can be used in companies of USA. He identified the differences between American and Japanese organizations in some aspects.

TABLE 2: AMERICAN AND JAPANESE MANAGEMENT PRACTICES

| American Organizations | Japanese Organizations |
|---|---|
| Short-term employment | Lifetime employment |
| Individual decision making | Collective decision making |
| Individual responsibility | Collective responsibility |
| Rapid evaluation & promotion | Slow evaluation & promotion |
| Explicit control mechanisms | Implicit control mechanisms |
| Specialized career paths | Nonspecialized career paths |
| Segmented concern for employee as an employee | Holistic concern for employee as a person |

Then he went around interviewing managers of various companies asking them to identify American Companies which are practicing the characteristics identified by Ouchi as Japanese organization practices. But Ouchi had not told the managers that they were Japanese practices. Many managers identified some American companies as following those practices. The companies identified were IBM, Procter and Gamble, Hewlett Packard, Eastman Kodak, and the US Military. These companies are named Theory Z companies by Ouchi. They are companies in USA but follow practices similar to Japanese companies.

Like Japanese companies, type Z companies tend to encourage long-term employment. They rotate employees around functions. Even though they have modern information and accounting systems, they do not dominate decision making. Explicit and implicit information and issues seem to exist in a state of equilibrium. There is a central set of objectives to which all employees have agreed. The corporation's philosophy or central set of values preserves the freedom of employees to pursue projects they felt would be fruitful. Organizational life is treated as a life of interdependence. It is team work and individual performance measure in a period has some ambiguity.

The decision making is collective but the responsibility for decision still resides in the individual. In type Z companies, superiors show broad concern for the welfare of subordinates. At peer level also, there is concern for co-workers. Egalitarianism is a central feature of type Z organizations. In egalitarianism in organizational contexts means that it is believed that each person can apply discretion and can work autonomously without close supervision. The belief is that every person can be trusted.

Ouchi proposes that American companies adopt type Z company practices. Instead of trying to imitate Japanese companies which are very far in a different culture, American companies can learn from some other American companies only, to follow some of the Japanese best practices.

## EXHIBIT 8: SAMSUNG USES THEORY Z TO BECOME A LIVING ORGANIZATION

Quite a few American firms have decided to experiment with Japanese management techniques and have had senior executives make several trips to Japanese plants in order to embody the Theory Z philosophy. But, it may actually be just as logical to visit Korean plants, because Korean management philosophy is also of Theory Z, as is shown with the conglomerate Samsung Group, analyzed here, as well as with Lucky-Goldstar, Hyundai, Daewoo, Ssangyong, Hyosung, Kumho and Samyang.

Samsung satisfies the following Theory Z management characteristics:

* The length of employment is neither short-termed nor lifetime;
* The organization culture values a collective approach, not individual action, regarding mode of decision making;
* Responsibility is assumed by the individual;
* The frequency of employee evaluation is low;
* The control depends on both implicit-informal and explicit-formal measures;
* The career path is moderately specialized; and
* There is holistic concern for employees.

**Length of employment**

Samsung may not be called a place of life-long employment as far as middle and upper level managers are concerned. Among 27 university graduates accepted by Samsung in 1956 as the first "cadets," only one person is still working with Samsung.

One of the reasons for this seems to be the culture of competition among the members. The Mae-il Economic Daily cites, "Over the last 50 years, Samsung raised many able managers, but also many left. This was mainly due to the personnel policies of strict performance appraisal and of having the members compete among themselves."

At the same time, it is not correct to call Samsung a place of short-term employment. Samsung is a business corporation that is prestigious to work for, allows challenging career opportunities, gives the highest salaries, and, hence, is the first choice of many university graduates. The entrance competition is intense, and once accepted it is not easy to leave.

**Mode of decision-making**

In his book, Theory Z, author William Ouchi cites, "When a major decision is to be made, a written proposal lays out one 'best' alternative for consideration |in Japan~. The task of writing the proposal goes to the youngest and newest member of the department involved. ... He talks to everyone, soliciting their opinions ... In so doing he is seeking a common ground. Ultimately, a formal proposal is written and then circulated from the bottom of the organization to the top. At each stage, the manager in question signifies his agreement by affixing his seal to the document."

This process called ringi is what Samsung (in addition to most Korean enterprises) follows. Such a culture of consensual decisions is evident at Samsung, where Chairman B.C. Lee (of Samsung Group) has never used the terminology "personal decision-making." His belief was that sufficient information and integration of opinions and knowledge of many people will lead to a decision. One executive even named this consensual decision making.

**Responsibility**

Ouchi claims that a "key figure of decision making in Japan is the intentional ambiguity of who is responsible for what decisions. In the United States, we have job descriptions and negotiations between employees for the purpose of setting crystal clear boundaries on where my decision authority ends and yours begins."

Samsung never makes the responsibility ambiguous. Emphasis on clear responsibility is institutionalized through systems like the responsibility center system, the individual reward system, and the so-called individual responsibility-center system, which is similar to MBO.

A manager will enjoy the absolute support of the boss. But, if a manager fails to perform satisfactorily due to negligence, the support is retrieved and the manager will have to assume all the responsibilities.

Note the following statements made by the chairman: "When an accident occurred, you should see it happened simply

through the wrongdoing of the manager, or it unavoidably broke out even though the manager had done his best. The manager should assume the responsibility only in the former cases," and "Clearly defined responsibility and authority allow managers to work autonomously and whole-heartedly, and also allow fair evaluation of their performance."

**Frequency of evaluation**

Ouchi notes "Sugao will receive exactly the same increases in pay and exactly the same promotions as the other 15 young men who have entered with him. Only after ten years will anyone make a formal evaluation of Sugao or his peers; not until then will one person receive a larger promotion than another."

It seems, as expressed in the following statements, that Samsung is well aware of the danger of myopic perspective in management. To them, "A planning period of 5 years is not long enough. Ten, even 50 years must be covered," and "Engrossed with immediate gain, one is apt to exploit large profit from poor products. This is the sure way to lose your credit."

In addition, Chairman Lee's expectation for the new university graduates was that they would ultimately become other B.C. Lees. He especially emphasized the ability to work hard, which takes time to be recognized. With his longer time perspective and expectation of finding alter egos, he must have waited, trained and observed the aspirants for a certain number of years.

**Implicit and explicit control**

In an organization where making alter egos is one of the main philosophies of the founder, while performance measurement systems like responsibility center system are in use, it is natural that both implicit/informal and explicit/formal measures coexist.

Japanese style emphasizes the future direction, and the American the quantifiable objectives. Samsung combines both. The implicit/informal evaluation is supplemented with various explicit/formal measures, one of which is the personnel evaluation system. The system includes manager appraisal, output appraisal and self-evaluation.

Ouchi's position is "We probably do not want to adapt the Japanese career path entirely. However, some significant movement in the direction of company-centered rather than skill-centered careers could yield many benefits for both employee and employer in the United States."

At Samsung, employees' specialties are respected along the principle of the right people at the right place, but company-centered assignment often sends people to far-flung positions. One Samsung executive recollects, "I was general affairs director at Che-il Wool Co. when ordered to become director of the manufacturing factory without an engineering degree. I served as factory director for about 2 years. Then, I was ordered to work with Shinsegye Department Store with a promotion to vice president."

**Holistic concern**

Holistic concern is an expression of clan form. Holistic concern is a natural way for Samsung, because one of the two main pillars of Samsung management philosophy is team spirit (another pillar is the strict reward and punishment system). Samsung believes that the work place should be a heaven for workers, the exercise of which resulted in an exceptionally unionized group. It is said that managers should take care of employees like family members. When they feel at home, productivity rises, products get better and the company can run well.

**Concluding remarks**

Theory Z is in some sense a mixture of Theory A and Theory J, such that Theory A defines the dimension of responsibility, Theory J defines the dimension of decision making mode, evaluation and concern for employees, and Theory A and Theory J jointly define the remaining dimensions of employment length, control measure and career path specialization. Dimensions up to now enable us to conclude that the management of Samsung exhibits the mixture of Theory A and Theory J in such a way that Samsung may be called a living Theory Z organization.

**Source**: Mushin Lee "Samsung uses Theory Z to become a living organization". Industrial Management. FindArticles.com. 28 Apr, 2010. http://findarticles.com/p/articles/mi_hb3081/is_n5_v34/ai_n28619215/.

**STRATEGIES TO TRANSFORM THE ORGANIZATION**

Ouchi proposed 12 strategies or steps to transform a typical American company, named as type A company to type Z company. In order for Theory Z to work, skeptics have to be allowed to exist. These people, who think this would not work, should not be discouraged. By involving these skeptics companies begin to form a space of trust. Trust will occur when both parties understands each other's view, and know that both are doing it for the good of the company. When a person feels something is not right, by involving them it shows them that neither side is out to hurt the other. Everyone has to realize that with trust comes openness to say what you feel. Another thing people should have is integrity. You should be able to treat people the way you would like to be treated.

The second strategy, the company should audit its philosophy. Here the company will try to figure out a way that suggests how the company is behaving with its employee and vice versa. Companies are going to have to find out where the company **"is",** not where it **should be**. First the company is going to have to understand its culture by studying decisions made in the past. They will then have to organize a big meeting and ask themselves, what they think worked, failed, and what they thought was inconsistence. The answers to these questions bring out philosophy of the company.

The third strategy is management must be able to define desired philosophy and be able to involve company leaders. Here management cannot be intimidated by company leaders and the company leader must be willing to hear everything the manager has to say. Company leaders should not discourage his manager from speaking, because when he is intimidated the manager tends to hold back more information. Company leaders must be willing to go into a discussion with an open mind and be able to trust his managers. When both begin to trust each other they are going to make easy decisions because both will be sharing wanted information.

The fourth strategy is the company will have to create both a structure and incentive in the company. Create a place that whenever somebody is struggling, they can feel assured that his team will pick him up.

The fifth strategy is the company will have to develop some interpersonal skills. Here management is going to want everyone to improve on their communication skills. They need to encourage managers to listen more and know when to interrupt. First

people are have to recognize patterns of interactions when making a decision and solving problems.

The sixth strategy is the company must be able to test themselves and the system. While implementing Theory Z management is going to begin to question their ability to manage.

The seventh strategy is to stabilize employment. To stabilize employment companies are going to have to challenge every employee, and be able to give him variation of job to do within the company. Here, when a company is doing badly they do not encourage management to lay off people, but rather reduce their hours. This in return gives companies a low turnover rate that results in less waste in training new people.

The eighth strategy is how to design a system of slow evaluation and promotion. The ninth strategy is to broaden the people's career paths. In order to retain employees within the organization, let them experience every aspect and every department in the company. When everyone knows what every department is doing, it makes it much easier for the company to pass important information within departments.

The tenth strategy is how to get this theory Z working into the lower level. In order for you to implement Theory Z at the lower level you have to start from the top. The change must occur with top management and professional employees, before you try to change lower level employees. People who are lower level employee are not going to follow a method that top management does not follow. With lower level employees you have to be very patient with them, because they have installed in their heads that management should never be trusted. Employees in the company feel that the company foremen are sell outs, who work more with management and do not care about employees. Like management, the foreman has to gain his employees' trust.

The eleventh strategy is to find areas where employee participation is allowed in decision making. The ways you gain lower level trust is through participation in company's decision making, and give them rewards for their accomplishments. You need to encourage employees to speak and let them know that the company wants the employees to work as a team and not as individuals. The final thing is to create a sense of family between everyone.

## 7.2 IN SEARCH OF EXCELLENCE

The seminal management book In Search of Excellence, by Tom Peters and Robert Waterman, was published in 1982, and remains one of the biggest selling and widely read business books ever. Peters and Waterman found eight common themes which they argued were responsible for the success of the chosen corporations, which have become pointers for managers ever since.

The eight characteristics (also depicted on Table 6 -2) were: 1) a drive for action, decision-making, and getting the job done; 2) an emphasis on serving the customer and providing quality and reliability; 3) providing an atmosphere to foster creative thinking and product innovation; 4) respecting and treating every employee as an important contributor; 5) maintaining the basic philosophy of the company; 6) operating businesses with which management is familiar; 7) keeping top-level staffs very simple; and 8) decentralizing and centralizing certain functions.

TABLE 3: PETERS AND WATERMAN'S EIGHT ATTRIBUTES OF EXCELLENCE

| *ATTRIBUTES OF EXCELLENCE* | *KEY INDICATORS* |
|---|---|
| **1. A bias for action** | Small-scale, easily managed experiments to build knowledge, interest, and commitment. Managers stay visible and personally involved in all areas through active, informal communication and spontaneous MBWA ("management by wandering around"). |
| **2. Close to the customer** | Customer satisfaction is practically an obsession. Input from customers is sought throughout the design/production/marketing cycle. |
| **3. Autonomy & entrepreneurship** | Risk taking is encouraged; failure is tolerated. Innovators are encouraged to "champion" their pet projects to see them through to completion. Flexible structure permits the formation of "skunk works" (small teams of zealous innovators working on a special project). Lots of creative "swings" are encouraged to ensure some "home runs" (successful products). |
| **4. Productivity through people** | Individuals are treated with respect and dignity. Enthusiasm, trust, and a family feeling are fostered. People are encouraged to have fun while getting something meaningful accomplished. Work units are kept small and humane. |
| **5. Hands-on, value driven** | A clear company philosophy is disseminated and followed. Personal values are discussed openly, not buried. The organization's belief system is reinforced through frequently shared stories, myths, and legends. Leaders are positive role models; not "Do-as-I-say, not-as-I-do" authority figures. |
| **6. Stick to the knitting** | Management sticks to the business it knows best. Emphasis is on internal growth, not mergers. |
| **7. Simple form, lean staff** | Authority is decentralized as much as possible. Headquarters staffs are kept small; talent is pushed but to the field. |

| | |
|---|---|
| **8. Simultaneous loose-tight properties** | Tight overall strategic and financial control is counter-balanced by decentralized authority, autonomy, and opportunities for creativity. |

**Source**: Thomas J. Peters and Robert H. Waterman, Jr. (1982). *In Search of Excellence: Lessons from America's Best-Run Companies*. HarperCollins Publishers, Inc.

Several criteria, including analysis of annual reports and in-depth interviews, were used to pick 14 'model excellent companies' out of an initial sample of 62 companies. As expected, most of the action in high-performing companies revolved around its **people**, their success being ascribed to:

- productivity through *people*;
- extraordinary performance from ordinary *employees*;
- treating *people* decently.

Personnel function and in particular leadership were considered the most critical components. If the leaders in an organization can create and sustain an environment in which all employees are motivated, the overall performance is bound to be good. The three essentials for creating such an environment are:

- fairness;
- job security; and
- involvement.

The overriding characteristics were a strong commitment to human resources and a propensity to spur innovation and new product development. This was coupled with a demonstrated long-term approach to business endeavors and a commitment from the top that permeated throughout the company to provide quality products and services.

Of all the resources available, the human resource is clearly the most significant, but also the most difficult to manage. Excellence can only be achieved through excellent performance of every person, rather than by the high-pitched performance of a few individuals. And motivation is, undoubtedly, the crux.

## 7.3 A PHILOSOPHY OF MANAGEMENT

In his book, "The Practice Of Management", Peter Drucker vividly mirrored out the 'as is' of management practices with 'what ought to be'. He addresses the issues, succinctly, on the philosophy of management concerning organization's principles, the worker and the manager. Read on the excerpts of his book, presented here below.

What the business enterprise needs is a principle of management that will give full scope to individual strength and responsibility, and at the same time give common direction of vision and effort, establish team work and harmonize goals of the individual with the common weal.

The only principle that can do this is management by objectives and self-control. It makes the common weal the aim of every manager. It substitutes for control from the outside the stricter, more exacting and more effective control from the inside. It motivates the manager to action not because somebody tells him to do something or talks him into doing it, but because the objective needs of his task demand it. He acts not because somebody wants him to but because he himself decides that he has to – he acts, in other words, as a free man.

Management by objectives and self-control may legitimately be called a "philosophy" of management. It rests on the concept of the job of management. It rests on the analysis of the specific needs of the management group and the obstacles it faces. It rests on a concept of human action, human behavior and human motivation. Finally, it applies to every manager, whatever his level and function, and to any business enterprise whether large or small. It insures performance by converting objective needs into personal goals. And this is genuine freedom, freedom under the law.

For Leadership is not magnetic personality - that can just as well be demagoguery. It is not "making friends and influencing people" – that is salesmanship. Leadership is the lifting of a man's vision to a higher sights, the raising of a man's performance to a higher standard, the building of a man's personality beyond it's normal limitations. Nothing better prepares the ground for such leadership than a spirit of management confirms in the day-to-day practices of the organization strict principles of conduct and responsibility, high standards of performance, and respect for the individual and his work. For to leadership, too, the words of the savings banks advertisement apply: 'Wishing won't make it so; doing will.

This does not mean that there should be no one on the team who acts as it's captain. On the contrary, a captain is needed. And one man is almost certain to stand out as the senior member by virtue of his intellectual or moral authority. There was, for instance, never any doubt in General Motors that the head of the table was where ever Mr. Sloan sat, nor at Sears, Roebuck that General Wood was a good deal more than "first among equals."

But whenever one man thus stands out, he has to be doubly careful not to countermand or overrule the others, not to interfere in the areas assigned to them, not to let his superiority turn into their inferiority. His strength, in other words, should strengthen his teammates-which is, after all, the definition of an effective and strong team captain. *He is a playing captain not a manager calling signals from the bench.*

There is only one conclusion: *the chief-executive job in every business (except perhaps the very smallest) cannot properly be organized as the job of one man. It must be the job of a team of several men acting together.*

**The Principles of Manager Development**

The first principle of manager development must therefore be the development of the entire management group. We spend a great deal of time, money and energy on improving the performance of a generator by 5 percent. Less time, less money and less energy would probably be needed to improve the performance of managers by 5 per cent – and the resulting increase in the production of energy would be much greater.

The second principle is that manager development must be dynamic. It must never aim at replacing what is today-today's managers, their jobs, or their qualifications. It must always focus on the needs of tomorrow. What organization will be needed to attain the objective of tomorrow? What management jobs will that require? What qualifications will managers have to have to be equal to the demands of tomorrow? What additional skills will they have to acquire, what knowledge and ability will they have to possess?

It is also a necessity for the spirit, the vision and the performance of today's managers that they be expected to develop those who will manage tomorrow. Just as no one learns as much about a subject as the man who is forced to teach it, no one develops as much as the man who is trying to help others to develop themselves. Indeed, no one can develop himself unless he works on the development of others. It is in and through the efforts to develop others that managers raise their demands on themselves. The best performers in any profession always look upon the men they have trained and developed as the proudest monument they can leave behind.

**The Worker as a Resource**

If we look to the worker as a resource, comparable to all other resources but for the fact that he is human, we have to find out how best to utilize him in the same way in which we

look at copper or at water power as specific resources. This is an engineering approach. It considers what the human being is best and least capable of. Its result will be the organization of work so as to fit best the qualities and the limitations of this specific resource, the human being at work. And the human being has one set of qualities possessed by no other resource: it has the ability to co-ordinate, to integrate, to judge and to imagine. In fact, this is its only specific superiority; in every other respect-whether it be physical strength, manual skill or sensory perception-machines can do a much better job.

But we must also consider man at work as a human being. We must, in other words, also put the emphasis on "human." This approach focuses on man as a moral and a social creature, and asks how work should be organized to fit his qualities as a person. As a resource, man can be "utilized." A person, however, can only utilize himself. This is the great and ultimate distinction.

The qualities of the person are specific and unique. *The human being, unlike any other resource, has absolute control over whether he works at all. Dictatorships tend to forget this; but shooting people does not get the work done. The human resource must therefore always be motivated to work.*

The enterprise must expect of the worker not the passive acceptance of a physical chore, but the active assumption of responsibility for the enterprise's results. And precisely because this is so much bigger a demand, we are likely to be able to realize it-where we have never obtained the fair day's labor. *For it is a peculiarity of man this he yields best to high demands, that, indeed, his capacity to produce is largely determined by the level of demands made on it.*

There are four ways by which we can attempt to reach the goal of the responsible worker. They are careful placement, high standards of performance, providing the worker with the information needed to control himself, and with opportunities for participation that will give him managerial vision. All four are necessary.

**The Work of the Manager**

There are five such basic operations in the work of the manager. Together they result in the integration of resources into a living and growing organism.

A manger, in the first place, *sets objectives*. He determines what the objectives should be. He determines what the goals in each area of objectives should be. He decides what has

to be done to reach these objectives. He makes the objectives effective by communicating them to the people whose performance is needed to attain them.

Secondly, a manager *organizes*. He analyzes the activities, decisions and relations needed. He classifies the work. He divides it into manageable activities. He further divides the activities into manageable jobs. He groups these units and jobs into an organization structure. He selects people for the management of these units and for the jobs to be done.

Next a manager *motivates and communicates*. He makes a team out the people that are responsible for various jobs. He does that through the practices with which he manages. He does it in his own relation to the men he manages. He does it through incentives and rewards for successful work. He does it through his promotion policy. And he does it through constant communication, both from the manager to his subordinate, and from the subordinate to his manager.

The fourth basic element in the work of the manager is *the job of measurement*. The manager establishes measuring yardsticks-and there are few factors as important to the performance of the organization and of every man in it. He sees to it that each man in the organization has measurements available to him which are focuses on the performance of the whole organization and which at the same time focus on the work of the individual and help him do it. He analyzes performance, appraises it and interprets it. And again, as in every other area of his work, he communicates both the meaning of the measurements and their findings to his subordinates as well as his superiors.

Finally, a manager *develops people*. Through the way he manages he makes it easy or difficult for them to develop themselves. He directs people or misdirects them. He brings out what is in them or he stifles them. He strengthens their integrity or he corrupts them. He trains them to stand upright and strong or he deforms them.

Every manager does these things when he manages-whether he knows it or not. He may do them well, or he may do them wretchedly. But he always does them.

Setting objectives, for instance, is a problem of balances: a balance between business results and the realization of the principles one believes in; a balance between the immediate needs of the business and those of the future; a balance between desirable ends and available means. Setting objectives therefore requires analytical and synthesizing ability.

Organizing, too, requires analytical ability. Or it demands the most economical use of scarce resources. But it deals with human beings; and therefore it also stands under the principle of justice and requires integrity. Both analytical ability and integrity are similarly required for the development of people.

The skill needed for motivating and communicating, however, is primarily social. Instead of analysis, integration and synthesis are needed. Justice dominates as a principle, economy is secondary, and integrity is of much greater importance than analytical ability.

Measuring requires first and foremost analytical ability, but it also requires that measurement be used to make self-control possible rather than be abused to control people from the outside and above, that is, to dominate them. It is the common violation of this principle that largely explains why measurement is the weakest area in the work of the manager today. And as long as measurements are abused as a tool of "control" (as long, for instance, as measurements are used as a weapon of an internal secret policy that supplies audits and critical appraisals of a manger's performance to the boss without even sending a carbon copy to the manager himself) measuring will remain the weakest area in the manger's performance.

Setting objectives, organizing, motivating and communicating, measuring and developing people are formal, classifying categories. Only a manager's experience can bring them to life, concrete and meaningful. But because they are formal, they apply to every manager and to everything he does as a manager. They can therefore be used by every manager to appraise his own skill and performance, and to work systematically on improving himself and his performance as a manager.

One can learn certain skills in managing people, for instance, the skill to lead a conference or to conduct an interview. One can set down practices that are conductive to development-in the structure of the relationship between manager and subordinate, in a promotion system, in the rewards and incentives of an organization. But when all is said and done, developing men still requires a basic quality in the manager which cannot be created by supplying skills or by emphasizing the importance of the task. It requires integrity of character.

It may be argued that every occupation-the doctor, the lawyer, the grocer-requires integrity. But there is a difference. The manager lives with the people he manages, he

decides what their work is to be, he directs it, he trains them for it, he appraises it and, often, he decides their future. The relationship of merchant and customer, professional man and client requires honorable dealings. Being a manager, though, is more like being a parent, or a teacher. And in these relationships honorable dealings are not enough; personal integrity is the essence.

All in all, according to Drucker, there is a tendency for Human Relations to degenerate into mere slogans which become an alibi for having no management policy in respect to the human organization. Worse still, because Human Relations start out from the attempt to adjust the "mal-adjusted" individual to the "reality" (which is always assumed to be rational and real), there is a strong manipulative tendency in the whole concept. With it there is the serious danger that Human Relations will degenerate into a new Freudian paternalism, a mere tool for justifying management's action, a device to "sell" whatever management is doing. It is no accident that there is so much talk in Human Relations about "giving workers a sense of responsibility" and so little about their responsibility, so much emphasis on their "feeling of importance" and so little on making them and their work important. Whenever we start out with the assumption that the individual has to be adjusted, we search for ways of controlling, manipulating, selling him-and we deny by implication that there may be anything in our own actions that needs adjustment. In fact, the popularity of Human Relations today may reflect, above all, the ease with which it can be mistaken for a soothing syrup for fractious children, and misused to explain away as irrational and emotional resistance to management and to its policies.

**FOOD FOR THOUGHT**

1. Why does Samsung Corporation uses Theory Z for and in what respect?
2. What's the lesson conveyed by *in search of excellence*?
3. What is meant by Drucker to conceive a worker as a resource? What's new about that?
4. What are the functions of a manager according to Peter Drucker?
5. What is the common underlying theme of this chapter's theories?

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# 8. MANAGING IN THE TWENTY FIRST CENTURY

## LEARNING OBJECTIVES

**Upon completing this chapter, you should be able to:**

1. Describe the themes in dynamic engagement.
2. Explain the characteristics of the 21st century organization.
3. Remember the inevitability of changing with time.

## INTRODUCTION

All of the preceding theories have come down to us in the late twentieth-century world of organizations and management. Here they are practiced against a backdrop of rapid change and profound rethinking about how management and organizations will evolve in the next century. At the heart of this rethinking, which is really occurring in numerous ways at the same time, are new ways of thinking about relationships and time.

## 8.1 AN ERA OF DYNAMIC ENGAGEMENT

As boundaries between cultures and nations are blurred and new communications technology makes it possible to think of the world as a "global village," the scope of international and intercultural relationships is rapidly expanding. The pace of organizational activity picks up dramatically. These trends indicate a heightened level of *intensity* in organizations and management today.

To emphasize the intensity of modern organizational relationships and the intensity of time pressures that govern these relationships, we call this flurry of new management theory the **dynamic engagement** approach.

Dynamic-- opposite of static--implies continuous change, growth, and activity; engagement--the opposite of detachment--implies intense involvement with others. Thus, the term *dynamic engagement* best expresses the vigorous way today's most successful managers focus on human relationships and quickly adjust to changing conditions over time.

Six different themes about management theory are emerging under the umbrella that we call dynamic engagement.

## 1. NEW ORGANIZATIONAL ENVIRONMENTS

The dynamic engagement approach recognizes that an organization's environment is not some set of fixed, impersonal forces. Rather, it is a complex, dynamic web of people interacting with each other. As a result, managers must not only pay attention to their own concerns, but also understand what is important to other managers both within their organizations and at other organizations. They interact with these other managers to create jointly the conditions under which their organizations will prosper or struggle. The theory of competitive strategy, developed by Michael Porter, focuses on how managers can influence conditions in an industry when they interact as rivals, buyers, suppliers, and so on. Another variation on the dynamic engagement approach, most notably argued by Edward and Jean Gerner Stead in *Management for a Small Planet*, places ecological concerns at the center of management theory.

## 2. ETHICS AND SOCIAL RESPONSIBILITY

Managers using a dynamic engagement approach pay close attention to the values that guide people in their organizations, the corporate culture that embodies those values, and the values held by people outside the organization. This idea came into prominence with the publication in 1982 of *In Search of Excellence* by Thomas Peters and Robert Waterman. From their study of "excellent" companies, Peters and Waterman concluded that "the top performers create a broad, uplifting shared culture, a coherent framework within which charged-up people search appropriate adaptations.

Robert Solomon has taken this idea a step further, arguing that managers must exercise moral courage by placing the value of *excellence* at the top of their agendas. In dynamic engagement, it is not enough for managers to do things the way they always have, or to be content with matching their competitors. Continually striving toward excellence has become an organizational theme of the 1990s. Because values, including excellence, are ethical concepts, the dynamic engagement approach moves ethics from the fringe of management theory to the heart of it.

## 3. GLOBALIZATION AND MANAGEMENT

The dynamic engagement approach recognizes that the world is at the manager's doorstep in the 1990s. With world financial markets running 24 hours a day, and even the remotest corners of the planet only a telephone call away, managers facing the twenty-first century

must think of themselves as global citizens. Kenichi Ohmae makes this point as he describes a "borderless" world where managers treat all customers as "equidistant" from their organizations.

A simple comparison illustrates how things have changed. If you were to look through Alfred Sloan's autobiography about his long career as General Motors chairman through the 1940s, you would find very little about international factors—with good reason m that time and place. Today, however, if you time into a CNN broadcast you will notice that the reporters do not use the word "foreign" at all. Or, consider the poster on the wall of Honda dealerships, which says the idea of an "American car" doesn't make any sense in an era when a single car contains parts made by people from all over the globe.

## 4. INVENTING AND REINVENTING ORGANIZATIONS

Managers who practice dynamic engagement continually search for ways to unleash the creative potential of their employees and themselves. A growing chorus of theorists are urging managers to rethink the standard organization structures to which they have become accustomed. Peters is once again at the forefront. His concept of "liberation management" challenges the kinds of rigid organization structures that inhibit people's creativity. Peters' heroes succeed in spite of those structures. Michael Hammer and James Champy have made their concept of **reengineering** the corporation" into a bestseller. Hammer and Champy urge managers to rethink the very processes by which organizations function and to be courageous about replacing processes that get in the way of organizational efficiency.

## 5. CULTURES AND MULTICULTURALISM

Managers who embrace the dynamic engagement approach recognize that the various perspectives and values that people of different cultural backgrounds bring to their organizations are not only a fact of life but a significant source of contributions.

Joanne Martin has pioneered the cultural analysis of organizations. She explains how differences create unprecedented challenges for modem managers. Charles Taylor is a prominent proponent of the so called "communitarian" movement. Taylor claims that people can preserve their sense of uniqueness--their authenticity—only by valuing what they hold in common and seeking to extend what they hold in common in the organizations and communities in which they live. Cornel West grabs our attention to

different cultures with the very title of his book, *Race Matters*. Martin, Taylor, and West all want us to see the benefits that come from welcoming and understanding differences among people. Still, none of them say that acceptance of different cultures will be easy. Multiculturalism is a moving target as more and more people become conscious of their particular cultural traditions and ties. Here is where both "dynamic" and "engagement" clearly come together as we envision the organizations of the twenty-first century.

### 6. QUALITY

By the dynamic engagement approach, Total Quality Management (TQM) should be in every manager's vocabulary. All managers should be thinking about how every organizational process can be conducted to provide products and services that are responsible to tougher and tougher customer and competitive standards. Strong and lasting relationships can be fruitful byproducts of a "quality" frame of mind and action, by this view. Total Quality Management adds one more dynamic dimension to management, because quality, too, is always a moving target.

Dynamic engagement is an example of the changing face of management theory. Not everyone we have mentioned in this overview of the dynamic engagement approach calls himself or herself a management theorist. Some are philosophers and some are political scientists. As we bring this chapter to a close, we want to point out an important lesson in this lineup of dynamic engagement theorists. The dynamic engagement approach challenges us to see organizations and management as integral parts of modem global society. This was not always a tenet of management theory. Once the door is opened between organizations and the larger world, however, many new influences can come to bear on questions about management theory and relationships.

## 8.2 REQUIREMENTS OF 21st CENTURY ORGANIZATIONS

There is room for improvements in the management and structure of many companies and organizations. Everybody talks about the need for innovation, but many companies have not succeeded in being innovative. Three frequent mistakes in managements and organizations are:

1. Management and organization are too self-satisfied
2. Management and organization do not master the process of change
3. Management and organization underestimate the significance of vision

In a knowledge society, companies are challenged by technology leaps, slides in values and globalization. Heavy demands are placed on the management and the organization: Both radical, innovative thinking and disciplined action in response to challenges.

Too much self-satisfaction can be a large barrier in taking up these challenges. Sources of self-satisfaction are e.g. unconcerned management, staff's ability to deny facts, organizational culture, lacking performance feedback from external sources, internal assessment systems, organizational structure, low performance standards, too many visible resources, and the absence of a large, visible crisis. These challenges place demands on future organizations. Self-satisfaction may be the greatest obstacle in taking the first step in the process of change.

Furthermore, management is becoming more important and more difficult than earlier as organizations are becoming more important than production equipment. It is no longer enough to invest in new technology, and implement effective production processes. Many companies can do that. It is about who is the best, when it comes to mobilizing the organization's energy and individual talents and controlling the necessary challenges.

**EXHIBIT 9: THE 21ST-CENTURY COMPANY**

What do all of these new enterprises have in common? They are only as good as their most talented people. And they don't take the loyalty of those people for granted. They understand that talented people have never had more options. So these companies have developed strategies to recruit and keep people from whom they want total commitment.

What do the joiners have in common? They could have gone anywhere. They had their pick of the best. Many could have successful careers as free agents. They've chosen to join up—to commit themselves, at least for a time—because the mix of social glue in one organization was overwhelmingly strong.

The big change today, then, is not the absolute demise of loyalty in the workplace. Nor is it the evolution of free agency into the only way that people can work. The basic facts of work life are the same as they've always been: Everybody works for somebody or something—be it a board of directors, a pension fund, a venture capitalist, or a traditional boss. Sooner or later, you're going to have to decide whom you want to work for. And everybody works with someone else. The linkage may be tight, or it may be loose. But you've got to decide who to work with, as well as how strong the bonds of mutual commitment will be.

The big change is in the amount of choice and the variety of experiences available in today's workplace: Talented people are actively shopping for colleagues and bosses who meet their needs and match their values. The market for talent—the sellers of it, the buyers of it—is the most vital market in the modern economy. To attract and keep talented people, companies today are not just experimenting with how they approach the competitive marketplace of goods and services. They're also experimenting with how they approach the competitive market-place of talent. Companies are testing the attractiveness of various combinations of social glue, and they are recognizing that unusual benefits attract unusual people—and that what works in one industry, or at one time, may not work in another industry, or at another time.

Deployed carefully, these social glues become stronger through use: Each can attract talent in a way that makes an enterprise even more attractive to the same kind of talent in the future.

More fundamentally, companies are experimenting with a new operating system for the employer-employee relationship—one to replace the old set of practices that put employers and employees on opposite sides of the table. The model for the organization of the future aims to create tangible and intangible value that both sides can share and enjoy. It accepts as a core reality—rather than as a pleasant fantasy—the old saw that a company's people are its most important asset. And it builds on that reality to create a way of working that is profoundly human and fundamentally humane.

It is a revolutionary notion: Collaboration and mutual advantage are the essence of the organization. They can create flexibility, resiliency, speed, and creativity—the fundamental qualities of the company of the 21st century.

**Source**: John R. Schermerhorn, Jr., James G. Hunt, and Richard N. Osborn. (2002). Organizational Behavior, 7th ed. John Wiley & Sons, Inc.

Organizations must be capable of changing relative to a quickly changeable world. Hence, organizations in the 21st century are characterized by:

1. **PERCEIVED NEED FOR CHANGE** The maintenance of this perception requires information systems which communicate results as feedback, e.g. customer satisfaction and accounting figures. Open and honest dialogue about results and working methods.
2. **COOPERATION AT THE TOP** No person – regardless of talent – can manage the necessary changes alone. Management teams are used as they have a stronger basis for changes than one manager. Individuals, who have influenced the management earlier, but who spoil teamwork, are replaced by cooperative managers.
3. **BOTH LEADERSHIP AND MANAGEMENT** The traditional manager, who plans, budgets, organizes, staffs, controls and solves problems, is supplemented with a manager who can create and communicate visions.
4. **PROACTIVE WORK TO BECOME FUTURE WINNERS** Sitting boxes for management which include both leadership and management.
5. **ABILITY TO IMPLEMENT CHANGES** Broadly based competence development in the staff group contributes to a thorough implementation of changes.
6. **EXCELLENT SHORT-TERM RESULTS** Delegation of management which provides short-term results indicating that the vision is on the right track.
7. **STRUCTURE FACILITATES CHANGES** The organization is structured without unnecessary interdependence creating inflexible structures and power concentrations, which prevent changes from being implemented.

**FOOD FOR THOUGHT**

1. What are the three frequent mistakes in managements and organizations? Elaborate.
2. Why do you as a manager need to keep changing in your management practices?
3. If you had the opportunity to sit down and talk to with any one of the management theorists discussed in this teaching material, who would it be? What questions would you want to ask this person?

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# Management @ glance

Throughout this teaching material, we have discussed two basic things. First, theorists, whatever their fields of endeavor, tend to be people and products of their times. Second, management theories, like theories in all fields, tend to *evolve* to reflect everyday realities and changing circumstances. By the same token, managers must be sensitive to changing circumstances and equally willing to change. If they do not, they must be surpassed by more flexible competitors.

Both of these ideas apply to Henry Ford, the man who boldly braced the ideas of scientific management, revolutionizing the auto industry and society in the process.

Yet many of Ford's managerial practices were conservative or unresponsive to changing times, and his hold on the automotive market was eventually wrested from him by companies more farsighted in their managerial theories and practices. Hostile to the banking community, for example, Ford refused outside investments in his company throughout his lifetime, borrowing capital only when absolutely necessary and preferring to finance corporate activities solely through the company's own income. He was also inclined to ignore the dynamics of the industry that he had largely founded. Although he opened up branch factories to cater to a growing European market, he long failed to follow managerial advice to retool for both the hydraulic brake and six- or eight cylinder engine; he also resisted management counsel regarding the advances in gearshift and transmission technology and even put off introducing color variety into his product line (Ford preferred his cars to be black). His disinterest in consumer demands for comfort and style ultimately cost him his industry's leadership, which passed to General Motors, a conglomerate assembled from over 20 divers firms by founder William Durant and a second generation of American industrial organizers.

**REFRESHER** USE THIS EXERCISE TO RECAP WHAT YOU´VE LEARNT SO FAR.

1. Kaizen (usually pronounced 'kyzan' or 'kyzen' in the western world) is a Japanese word, commonly translated to mean 'abrupt improvement'.
   A. True B. False
2. Which of the following statement is incorrect about the contingency management theory?
   A. It tells managers to stay flexible and to consider alternatives when dealing with problems.
   B. According to this theory, right and proper conduct under one set of circumstances also works best under another set.
   C. Managers holding the contingency view feel free to draw on all past theories in attempting to analyze and solve problems.
   D. None of the above
3. A mechanistic structure is based on _____ assumptions, while an organic structure is based on _____ assumptions.
   A. Theory Y; Theory X
   B. Theory X; Theory Y
   C. Theory Z; Theory X
   D. Theory Z; Theory Y
4. The seventh attribute of excellence recommended by Peters and Waterman is "Simple form, lean staff". Which of the following cannot be an indicator of that attribute?
   A. Authority is decentralized as much as possible.
   B. Headquarters staffs are kept small.
   C. Management sticks to the business it knows best.
   D. Talent is pushed but to the field.
5. Standards focused on both the product and the processes of a company are called quality control.
   A. True B. False
6. Identify the correct statement(s)?
   A. Whereas the Kaizen approach to quality management is based on evolution, the reengineering approach is based on revolution.
   B. Whereas Operations Research is an approach aimed at increasing decision effectiveness, Production Management is a field of expertise primarily responsible for managing production.
   C. Whereas the parts that make up the whole of a system are called subsystems, synergy means that the whole is greater than the sum of its parts.
   D. All of the above
   E. None of the above

7. Whereas in a closed system, the system boundary is flexible; in an open system the boundary is more rigid.
   A. True B. False
8. According to Ochi, which of the following doesn't characterize Japanese Organizations?
   A. Implicit control mechanisms
   B. Lifetime employment
   C. Rapid evaluation & promotion
   D. Collective responsibility
9. A mechanistic structure provides the most efficient way to operate in a stable environment.
   A. True B. False
10. Which of the following cannot be one of Peters and Waterman's Eight Attributes of Excellence?
    A. Simultaneous loose-tight properties
    B. Stick to the knitting
    C. A bias for action
    D. Productivity through processes
    E. None of the above
11. What is the difference between Business Process Analysis (BPA) and Business Process Reengineering (BPR)?
12. Which of these describes a business process?
    A. Sequential in nature
    B. Vertical lines of communication
    C. "Command and control"
    D. Does not run across departmental lines
13. Which of the following best describes an organization's core competencies?
    A. Independent of existing structural hierarchies
    B. Things an organization is good at
    C. Static view of responsibilities and reporting relationships
    D. Crosses departmental lines
14. Which of the following is not a technique for improving business processes?
    A. Eliminating steps that do not add value
    B. Eliminating parallel processes that occur simultaneously with the primary process
    C. Automating selected steps in the process
    D. Integrating jobs to eliminate interfaces between areas of responsibility
15. What is the difference between a process-centered view of an enterprise and a hierarchical view?

[See **Appendix E** to check if you answered them correct or not.]

## MANAGEMENT IN PRACTICE: Modeling an Open System

Think of an organization with which you are all familiar, from the manufacturing and the service sector. After choosing an organization, one from each sector, model it from an open-systems perspective. Identify its input, conversion, and output processes, and identify forces in the external environment that help or hurt the organization's ability to obtain resources and dispose of its goods or services.

## MANAGEMENT IN PRACTICE: A 21st CENTURY MANAGER

**Instructions**

Rate yourself on the following personal characteristics.

Use this scale.

S = Strong, I am very confident with this one.
G = Good, but I still have room to grow.
W = Weak, I really need work on this one.
? = Unsure, I just don't know.

1. *Resistance to stress*: The ability to get work done even under stressful conditions.
2. *Tolerance for uncertainty*: The ability to get work done even under ambiguous and uncertain conditions.
3. *Social objectivity*: The ability to act free of racial, ethnic, gender, and other prejudices or biases.
4. *Inner work standards*: The ability to personally set and work to high-performance standards.
5. *Stamina*: The ability to sustain long work hours.
6. *Adaptability*: The ability to be flexible and adapt to changes.
7. *Self-confidence*: The ability to be consistently decisive and display one's personal presence.
8. *Self-objectivity*: The ability to evaluate personal strengths and weaknesses and to understand one's motives and skills relative to a job.
9. *Introspection*: The ability to learn from experience, awareness, and self-study
10. *Entrepreneurism*: The ability to address problems and take advantage of opportunities for constructive change.

**Scoring**

Giving yourself 1 point for each S, and 1/2 point for each G. Do not give yourself points for W and ? responses. Total your points and enter the result here [PMF = ____].

**Interpretation**

This assessment offers a self-described profile of your management foundations (PMF). Are you a perfect 10, or is your PMF score something less than that? There shouldn't be too many 10s around. Ask someone who knows you to assess you on this instrument. You may be surprised at the differences between your PMF score as self-described and your PMF score as described by someone else. Most of us, realistically speaking, must work hard to grow and develop continually in these and related management foundations. This list is a good starting point as you consider where and how to further pursue the development of your managerial skills and competencies. The items on the list are recommended by the American Assembly of Collegiate Schools of Business (AACSB) as skills and personal characteristics that should be nurtured in college and university students of business administration. Their success—and yours—as 21st-century managers may well rest on (1) an initial awareness of the importance of these basic management foundations and (2) a willingness to strive continually to strengthen them throughout your work career.

# APPENDIX A – "A PROPHET OF MANAGEMENT"

The cover of Nation's Business magazine in May 1997 featured a preeminent author and lecturer on leadership, power and authority, conflict, and group behavior. The fact that this cover story highlighted a woman is perhaps only slightly surprising for a business publication in the late twentieth century. That this article featured a woman who lived from 1868 to 1933, however, is astonishing to say the least. The subject of this 1997 cover story and many articles and books of the last several decades, has been called a prophet of management , a visionary genius, a guru ahead of her time, a woman for all seasons, a pioneering management theorist, and the mother of post scientific management. Peter Drucker called her "the brightest star in the management firmament." Warren Bennis claimed that "just about everything written today about leadership and organizations comes from Mary Parker Follett's writings and lectures."

How is it that a little-known woman from a bygone era is gracing the pages of contemporary business and management publications and lauded by the leading management theorists of the early twenty-first century? Who was Mary Parker Follett, and how did her ideas influence the thinkers of her own and modern times?

Mary Parker Follett was a leadership theorist whose work marks the transition to the human relations era of management thought. Her creative genius served not only to challenge her contemporary's widely held belief in scientific management, but has continued to impact leadership theorists to the present day. This part of the material traces her background, describes her interest in the political process, and outlines her revolutionary approach to organizations. It also considers the impact of her innovative ideas on her early 20th century peers as well as the lasting legacy of her ideas on leadership theorists of the present day.

**Family and Early Education**

Mary Parker Follett was born near Boston in Quincy, Massachusetts, three years after the end of the Civil War. Her father, Charles Allen Follett, a Civil War veteran, played a pivotal role in forming Mary's personality and ambitions. A devoutly religious man, he took great pride in his daughter's intelligence and mental abilities throughout her childhood. Regrettably, Charles died when Mary was a teenager, and she was forced to become the head of the household consisting of her mother and younger brother. The stress of losing her husband caused Elizabeth Follett, Mary's mother, to become a "nervous invalid" leaving many of the burdens of caring for the household, including the finances to fall upon Mary (Gabor, 2000).

From that point on, Follett grew up quickly and had little contact with other children. While her peers went swimming and skating, Mary hurried home to tend to her family. This experience likely contributed to the development of her serious and practical disposition. She responded to the personal challenge of her circumstances by resolving to both honor the memory of her father and take control of her own life by devoting herself to excellence in academics.

Because Mary's maternal grandparents were prosperous, the Folletts could afford to send her to private schools. She attended the Greenleaf Street School for her elementary years studying the subjects deemed appropriate for a girl of her social station: reading, writing, spelling, arithmetic, geography, drawing, grammar, French, history, singing, composition, general science, and sewing (Tonn, 2003). Later she attended the Thayer Academy as the youngest ever admission to this college preparatory school at eleven years of age. Mary Follett was serious about her studies earning excellent marks despite her youth compared to her school peers. The only female faculty member at the school, Anne Boynton Thompson, recognized Mary's talent, and took the girl under her wing to nurture her remarkable analytical skills and to kindle an interest in philosophy and the scientific method (Gabor, 2000).

Following her studies at Thayer in 1885, Mary Parker Follett was accepted into the Ticknor Society, an intellectual group

dedicated to the academic development of young women through home study and correspondence with scholars. It was at this point that Mary's attention turned to the study of history. Ticknor offered a history curriculum with four subject areas: ancient, medieval, modern European, and American history, a subject not traditionally taught. In 1886 the history department added a fifth subject, political economy (Tonn, 2003). Mary's academic talent flourished under the personal attention and challenge afforded her in the Ticknor Society whose pedagogy went beyond the regular memorization and recitation by encouraging students to read, discuss, and formulate their own conclusions.

**College Education**

Mary Parker Follett found her next academic challenge in 1888 at Harvard's Annex for Women at a time when less than two percent of her female peers enrolled in college. It was the prevailing belief at the time that women were too frail to succeed in academics. Dr. Edward Clark's 1873 book, Sex in Education, caused considerable alarm among the general public about the perceived dangers of scholarly work for young women (Tonn, 2003). Mary's college attendance attests to her intellectual drive and her independent thinking. According to Gabor (2000), her departure from home to attend college marked Mary's escape from the burden of her family. She spent the rest of her life in relative estrangement from both her mother and brother.

In 1890, partway through her collegiate studies, Mary Parker Follett spent a year studying abroad at Newhnam in Cambridge, England. She considered this experience a turning point in her life. The friendships she made and the intellectual stimulation she received significantly impacted her both socially and academically.

Upon her return to the Harvard Annex for Women, Albert Bushnell Hart, a history professor, began to recognize Mary's extraordinary ability to write insightful analyses on political topics. His courses were among the most challenging offered at the school, and Mary was one of the top students in his classes (Tonn, 2003). Hart encouraged Follett's interest in an analysis of the evolution and impact of the role of the Speaker of the United States House of Representatives. It is undoubtedly Hart's encouragement that led to her decision to submit a manuscript for publication on this topic while still a college student (Graham, 1995).

The Speaker of the House, by Mary Parker Follett, was published by Longmans, Green and Company in September 1895 when she was 27 years old. The book revealed Mary Parker Follett's keen insight and interest in group processes and institutional change. It received severe criticism, however, from many analysts of the day for its pointed critique of the lack of accountability exhibited by the individuals who served as the Speaker of the House. A single American reviewer, however, was impressed. This was Theodore Roosevelt, then president of the Board of Police Commissioners in New York and five years later president of the United States (Graham, 1995). The Speaker of the House, was an extraordinary accomplishment for a political outsider of such relative youth, who like all women of the day, had not yet been granted the most basic of democratic privileges, the right to vote.

In researching this book Mary P. Follett conducted numerous interviews with politicians including two former Speakers (Tonn, 2003). It is really quite remarkable that a woman, a student, a person lacking in distinguished family connection, had the courage and confidence to approach people in such positions of power. It is also significant that Follett chose to gather data from the first-hand sources rather than solely examining documents and artifacts. Her research methodology placed her in the company of an emerging intellectual community of the time who approached research in a scientific and investigative way.

Mary Parker Follett's first job, as for most single women of the day, was as a teacher. Mary taught history to high school students at Mrs. Shaw's School in Boston. It was here that she first met Isobel Briggs, the headmistress of the school, who would later become Follett's lifelong

companion. This school was progressive in many ways such as offering coeducational classes, implementing innovative teaching strategies, and using the curricula considered the newest of the day. Even so, Follett found her teaching job mundane and tedious. She felt compelled to expand her horizons with another academic challenge. While maintaining her position at Mrs. Shaw's School, she returned to Harvard's Annex for Women, now renamed Radcliffe College, to earn the newly instituted Bachelor of Arts degree available to women. She was graduated summa cum laude from Radcliffe in history, economics, government, law, and philosophy in 1898. Her academic work there and her later accomplishments earned Mary Parker Follett a place among the College's fifty most distinguished graduates honored in April 1934, after her death (Urwick, 1941).

**A Career in Social Work**

Mary P. Follett turned to social work in 1900, and became involved with activities that supported community involvement and individual participation in local affairs. Her commitment to civic work would consume her for the next 25 years. She brought her understanding of history and democracy to her work, and in turn, this work deepened her conception of representative government.

Follett's work centered mainly in Boston's growing communities where she helped residents address the problems immigrants faced in one of the leading urban centers of the day. She formed the Roxbury Debating Club for Boys and later the Highland Union serving poor young men newly relocated to the city for work. Through her personal association with these individuals she came to recognize the universal human needs for meaningful social, recreational, and educational activities.

Mary Follett was an innovator. She proposed the idea, radical at the time, of keeping school buildings open after hours to serve as centers for recreation and study. She later expanded them to include employment placement bureaus providing vocational guidance for young men. Her bureaus served as models that were widely copied by cities nationwide. This experience in the area of job placement established Follett's first contact with industry, the working conditions of labor, and labor-management relationships.

According to Graham (1995), Mary P. Follett was a hands-on manager who wove her academic mastery of the social sciences with her profound empathy for people and her own practical experience in the ways of the world. She could often be found walking through Boston's Seventeenth Ward, talking to shopkeepers and factory superintendents and studying the social and educational needs of the residents of the area. The diversity she observed and enjoyed would become a cornerstone of her theories about social interaction.

She was active in the Women's Municipal League of Boston and was a member of Boston's first Placement Bureau Committee. Experiences such as these, combined with her work in the field of social work, gave her a multi-faceted laboratory for exploring ideas about citizenship and democracy. As an historian and political scientist, Miss Follett studied the interactions of people under a wide range of conditions thereby formulating theories and generalizations about the nature of human interactions.

M. P. Follett was always a keen observer and scholar. Her social work gave her additional first-hand experience with the dynamics of the group process. She began to understand how people work together, and she wanted to learn more. She sought membership on the Massachusetts Minimum Wage Board because she was intrigued by this organization's review process of careful investigation of the facts to settle wage disputes rather than aiming for compromise. As a member of this board, she was again involved with business leaders and managers. It was through this experience that she learned a good deal about how to facilitate the resolution of conflict, a theme that would emerge later in her writings and lectures. Throughout this period, she was regularly sought after by local and national organizations for advice and guidance.

Mary's personal qualities made her a remarkable intellectual. Though she was described as "a plain looking

gaunt Bostonian spinster lady with a forbidding exterior" (Liebmann, 2001, p. 160), Follett was able to charm almost everyone she met. She had the ability to connect with and to communicate sincerely in such a way that she could genuinely identify with a wide range of people. She would listen to and explore what everyone, from civic leaders to unemployed workers, had to say so as to gain their confidence and esteem. She wove the thread of everyday experiences into her message making the concepts she presented accessible to all. Remarkably, her own confidence and self-assuredness were tempered by a kind of vulnerability making her at once authoritative and approachable.

Follett established a wide circle of friends including eminent men and women on both sides of the Atlantic. It was Isobel Briggs, the companion with whom she shared a home for over thirty years, who introduced her to some of Boston's elite families. Briggs, twenty years her senior, also provided important emotional, intellectual, and financial support for Mary until her death in 1926. The root of Mary's social gift with people of all stations was her vivid interest in life. She valued every individual's experience and viewpoints, and she had a remarkable ability to understand divergent points of view.

**The New State**

Her many years working in neighborhoods combined with her interest in politics and her uncanny capacity to connect with people all contributed to Mary Parker Follett's next book, The New State: Group Organization the Solution of Popular Government which was published in 1918 when she was 40 years old. In this work she advanced her own ideas about democratic government developed through the interactions of her academic knowledge and practical experiences. She begins her introduction with this bold reflection on the current state of political and economic events:

> *Our political life is stagnating, capital and labor are virtually at war, the nations of Europe are at one another's throats--because we have not yet learned how to live together. The twentieth century must find a new principal of association.... Representative government has failed. It has failed because it was not a method by which men could govern themselves.... We have not yet tried democracy. . . . We have not even a conception of what democracy means.* (Follett, 1918, p. 3, 5)

The fundamental paradigm shift she outlines in this book is that local networks should replace bureaucratic institutions as the primary form of governance in the United States. It is the people themselves who must learn to analyze and solve the problems of their communities. Follett's concept of true democracy was to have each individual take part in the decision-making process and accept personal responsibility for the result. She believed that democracy must be created through an interactive group process, that in fact, democracy is a process. She said that democracy is not an end, rather citizens must constantly weave the web of democracy. (Follett, 1918)

She claimed, in The New State, that while prior analyses of democracy had been based largely on the study of institutions, this approach is flawed. A study of democracy should be a study of how men behave together. If democracy is, at its heart, relationships between and among citizens, then to study democracy is to study human beings in groups. "Representation is not the main fact of political life; the main concern of politics is modes of association.... We shall have democracy only when we learn to produce this will through group organization." (Follett, 1918, p. 147)

Another key theme in The New State is the use of constructive conflict resolution. Mary Parker Follett believed that social progress hinged on the fact of the differences between people. She urged people to embrace diversity and to come to appreciate the value of conflict. She asserted that without differences and conflict there would be no change or growth in the human condition. Follett saw all people as linked together through evolving relationships in which their differences should be cherished since they fueled the continuous growth of the individual and group (Davis, 1997).

Mary Follett had begun writing The New State as a chronicle of the community centers movement she had experienced for the last quarter century, but in the end the book puts forth an enormous vision for the tasks necessary to build a new state. As challenges always did, this cause energized Follett, giving her a sense of her life's purpose. In her own words, The New State "is a plea for the more abundant life: for the fullness of life and the growing of life.... It is a plea for a splendid progress dependent on every splendid one of us." (Follett, 1918, p. 360)

Reviews of The New State were mixed. Political scientists including Harold J. Laski of the Harvard Law School criticized the impracticality of her ideas as well as the passionate tone of her work. Howard Lee McBain, another political scientist, pointed out Follett's failure to make clear the relationship of the state and national groups in her political scheme (Liebmann, 2001). Philosophers, however, were impressed with her ability to weave together threads of ideas from diverse, and even disparate, groups of thinkers. Lord Haldane, a British statesman and philosopher was impressed by the idealism and knowledge conveyed in the book (Gabor, 2000). According to Liebmann (2001), reviews in the popular press were full of praise, as well; The New State was lauded as "the most sane and brilliant of recent works on political theory" and said that it "ought to influence opinion deeply." (p. 169)

**The Move Into Management**

The New State made Miss Follett a prominent figure internationally. She became known as a bold and innovative thinker and established a reputation as an astute political scientist. This notoriety also opened doors for her to serve on public tribunals, industrial relations boards, and other official bodies. She was fascinated by the public sector and enjoyed the company of businessmen whom she found to be "doers," not a characteristic she had noted in the politicians, economists, and academicians, she had encountered (Graham, 1995). These new experiences and contacts with members of business and industry led to the creation of her third and final book, Creative Experience in 1924 when she was 56 years old.

Creative Experience carried forward many of the themes of The New State in the context of industrial relations and management. She continued to advocate the principle of self-governance and group processes, now as the basis for the structure of the workplace environment. She argued that her ideas about communities and government could equally be applied to business organizations.

Horne (1997) points out that the conception of the organization as a community formed the framework of her management theories. Lyndall Urwick described her conceptual leap from principles of democracy to principles of management in this way, "This brilliant, cultured, eminent woman, steeped in academic tradition and with no practical experience of business, stepped quietly over this yawning chasm as if it were the most natural thing in the world." (Gabor, 2000, p. 56)

Just as she was able to make insightful comments about government in The Speaker of the House (1895) and The New State (1918) though she was a political outsider, so too could she relate "illuminating ideas of priceless interest and value to industrial leaders" (Urwick, 1941, p. 9) though she was never a businesswomen. She brought to her audience the wide vision and broad knowledge afforded her by virtue of her work in history, political science, and economics. This perspective enriched their understanding of their own practices.

**Central Themes in Her Work**

The scope of Mary Parker Follett's writings on management is broad and complex, yet at the same time easily understood by virtue of her many references to the everyday experiences that affect us all. According to Albie Davis (1997), "Her ideas are at once extraordinarily simple and exasperatingly complex." (p. 1) Barbara Ettore (1995) says her ideas are "brilliantly practical, yet compassionate." (p. 1) Her writing was pragmatic, full of examples, always with a common sense connection.

The simple thrust of her thinking was that people were central to any activity, especially industry and business (Crainer, 1998). The Follett philosophy was that any enduring organization, whether it is governmental, business-related, or social, must recognize the centrality of relationships between the people who comprise it. She understood the nature of life to be a continuous process of interactions and believed that these interpersonal exchanges were the lens through which a business organization could be viewed. Her philosophy is one of engagement and encounter, looking to people as the source of knowledge for the organization.

She writes with an amazing perception and subtlety about issues which are very much a part of management study even today. Four themes are reiterated in her writing and in her subsequent lectures: 1) power, 2) conflict, 3) leadership, 4) authority. These four ideas are distinct yet interrelated in her world view.

***Power***

Mary Parker Follett had a radical outlook on the concept of power. At the turn of the 20th century, and in the present day, power in a management or leadership context generally means power-over. That is, power is used to influence, to control, and even to coerce. Miss Follett believed this model to be self-defeating because it can require increasingly severe measures be imposed in order for the leader to maintain dominance. Power-over, she contended, remains a common practice because human beings are impatient. Her alternative, power-with, requires an investment of time and energy in relationships.

For Follett, power-with was a natural and productive approach. She explained that this concept was rooted in the willingness to relinquish one's individual powers. Mary Parker Follett said that power was not a preexisting thing which could be handed out to someone. Knowledge and experiences, not seniority or titles should decide who should lead at any moment (Linden, 1995). Each member of a group has unique and sovereign power derived from the combination of knowledge, experience, and ability specific to him or her (Graham, 1995).

In Mary Follett's own words:

> *What is the central problem of social relations? It is the question of power.... Genuine power can only be grown, it will slip from every arbitrary hand that grasps it; for genuine power is not coercive control, but coactive control. Coercive power is the curse of the universe; coactive power, the enrichment and advancement of every human soul.* (Follett, 1924, p. xii)

She further explained power and control saying, "I do not wish any [control] over you, I do not wish you have any over me; together we will control ourselves." (Follett, 1924, p. 186-187)

She taught that her power-with concepts could be built through what she called circular behavior. She defined circular behavior as a process whereby it is possible for each person to influence another while being influenced. This, in Follett's view, was the iterative, integrative way organizations should operate (Duncan, 1989). The ultimate outcome of this type of relationship was genuine participation in which everyone could take part in the success of the organization. Follett recommended the way to develop power-with was to organize and manage so that each person involved in a particular task could communicate with his or her colleagues. Her idea is the heart of the modern concept of empowerment.

***Conflict***

In the New State (1918) Follett set forth her notions of conflict and its resolution. She continued this theme in Creative Experience (1924). Here she reiterated her belief that conflict was a fact of life, not something to be ignored or hidden. Rather, she felt, conflict should be acknowledged and made to work for the good of human relations. The analogy she used was to the mechanical engineer and friction. She pointed out that while the engineer seeks to minimize friction, he also capitalizes on its existence using it for the transmission of power, a means of polishing, production of heat, and even the creation of music (Follett,

1941) Properly handled, she claimed, usefulness could come from friction and harmony could come from conflict.

While domination and compromise were the most common forms of conflict resolution, to Mary Parker Follett these were unacceptable forms of discourse. She was passionate on this point:

Domination, obviously, is a victory of one side over the other. This is the easiest way of dealing with conflict, the easiest for the moment, but not usually successful in the long run....

The second way of dealing with conflict that of compromise, we understand well, for it is the way we settle most of our controversies; each side gives up a little in order to have peace, or, to speak more accurately, in order that the activity which has been interrupted by the conflict may go on. (Follett, 1941, p. 31)

She saw a third way of dealing with confrontation: integration. Integration was a constructive way of dealing with conflict and making it the basis for progress. In her own words, "When two desires are integrated, that means a solution has been found in which both desires have found a place, that neither side has had to sacrifice anything. (Follett, 1941, p. 32) She did not believe in either-or constraints. She believed that there was often the possibility of something better than either of two given alternatives. Integration allowed differences to be laid out on the table and resolution to be achieved through what today would be considered out-of-the-box thinking.

Conflict, to Miss Follett, was not evidence of failure or ill-will. It was unavoidable and should be used creatively to spur the most innovative of solutions. She believed that diversity of thought among human beings should be welcomed and used as the basis for creative problem solving.

To resolve conflicts, she distinguished between circular and linear responses and advocated the former. On this point Mary Parker Follett used the analogy of a tennis match to amplify her point:

A good example of circular response is a game of tennis. A serves. The way B returns the ball depends partly on the way it was served to him. A's next play will depend on his own original serve plus the return of B, and so on and so on. (Follett, 1941, p. 44)

As was her habit, she drew attention to the dynamic interaction of human beings and how by attending to these interactions, the quality of a business environment and its productivity can improve. This use of an analogy to a common experience is an example of her consistent ability to connect with everyone in her audience.

***Leadership***

Mary Parker Follett wanted to take the mysticism out of leadership and to challenge the idea that leadership is a power struggle. She took issue with the popular notions of leadership in one of her lectures. "One writer says that running a business is like managing an unruly horse, a simile I particularly dislike.... It is no longer the universally accepted type of administrative leadership." (Graham, 1995, p. 165)

She challenged the view of the day that you cannot be a good leader unless you are aggressive, masterful, and dominating. In fact, she believed these characteristics often mitigate directly against leadership. ("A guru ahead of her time," 1997) Mary Parker Follett understood that the effective leader had to do little bossing if workers were appropriately trained and properly organized (Walker, 1995).

Follett realized that leaders were necessary, but not as dictators. The leaders makes the team by providing a vision and helping focus all the resources in filling that vision (Linden, 1995). Her notion of the great leader was someone who created as well as directed power. She advocated giving greater responsibility to the people within the organization with the leader's task to coordinate, define the purpose, and set the vision. She encouraged leaders to train followers to become leaders. Mary Parker Follett said:

> *I believe we shall soon think of the leader as one who can organize the experience of the group, make it available and most effectively available,*

> *and thus get the full power of the group. It is by organizing experience that we transform experience into power. And that is what experience is for, to be made into power.* (Follett, 1941, p. 258)

To Follett, the best leader had no followers, but men and women working with him. The great leader should aspire to be a leader of leaders. Liebmann (2001) believes that Follett's greatest legacy is her teaching on participative management, quality centers, decentralized management, peer networks, that is, her interest in the total organization, not just procedures. She taught that the primary task of leaders was to so arrange the situation that people cooperate of their own accord.

***Authority***

The traditional form of hierarchical authority, Follett believed, was riddled with pitfalls. Through her work on labor arbitration boards and other negotiating bodies she had seen that top-down directives often caused friction between workers and managers. She also noticed that organizations where authority was based primarily on an individual's position within the organization's management structure that people became separated into two classes--those who command and those who obey. This paradigm, she felt, wasted at least half of the potential expertise available to the organization.

Mary Parker Follett espoused an alternative way of thinking which set the traditional notion of authority on its head (Gabor, 2000). She called it the "law of the situation." In such a system, orders are depersonalized. They are not given because the person giving the order wants something done, but because it is demanded by the task or situation at hand. Miss Follett held the idealistic belief that in any situation, reasonable people could use effective communication to reach an agreement on what to do to achieve the best results. Authority, she argued, should grow out of an individual's knowledge and function in an organization not his or her place in its hierarchy. This was a radical proposal to a generation steeped in command and control notions of authority.

For Mary P. Follett, knowledge and competence created natural authority. She argued that employees must have command of the facts to enable them to do their jobs:

There are many indications in the present reorganization of industry...that we are coming to a different conception of authority...that there is an increasing tendency to let the job itself, rather than the position occupied in the hierarchy, dictate the kind and amount of authority. (Graham, 1995, p. 146)

Follett advocated "cross-functioning" in which a horizontal rather than vertical authority would facilitate a freer exchange of knowledge within organizations. She believed that overall authority should be minimized and that people in organizations should have just enough authority to accomplish their tasks—no more, no less (Duncan, 1989). Workers who were given authority and responsibility in their respective domains increased the productivity of the organization.

M. P. Follett based this assertion on her belief that there is no greater asset for a business than the hired workers' pride in their work. Arbitrary orders undermined this crucial aspect because they decreased the worker's sense of responsibility for his job. The important thing for the manager to consider is the total situation before issuing commands. In such a system, people submit to authority because it is in their best interest to do so, not because they fear the consequences of non-submission.

This idea was more fully developed later by Chester Barnard in The Functions of the Executive written in 1938. In fact, Barnard had read and annotated Follett's works at the time he was formulating his own groundbreaking "bible" for managers. Much of his writing resonates with Mary Parker Follett's ideas, though Barnard never credits Follett directly (Gabor, 2000).

**Mary Parker Follett's Final Years**

From 1925-1928, Mary Parker Follett was invited to present lectures on the principles articulated in her books to business managers and industrial leaders. The message she conveyed in these lectures was the first to clearly

outline the tenants of human relations thought. Her revolutionary ideas were delivered to men steeped in the structural hierarchy of the scientific management model, and they listened. She lectured on management subjects at business conferences and universities. This accomplishment is noteworthy given that she was a woman in the early part of the 20th century who never owned, operated, or even worked in an industrial organization.

A new career opened up for her. She was called upon by business leaders both in the United States and in England to investigate specific problems in factories and organizations including Filene's Department Stores, the Dennison Manufacturing Company in Massachusetts, and Rowntree and Company in England (Liebmann, 2001). She gained a reputation as a fair, creative, productive problem-solver. No doubt her experience in social work and serving on various civic boards, had helped her develop this ability.

For Follett, applying her social principles to business was completely natural. She saw business as not merely an economic unit but another social agency that was a significant part of society. She hoped businesses would play an essential role in making the greater society fairer for all.

In 1928 she became interested in the work of the League of Nations, when she was 60 years old. She saw in it a grand opportunity for the development in international relations of her fundamental ideas. She now projected to the international stage her recommendations for the internal management of business corporations. She believed that negotiations between nations should be made between departmental ministers rather than by foreign offices because, as she had always advocated, decisions were best made by those closest to the situation (Follett, 1941).

The phase of her life devoted to management and international relations was relatively short-lived. When Isobel Briggs, her life-long companion, died in 1926, Follett was devastated by the loss. Her health declined over the next several years, and she died in Boston of cancer in on December 18, 1933.

Her influence rapidly declined after her death so much so that her name and her ideas had faded within ten years in the United States. English management theorists continued to hold her in regard, but to a lesser degree than during her lifetime. Shortly before her death, Lyndall Urwick of the London School of Economics became personally acquainted with Mary Parker Follett. He said of his first encounter with her that upon seeing this 58-year-old gaunt spinster he was sure he would have nothing in common with her nor would her ideas interest him. However, once their conversation began he explains, "In two minutes flat I was at her feet, and I stayed there as long as she lived." (Tonn, 2003, p, 427) Henry Metcalf joined Lyndall Urwick in collecting and publishing Dynamic Administration, a collection of her speeches and lectures, in England in 1941, eight years after her death.

**Mary Parker Follett and the Human Relations Era**

The prevailing management theory at the time Mary Parker Follett was writing was scientific management. In fact, this system was just beginning to take root at the time she wrote Creative Experience. Frederick Taylor's Principles of Scientific Management was published in 1911, followed by Henri Fayol's General and Industrial Management in 1916. The principles of these men continued to dominate management thinking until the mid-1930s. They promoted the concept of "scientifically" reducing work to the sum of its individual tasks each to be performed with the utmost efficiency. They also believed in hierarchical organization and rigid structures. Mary Follett's central tenant that the individual matters, would have stood in stark contrast to these popular theories. It was her intent to temper scientific management with her own science of the situation, in which management and workers cooperated towards the end of productivity and social justice (Boje, 2001).

Hers was the first voice to speak the message later taken up by other human relations theorists in the coming decades. The breadth and humanity of Mary Parker Follett's work was a refreshing counter to the dehumanizing vision

of Taylor and others (Crainer, 1998). She challenged the command and control militaristic hierarchy, the norm of the day, with her law of the situation, power-with, circular response, and cross-functioning. These ideas would later be developed by Chester Barnard, Douglas McGregor and other human relations theorists.

**Reasons for her Relative Obscurity**

Follett's ideas were decades ahead of her time yet she fell into relative obscurity shortly after her death. She presented the ideas of teamwork and empowerment at the turn of the last century to men intent on mechanizing the world of business (Crainer, 1998). Her ideas were out of step with the dominant discourses of the 1930s and 40s. She put stress on participation in the workplace, an idea not at all in accord with the emphasis on class conflict endemic to this time in history. Her ideas about management went beyond the "toolbox" mentality of the day. She explained that principles and philosophy were more important than particular techniques. While leading managers and scholars were very interested in hearing her, these innovative ideas was not readily implemented by the scientific managers of her day.

Several scholars have posited theories to explain why this visionary genius was largely forgotten for decades. Peter Drucker (1995) said:

> *What she had to say, the 1930s and 1940s simply did not hear and equally important did not want to hear.... They did not believe in conflict resolution but in unconditional surrender.... Society was dominated-- permeated in fact by a profound belief in class war, in which the very attempt to understand what was important to the other side was a sellout.... The center of though in politics and economics increasingly shifted to the question of how to make government more controlling, bigger and more powerful.* (p. 4-5)

Rosabeth Moss Kanter (1995) suggests that sexism may have played a role. She acknowledges, as Drucker did, that exceptional women were not uncommon at this time. Eleanor Roosevelt, Frances Perkins (the first woman cabinet member in the United States), Cissy Patterson (the publisher of the Washington Times-Herald) were Follett's contemporaries. Kanter goes on to say of Follett, however, "It is hard to found or build a discipline without disciples. It is hard to attract disciples if one is very different from the traditional authority figures." (p. xvii) As a woman Mary Parker Follett would have had limited access to research funds, no affiliation with a university, and no graduate degree to serve as her credentials for legitimacy.

John F. Horne (1997) offers a simpler explanation. He points out that much of the momentum behind Mary Parker Follett's visionary ideas came from the sheer force of her belief in them. Without her voice to communicate them in a way that connected with her audience, her ideas ceased to resonate.

Dana Linden (1995) says that ideas get accepted only when the time is ripe for them. The fact is that her ideas faded from public consideration, especially after World War II when rigid hierarchical organizations became the norm. Leaders of the day, though perhaps intrigued by her radical concepts, were psychologically unable to implement them. Indeed, even the "advanced" 21st century mind is probably no more able to grasp her heartfelt commitment to personal relationships as the basis for all leadership.

It is indeed possible that her ideas fell out of popular discourse precisely because they were so radically simple, so innovatively naïve, so staggeringly idealistic that we cannot, even now, conceive of their implementation. Perhaps she is still simply too far ahead of her time.

**Conclusion**

Mary Parker Follett is something of an anomaly when it comes to classification by leadership eras. She is often considered a member of the human relations era, though the bulk of her writing and lectures predate the start of this era which is said to have begun between 1930 and 1935. When the depth and scope of her ideas is considered, Follett's teachings actually transcend the human relations era and encompass social systems thinking and many emerging 21st century theories.

Historians of organizational and management theory have found it exceedingly difficult to place Follett's work in their schemas. Some writers treat her ideas as an unexplained exception to the scientific era, others associate her work with the human relations era of the 1930s, or the group dynamics teachings of the 1940's, or even the social systems theory of the 1970s. Sadly, as is evidenced by her obscurity, many organizational theorists solved the problem of where to place her in the history of the field by simply leaving her out (Tonn, 2003). Perhaps this is the most telling reason for her obscurity—she simply does not fit nicely into established paradigms of historical organization.

There is universal agreement on two facts about Follett: 1) her message was revolutionary, and 2) her ideas significantly impacted leadership thinking. As stated in the introduction of this paper she has been described in the past decade as a prophet of management (Liebmann, 2001), a visionary genius
(Horne, 1997), a guru ahead of her time ("A guru ahead of her time," 1997), a woman for all seasons (Ettore, 1995), a pioneering management theorist (Horne, 1997), and the mother of postscientific management (Gabor, 2000), and the brightest star in the management firmament (Drucker, 1995).

Lyndall Urwick said, "Her conceptions were in advance of her time. They are still in advance of current thinking." (Urwick, 1941, p. 9) Sir Peter Parker (1995) said, "Her own findings and analytic approach anticipated by 70 years the conclusions that are only now coming to be fully appreciated by business leaders and academics alike, that business and society...[cannot] be usefully understood in isolation from each other." (p. 283)

Japanese industrialists discovered Mary Parker Follett in the 1950s and credit her ideas along with Deming's concepts of quality as revitalizing their industry base. A Mary Parker Follett Asssociation dedicated to the serious study of her work was formed in Japan in 1987 and continues to this day (Smith, 2002).

In her turn of the 20th century teachings Mary P. Follett conceptually anticipated such modern areas as systems thinking, vision-driven leadership, management coaching, team and network structures, diversity integration, and total quality management. Her view that organizations are social communities, not solely economic engines is considered cutting edge thinking at present (Horne, 1997).

When today's management theories are examined, it is possible to find many close analogs to Mary Parker Follett's original work. Collaborative leadership, win-win conflict resolution, worker empowerment, self-managed teams, continuous improvement, cross-functional coordination, and corporate social responsibility are all buzz-words of the last two decades that can be traced to roots in Follett's writing and lectures (Tonn, 2003).

Perhaps the greatest lesson we can learn from this visionary genius of management has nothing to do with what she said and wrote. Mary Parker Follett's most meaningful contribution to her and our time may be her actions. Those who wish to lead, might learn a great deal about behavior by following Miss Follett's example. Angela Dumas (1995) said this about Follett:

> *Humility and humanity are two words that spring to mind when I think of Mary Parker Follett. There has been too much arrogance in our world of management and not enough humility to enable us to understand or see more clearly.* (p. 205)

Ironically, Mary Parker Follett did not aim for profitable business not even for fair business practices or efficient government. Her sights were set much higher. She saw the potential for a fair society in which the involvement of each individual adds to a cohesive social network. She hoped to make a significant and vital contribution towards the building of a new social order in which every citizen has a voice. To this end, she saw the solving of the problems of business as a step towards solving the world's problems. We would do well as citizens of the 21st century to heed the message of Mary Parker Follett.

**Source:** Linda Griffin. (Summer 2003). Mary Parker Follett: Ahead of Her Time. EDL 788. Northern Arizona University.

# APPENDIX B – PIONEER CONTRIBUTORS TO MODERN MANAGEMENT THEORY

This part provides an overview of four important areas of management theory: Frederick Taylor's Scientific Management, Max Weber's idealized bureaucracy, Henri Fayol's views on administration, and Elton Mayo's Hawthorne Works experiments and the human relations movement. It will provide a general description of each of these management theories together with observations on the environment in which these theories were applied and the successes that they achieved.

## FREDERICK TAYLOR - SCIENTIFIC MANAGEMENT

Frederick Taylor, with his theories of Scientific Management, started the era of modern management. In the late nineteenth and early twentieth century, Frederick Taylor was decrying the "awkward, inefficient, or ill-directed movements of men" as a national loss. He advocated a change from the old system of personal management to a new system of scientific management. Under personal management, a captain of industry was expected to be personally brilliant. Taylor claimed that a group of ordinary men, following a scientific method would outperform the older "personally brilliant" captains of industry.

Taylor consistently sought to overthrow management "by rule of thumb" and replace it with actual timed observations leading to "the one best" practice. Following this philosophy he also advocated the systematic training of workers in "the one best practice" rather than allowing them personal discretion in their tasks. He believed that "a spirit of hearty cooperation" would develop between workers and management and that cooperation would ensure that the workers would follow the "one best practice." Under these philosophies Taylor further believed that the workload would be evenly shared between the workers and management with management performing the science and instruction and the workers performing the labor, each group doing "the work for which it was best suited."

Taylor's strongest positive legacy was the concept of breaking a complex task down in to a number of small subtasks, and optimizing the performance of the subtasks. This positive legacy leads to the stop-watch measured time trials which in turn lead to Taylor's strongest negative legacy. Many critics, both historical and contemporary have pointed out that Taylor's theories tend to "dehumanize" the workers. To modern readers, he stands convicted by his own words:

*" ... in almost all of the mechanic arts, the science which underlies each act of each workman is so great and amounts to so much that the workman who is best suited to actually doing the work is incapable of fully understanding this science, without the guidance and help of those who are working with him or over him, either through lack of education or through insufficient mental capacity."*

And:

*"to work according to scientific laws, the management must takeover and perform much of the work which is now left to the men; almost every act of the workman should be preceded by one or more preparatory acts of the management which enable him to do his work better and quicker than he otherwise could."*

**Environment**

Taylor's work was strongly influenced by his social/historical period. His lifetime (1856-1915) was during the Industrial Revolution. The overall industrial environment of this period is well documented by the Dicken's classic Hard Times or Sinclar's The Jungle. Autocratic management was the norm. The manufacturing community had the idea of interchangeable parts for almost a century. The sciences of physics and chemistry were bringing forth new miracles on a monthly basis.

One can see Taylor turning to "science" as a solution to the inefficiencies and injustices of the period. His idea of breaking a complex task into a sequence of simple subtasks

closely mirrors the interchangeable parts ideas pioneered by Eli Whitney earlier in the century. Furthermore, the concepts of training the workers and developing "a hearty cooperation" represented a significant improvement over the feudal human relations of the time.

**Successes**

Scientific management met with significant success. Taylor's personal work included papers on the science of cutting metal, coal shovel design, worker incentive schemes and a piece rate system for shop management. Scientific management's organizational influences can be seen in the development of the fields of industrial engineering, personnel, and quality control.

From an economic standpoint, Taylorism was an extreme success. Application of his methods yielded significant improvements in productivity. Improvements such as Taylor's shovel work at Bethlehem Steel Works (reducing the workers needed to shovel from 500 to 140) were typical.

## MAX WEBER - BUREAUCRACY

At roughly the same time, Max Weber was attempting to do for sociology what Taylor had done for industrial operations. Weber postulated that western civilization was shifting from "wertrational" (or value oriented) thinking, affective action (action derived from emotions), and traditional action (action derived from past precedent to "zweckational" (or technocratic) thinking. He believed that civilization was changing to seek technically optimal results at the expense of emotional or humanistic content.

Viewing the growth of large-scale organizations of all types during the late nineteenth and early twentieth centuries, Weber developed a set of principles for an "ideal" bureaucracy. These principles included: fixed and official jurisdictional areas, a firmly ordered hierarchy of super and subordination, management based on written records, thorough and expert training, official activity taking priority over other activities and that management of a given organization follows stable, knowable rules. The bureaucracy was envisioned as a large machine for attaining its goals in the most efficient manner possible.

Weber did not advocate bureaucracy; indeed, his writings show a strong caution for its excesses:

*"...the more fully realized, the more bureaucracy "depersonalizes" itself, i.e., the more completely it succeeds in achieving the exclusion of love, hatred, and every purely personal, especially irrational and incalculable, feeling from the execution of official tasks"*

Or:

*"By it the performance of each individual worker is mathematically measured, each man becomes a little cog in the machine and aware of this, his one preoccupation is whether he can become a bigger cog."*

**Environment**

Weber, as an economist and social historian, saw his environment transitioning from older emotion and tradition driven values to technological ones. It is unclear if he saw the tremendous growth in government, military and industrial size and complexity as a result of the efficiencies of bureaucracy, or their growth driving those organizations to bureaucracy.

**Successes**

While Weber was fundamentally an observer rather than a designer, it is clear that his predictions have come true. His principles of an ideal bureaucracy still ring true today and many of the evils of today's bureaucracies come from their deviating from those ideal principles. Unfortunately, Weber was also successful in predicting that bureaucracies would have extreme difficulties dealing with individual cases. It would have been fascinating to see how Weber would have integrated Mayo's results into his theories. It is probable that he would have seen the "group dynamics" as "noise" in the system, limiting the bureaucracy's potential for both efficiency and inhumanity.

## HENRI FAYOL - ADMINISTRATION

With two exceptions, Henri Fayol's theories of administration dovetail nicely into the bureaucratic superstructure described by Weber. Henri Fayol focuses on the personal duties of management at a much more

granular level than Weber did. While Weber laid out principles for an ideal bureaucratic organization Fayol's work is more directed at the management layer.

Fayol believed that management had five principal roles: to forecast and plan, to organize, to command, to co-ordinate and to control. Forecasting and planning was the act of anticipating the future and acting accordingly. Organization was the development of the institution's resources, both material and human. Commanding was keeping the institution's actions and processes running. Co-ordination was the alignment and harmonization of the groups' efforts. Finally, control meant that the above activities were performed in accordance with appropriate rules and procedures.

Fayol developed fourteen principles of administration to go along with management's five primary roles. These principles are enumerated below:

- Specialization/division of labor
- Authority with responsibility
- Discipline
- Unity of command
- Unity of direction
- Subordination of individual interest to the general interest
- Remuneration of staff
- Centralization
- Scalar chain/line of authority
- Order
- Equity
- Stability of tenure
- Initiative
- Esprit de corps

The final two principles, initiative and esprit de corps, show a difference between Fayol's concept of an ideal organization and Weber's. Weber predicted a completely impersonal organization with little human level interaction between its members. Fayol clearly believed personal effort and team dynamics were part of a "ideal" organization.

**Environment**

Fayol was a successful mining engineer and senior executive prior to publishing his principles of "administrative science." It is not clear from the literature reviewed if Fayol's work was precipitated or influenced by Taylor's. From the timing, 1911 publication of Taylor's "The Principles of Scientific Management" to Fayol's work in 1916, it is possible. Fayol was not primarily a theorist, but rather a successful senior manager who sought to bring order to his personal experiences.

**Successes**

Fayol's five principle roles of management are still actively practiced today. The author has found "Plan, Organize, Command, Co-ordinate and Control" written on more than one manager's whiteboard during his career. The concept of giving appropriate authority with responsibility is also widely commented on (if not well practiced.) Unfortunately his principles of "unity of command" and "unity of direction" are consistently violated in "matrix management" the structure of choice for many of today's companies.

## HUMAN RELATIONS MOVEMENT

If Taylor believed that science dictated that the highest productivity was found in "*the one best way*" and that way could be obtained by controlled experiment, Elton Mayo's experiences in the Hawthorne Works Experiments disproved those beliefs to the same extent that Michelson's experiments in 1926 disproved the existence of "ether." (And with results as startling as Rutherford's.)

The Hawthorne Studies started in the early 1920's as an attempt to determine the effects of lighting on worker productivity. When those experiments showed no clear correlation between light level and productivity the experiments then started looking at other factors. Working with a group of women, the experimenters made a number of changes, rest breaks, no rest breaks, free meals, no free meals, and more hours in the work-day / work-week, fewer hours in the work-day / work-week. Their productivity went up at each change. Finally the women were put back to their original hours and conditions, and they set a productivity record.

This strongly disproved Taylor's beliefs in three ways. First, the experimenters determined that the women had become a team and that the social dynamics of the team were a stronger force on productivity than doing things "the one best way." Second, the women would vary their work methods to avoid boredom without harming overall productivity. Finally the group was not strongly supervised by management, but instead had a great deal of freedom.

These results made it clear that the group dynamics and social makeup of an organization were an extremely important force either for or against higher productivity. This caused the call for greater participation for the workers, greater trust and openness in the working environment and a greater attention to teams and groups in the work place.

**Environment**

The human relations movement that stemmed from Mayo's Hawthorne Works Experiments was borne in a time of significant change. The Newtonian science that supported "the one best way" of doing things was being strongly challenged by the "new physics" results of Michalson, Rutherford and Einstein. Suddenly, even in the realm of "hard science" uncertainty and variation had found a place. In the work place there were strong pressures for shorter hours and employee stock ownership. As the effects of the 1929 stock market crash and following depression were felt, employee unions started to form.

**Successes**

While Taylor's impacts were the establishment of the industrial engineering, quality control and personnel departments, the human relations movement's greatest impact came in what the organization's leadership and personnel department were doing. The seemingly new concepts of "group dynamics", "teamwork" and organizational "social systems" all stem from Mayo's work in the mid-1920.

**Conclusion**

It is clear that modern organizations are strongly influenced by the theories of Taylor, Mayo, Weber and Fayol. Their precepts have become such a strong part of modern management that it is difficult to believe that these concepts were original and new at some point in history. The modern idea that these concepts are "common sense" is strong tribute to these founders.

**Source**: Swartz, James (1994). *The Hunters and the Hunted*. Productivity Press, Portland OR.

# APPENDIX C – BPR: FASHION OR PASSION?

**Introduction**

James Champy, Michael Hammer, and others introduced the concept of Business Process Reengineering (BPR) in the early 1990's. Both Hammer and Champy have authored several books on the subject since then as BPR became a hot buzzword. They now both lead separate consulting practices focusing on helping companies improve their processes. Steve Stanton, co-author of the article *How Process Enterprises Really Work*, works with Hammer at his consulting practice. Champy, Hammer, and other proponents of Business Process Reengineering envisioned it to be a "fundamental rethinking and radical redesign of business processes to achieve dramatic improvement in critical measures of performance" (Management Learning). According to Hammer, a process is "everything that transpires from the beginning – the point at which a customer or constituent requires something – to the point that a customer is satisfied with the results" (Harris 1999). A process enterprise is a business that takes the revolutionary concept of BPR and transforms their organization.

In the article, *How Process Enterprises Really Work,* Hammer and Steve Stanton reiterate the importance of building a business around its core processes. They take a look at companies who have successfully applied BPR and became process enterprises, noted some of the obstacles these companies faced and how the obstacles were overcome, and reaffirmed the techniques for becoming a successful process enterprise. After a brief summary of the article, a discussion on why BPR is important and what is necessary to succeed at BPR will follow. To close, some criticisms of BPR, a comparison to other business management techniques such as Six Sigma and Total Quality Management (TQM), and a general recommendation will ensue.

**Success Stories**

The success stories that were given in the case all had at least two major themes: BPR was a means to an end for a very specific company initiative, and BPR was faced with much initial resistance by the organization's status quo. For example, Texas Instruments was facing obstacles with lengthy time-to-market and product development times that were being undercut by their competitors. They solved this problem by implementing BPR. BPR enabled them to streamline their product development by giving ownership of the development effort to a designated team, thereby getting rid of bottlenecks and enforcing accountability. However, the cross-functional teams were stymied by the existing infrastructure because the old functional departments refused to relinquish their power and give the teams the needed resources for success. Texas Instruments solved this problem by shifting the power from the functional departments to the cross-functional teams. Functional departments became learning centers and budgets were allotted by process instead of department. The end result for Texas Instruments was a 50% time reduction in bringing new products to the market.

IBM has a similar story, even though the details are different. IBM found itself competing for the same corporate customers globally, and felt that in order to better serve its customers it would have to standardize its operations worldwide. IBM's obstacles to implementing standardized BPR were the country and product managers who tended to tailor their processes to their region or product. To combat this, IBM reorganized its management structure. Each process was given to a Corporate Executive Committee and a Business Process Executive (BPE) to shift the power from the unit managers. This way, unit managers and BPE's were forced to collaborate when a conflict arose over standardizing a process or allowing it to be tailored for special circumstances. IBM's success came with a $9 billion cost saving, a 75% decrease in the

time to market for new products, and increased overall customer satisfaction.

The story for Owens Corning began with the initiative to implement an Enterprise Resource Planning (ERP) system. Since ERP systems "tie together previously isolated departments and the people working in them" (Hammer 1999) by offering an integrated system with a variety of functional modules and a common backend database, Hammer insisted that a proper ERP implementation could not be done without integrated processes. Owens Corning's problem was that departmental and regional managers were rejecting the integrated software and trying to keep their applications as customized as possible. Owens Corning, like Texas Instruments and IBM, had to reorganize around processes in order to successfully implement the ERP system, which saved them millions of dollars in logistics and administrative costs along with a 50% increase in inventory turns (Hammer & Stanton 1999).

Duke Power, an energy company increasingly affected by deregulation, realized that in order to compete it would have to radically modify its business practices and improve customer service. They implemented BPR by balancing power between the four regional vice presidents and five new core process owners. Their struggle in defining the clear split in authority was solved by developing a "decision rights matrix" which outlined which process owner or regional vice president had the jurisdiction to make decisions, which had to be consulted about decisions, and which had to be notified of the outcome. An example of the success that they were able to achieve was the Deliver Products and Services process owner's ability to meet 98% of his construction commitments (Hammer & Stanton 1999).

**Why BPR?**

In the late 1980's and early 1990's many top executives feared that their companies would be overtaken by more efficient foreign competition or local startups. "It's becoming an absolute requirement for companies in almost every business to either rethink or die" (Harris 1999). BPR was originally conceived as a way for large, established companies to reorganize themselves around their customers' needs, and in doing so become more efficient and improve quality. The key to BPR is the "radical redesign of business processes for dramatic improvement" (Harris 1999). Radical is a key word here, and the thinking is that the business processes at many established businesses are woefully broken. The business may be surviving or even thriving despite its broken processes, but it could do so much better with a completely redesigned set of processes. BPR eschews incremental change in favor of completely ripping out the old system and starting with a clean slate. As such, it's not easy to implement. It requires a lot of foresight and planning, but Hammer and Stanton are convinced that companies who successfully implement BPR will reap the rewards, which include lower costs, higher quality products and services, increased customer satisfaction and loyalty, and greater market share. Those that do not will flounder and lose ground to their more efficient competition. They will waste time and energy on political infighting which should be spent on better serving their customers' needs. Unfortunately, as one might expect with such a radical procedure, BPR is very difficult to successfully implement. Stanton and Hammer provide some insights for how to implement BPR more smoothly and with less pain.

**Formula for Success**

1. Place respected, high-level executives in process owner roles – A company must have the support of lower-level employees for a successful BPR revolution. "An effective reengineering leader must be one part visionary, one part communicator, and one part leg breaker" (Rotman). If employees respect the individuals who are championing the change, then they will be more likely to embrace the change themselves. Hammer defines a process owner as having three primary tasks: designing, coaching, and advocating (Finley). Process owners must design the process, train employees on the process, and provide all the resources that are necessary for the process to

succeed. BPR is usually enforced from the top-down, which can cause much resentment within the lower levels of a company (Rotman). BPR also has been synonymous with mass layoffs at several companies, although it doesn't have to involve any layoffs at all. Thus, it is important to find ways to eradicate the cynicism and have employees buy into the BPR revolution. A process enterprise must have process owners willing and able to promote the benefits of the process throughout the organization (Hammer & Stanton 1999).

2. Put responsibility and authority of a processes success upon the process owner – If the process owner does not wield control over the process, the power will ultimately slip back into the hands of the functional departments (Hammer & Stanton 1999).

3. Connect the process enterprise initiative with other strategic organizational initiatives – As seen with Texas Instruments, IBM, Duke Power, and Owens Corning, the BPR process did not start on its own. BPR was driven by the companies' need to meet a certain goal. Tying BPR to a strategic objective provides a line of sight for management and employees, better enabling them to understand why the change needs to occur (Hammer & Stanton 1999).

4. Tie measurements and compensation to process goal initiatives – "Using Historical financial data to manage your company is like trying to drive while looking in the rearview mirror" (Randomhouse). Just as a BPR initiative needs to be connected to an "overarching strategic initiative," companies need to devise a model that ties processes back to these overall performance goals (Randomhouse). If performance compensation is still tied to the functional departments, this will foster internal competition and make it harder for the departments to collaborate to serve the customer (Hammer & Stanton 1999).

5. Determine the right blend of process standardization and diversification – In this case, IBM decided that it needed to have highly standardized processes in order to compete in a global market. On the other hand, American Standard allowed each of its major business units to create their own process designs. The benefits of standardized processes come from reduced overhead and transaction costs along with the ability to present a consistent front to suppliers and customers. It also allows versatile movement of human resources within an organization since processes are standardized and no additional training is required. However, not all processes can be standardized. The main focus of BPR is on the customer's needs. Since different customers have different needs, not all processes can be standardized. Process standardization seeks to balance the desire for consistent processes and the need to meet a variety of customer needs (Hammer & Stanton 1999).

6. Focus on collaboration between functional areas and process teams - The companies mentioned in the article and many other traditional organizations have historically been structured around functional or regional departments that perform discrete tasks. These departments are one of the main barriers to a successful process enterprise. The problem is horizontal processes and vertical management. The departments are often unwilling to give up their internal power to help the process teams succeed. The power needs to be shifted from the functional or regional areas, such as in the case of Texas Instruments and Duke Power, so that there is collaboration between the process owners and the business units. Hammer and Stanton propose that the functional departments still control the workforce and make sure the human resources have the necessary skills, but the process owners have the authority to set performance targets and establish budgets. The cooperation between the business units and process teams should have a tangible manifestation as well. Since cross-functional teams will be working together, it does not make sense to have them sitting with their respective departments. Hammer and Stanton propose that facilities should be set aside to foster cooperation between team members by their physical proximity (1999).

7. Allow processes to be flexible to further evolution – BPR is not just a onetime deal. It should remain an active goal in

an organization ready to adapt as business needs change (Hammer & Stanton 1999).

**Criticism**

Even Hammer himself admits that "only 30 percent [of companies] achieve the kinds of performance breakthroughs they had hoped for" (Finley). Indeed, Hammer who has been labeled the "Father of Reengineering" still vehemently defends BPR and the process enterprises 11 years after his groundbreaking innovation. However, his counterpart, Champy, repudiated BPR in 1994 with his book Reengineering Management because of its cold, scientific approach to transforming an organization. Instead, Champy focuses on the importance of management leadership within an organization. In the name of management science, Hammer failed "to address the human side of corporate change" (Hammer 1996). BPR, itself, has no major flaws as a model for organizing businesses, but it works better in theory than in practice.

Two of the major criticisms of BPR are that it is a euphemism for downsizing and that implemented change on the scale that BPR demands is inherently too difficult. BPR expects functional managers and process owners to work together in a close, collaborative way that most high-level executives find uncomfortable (Context Magazine 2002). Since human behavior is so hard to change, this only increases the chances that a BPR project will fail. Hammer estimates that 80% of an organization will resist process centering at the beginning of a BPR project. However, his only solutions are to win the rest of the organization over through "evangelism" or cut them loose (Finley). This could be where downsizing became associated with BPR. Although Hammer argues that "reengineering eliminates work, not people or jobs," the fact that people are laid-off when jobs are obliterated cannot be denied (Rotman).

The scope of change required with BPR can be overwhelming, and this is probably the single biggest fault of BPR. It asks companies to do too much, too quickly. They must convert their employees to this new brand of thinking, re-train their employees to work in new ways, design and implement entirely new ways of performing internal functions, all while continuing to operate their core business. It is little wonder that many companies have been disappointed with the results they have seen and others have vastly underestimated the time, expense, and effort required to reengineer their processes. For BPR to be successful, so many things must fall into place that companies who are considering BPR must be realistic and be honest with themselves as to whether they have the resources to successfully pull it off. If they truly are being realistic, a large percentage of companies would have to admit that they may be better off incorporating incremental process changes rather than wholesale reengineering.

**Alternatives and Recommendations**

No one has said it better than Hammer himself: "If some guru tries to sell you a magic bullet technique that will fix all your problems . . . let the buyer beware" (Randomhouse). Although Hammer wants companies to believe that process reengineering is the only way to survive in a competitive environment, he often fails to recognize that there are other management techniques such as Six Sigma and Total Quality Management that have been implemented and proven successful for many companies."The fundamental objective of the Six Sigma methodology is the implementation of a measurement-based strategy that focuses on process improvement and variation reduction" (Six Sigma). Total Quality Management is very similar to Six Sigma, but lacks the comprehensive statistical measures of Six Sigma. Another methodology, called Kaizen, is from the same school of incremental improvement as Six Sigma and TQM. Hammer's argument against these incremental improvement approaches in that they try to "pave the cow path" or improve the performance of a process that is flawed (MITSloan). Even so, an incremental improvement on a flawed process may make the process less flawed, something that is surely desirable. If it's not possible for a

company to completely reengineer its processes, an incremental improvement is better than doing nothing at all. Hammer erroneously states that "Six Sigma assumes that the existing design is fundamentally sound" (MITSLoan). However, Six Sigma has two branches, one of which can be applied to processes that are broken. Six Sigma DMAIC (define, measure, analyze, improve, and control) deals with existing processes. However, Six Sigma DMADV (define, measure, analyze, design, and verify) deals with new processes and can be applied to those processes that need to be rethought (Six Sigma). Not all processes are broken beyond repair. Many companies such as GE (Six Sigma) and Toyota (Kaizen), have implemented incremental improvement techniques and have found success. A process enterprise does not always have to have revolutionary business process reengineering to dominate the market. In fact, the costs may be too high to do this. A recommendation to any company considering improving its processes is to first closely analyze its current processes, then determine if they should be incrementally or drastically improved, and then decide the right mix of management science and art to apply for success. Even if they should decide that a process can be drastically improved and that BPR could be used, companies should be cautious and consider whether the right factors are in place for successful implementation. If not, adopting an incremental approach could be far more profitable in the long run than undertaking a massive BPR approach and possibly running the company into the ground in the process.

**Source**: Pamela Karr and Paul Simpson. *How Process Enterprises Really Work. Retrieved August 23, 2010,*

# APPENDIX D – 'X-Y THEORY' QUESTIONNAIRE

Score the statements (5 = always, 4 = mostly, 3 = often, 2 = occasionally, 1 = rarely, 0 = never)

**To indicate whether the situation and management style is 'X' or 'Y':**

1. My boss asks me politely to do things, gives me reasons why, and invites my suggestions.
2. I am encouraged to learn skills outside of my immediate area of responsibility.
3. I am left to work without interference from my boss, but help is available if I want it.
4. I am given credit and praise when I do good work or put in extra effort.
5. People leaving the company are given an 'exit interview' to hear their views on the organisation.
6. I am incentivised to work hard and well.
7. If I want extra responsibility my boss will find a way to give it to me.
8. If I want extra training my boss will help me find how to get it or will arrange it.
9. I call my boss and my boss's boss by their first names.
10. My boss is available for me to discuss my concerns or worries or suggestions.
11. I know what the company's aims and targets are.
12. I am told how the company is performing on a regular basis.
13. I am given an opportunity to solve problems connected with my work.
14. My boss tells me what is happening in the organisation.
15. I have regular meetings with my boss to discuss how I can improve and develop.

Total score

60-75 = strong Y-theory management (effective short and long term)
45-59 = generally Y-theory management
16-44 = generally X-theory management
0 -15 = strongly X-theory management (autocratic, may be effective short-term, poor long-term)

**To indicate whether the person prefers being managed by 'X' or 'Y' style:**

1. I like to be involved and consulted by my boss about how I can best do my job.
2. I want to learn skills outside of my immediate area of responsibility.
3. I like to work without interference from my boss, but be able to ask for help if I need it.
4. I work best and most productively without pressure from my boss or the threat of losing my job.
5. When I leave the company I would like an 'exit interview' to give my views on the organisation.
6. I like to be incentivised and praised for working hard and well.
7. I want to increase my responsibility.
8. I want to be trained to do new things.
9. I prefer to be friendly with my boss and the management.
10. I want to be able to discuss my concerns, worries or suggestions with my boss or another manager.
11. I like to know what the company's aims and targets are.
12. I like to be told how the company is performing on a regular basis.
13. I like to be given opportunities to solve problems connected with my work.
14. I like to be told by my boss what is happening in the organisation.
15. I like to have regular meetings with my boss to discuss how I can improve and develop.

Total score

60-75 = strongly prefers Y-theory management
45-59 = generally prefers Y-theory management
16-44 = generally prefers X-theory management
0 -15 = strongly prefers X-theory management

Most people prefer 'Y-theory' management. These people are generally uncomfortable in 'X-theory' situations and are unlikely to be productive, especially long-term, and are likely to seek alternative situations. This quick test provides a broad indication as to management style and individual preference, using the 'X-Y Theory' definitions.

# APPENDIX E – REFRESHER ANSWERS

## PART I: HISTORICAL DEVELOPMENT OF MANAGEMENT

1. According to Fayol, the idea that every worker should receive direction from one, and only one, superior is known as:

   B. unity of command.

2. Adam Smith believed that job specialization **decreased** the efficiency of the organization.

   B. False

3. Follet adopted a _____ view of power and authority, while Fayol adopted a _____ chain of command.

   B. horizontal; vertical

4. Bureaucracy is an **informal** system of organization and administration designed to ensure efficiency and effectiveness.

   B. False

5. Distinguish the wrong statement among the following.

   B. While Babbage was an early advocator of '*Human Relations*', Own was striving for '*Management Science*'.

6. Authority gives managers the right to control the **behavior** of their subordinates.

   B. False

7. The main contributions of scientific management theory are observed today in many areas, except

   D. None of the above

8. Fayol's two principles that show a difference between his concept of an ideal organization and that of Weber's are:

   C. initiative and esprit de corps (see **Appendix B** for the details)

9. Which of the following doesn't explain Abraham Maslow's *Hierarchy of Needs Theory*?

   D.Hygiene factors are the primary elements involved in job dissatisfaction.

10. According to Douglar McGregor's Theory X and Theory Y, a Theory Y manager assumes that:

    B. Under the right condition, the average person will both accept and seek responsibility.

11. Management science theory is a modern version of the scientific management ideas developed by Taylor.

    B. False

12. Which of the following is **not** among the limitations of classical organization theories?

    B. Emphasizes position rather than the person

## PART II: EMERGING TRENDS IN MANAGEMENT

1. Kaizen (usually pronounced 'kyzan' or 'kyzen' in the western world) is a Japanese word, commonly translated to mean '**abrupt** improvement'.

   B. False

2. Which of the following statement is **incorrect** about the contingency management theory?

   B. According to this theory, right and proper conduct under one set of circumstances also works best under another set.

3. A mechanistic structure is based on _____ assumptions, while an organic structure is based on _____ assumptions.

   B. Theory X; Theory Y

4. The seventh attribute of excellence recommended by Peters and Waterman is "Simple form, lean staff". Which of the following cannot be an indicator of that attribute?

   C. Management sticks to the business it knows best.

5. Standards focused on both the product and the processes of a company are called quality control.

   B. False (see **Figure 4**)

6. Identify the **correct** statement(s)?

   D. All of the above

7. Whereas in a closed system, the system boundary is flexible; in an open system the boundary is more rigid.

   B. False

8. According to Ochi, which of the following doesn't characterize Japanese Organizations'?

   C. Rapid evaluation & promotion

9. A mechanistic structure provides the most efficient way to operate in a **stable** environment.

   A. True

10. Which of the following **cannot** be one of Peters and Waterman's Eight Attributes of Excellence?

    D. Productivity through **processes**

11. What is the difference between Business Process Analysis (BPA) and Business Process Reengineering (BPR)?

    **BPA** – examines and improves existing business processes incrementally

    **BPR** – radically redesigns existing business processes

12. Which of these describes a business process?

    A. Sequential in nature

13. Which of the following best describes an organization's core competencies?

    B. Things an organization is good at

14. Which of the following **is not** a technique for improving business processes?

    B. Eliminating parallel processes that occur simultaneously with the primary process

15. What is the difference between a process-centered view of an enterprise and a hierarchical view?

    **Process centered view**: yields a dynamic view focusing on how organizations deliver value

    **Hierarchical view**: presents a static view of responsibilities and reporting relationships

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