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chapter 2

The Evolution of Management

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LEARNING OBJECTIVES

LO 1 Describe the origins of management practice and its early concepts and influences.
LO 2 Summarize the five classical approaches to management.
LO 3 Discuss the four contemporary approaches to management.
LO 4 Identify modern contributors who have shaped management thought and practices.

KEY STUDENT QUESTIONS

What does history have to do with management? It provides the context of how management has evolved over time. For instance, your students may ask:



1. ***"What do past management theories have to do with managing employees today?"***
2. ***"What are the classical approaches to management?"***
3. ***"What are the cotemporary approaches to management and why are they important?"***
4. ***"Who are some of the modern day contributors?"***

While these questions have to do with past efforts, breakthroughs and failures, they are also the guide to the present and future management approaches. For example:

1. Understanding the past management approaches, what has worked and what hasn't worked will provide students with the understanding to be a more effective manager today. The dynamics of organizations and people have changed and will continue to change, and management needs to evolve with them.

2. The classical approaches to management evolved during the 19th century. They included systematic management, scientific management, bureaucracy, administrative management, and human relations.

3. The contemporary approaches to management include socio-technical systems theory, quantitative management, organizational behavior, and systems theory. These approaches emerged after World War II and are considered the building blocks of the modern management thought.

4. Modern day contributors include people such as Peter Drucker, Steven Covey, Gary Hamel, Christopher Bartlett, Sumatra Ghoshal and Jim Collins. All of these leaders have contributed to the advancement in the way management is practiced today.

Teaching Tip:

Ask students to name modern day leaders of the 21st century. They might come up with names like Melissa Mayer, Sergey Brin and Larry Page, Mark Zuckerberg or Jack Dorsey. How have and how will these leaders impact the future evolution of management? Although none of these leaders have advanced management academically, they have provided the model for the management approaches to the future.

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CLASS ROADMAP

LO1 - Origins of management

4000 B.C. – Egyptians used planning, organizing, leading and controlling
1100 B.C. – Chinese applied delegation, cooperation, organization and control
500 B.C. – Sun Tzu discussed planning and leading in his book "The Art of War"
400-350 B.C. – Greeks advocated a scientific approach to management
1436 A.D. – Venetians utilized assembly line and inventory system
1776 A.D. – Smith discussed the principle of specialization of manufacturing workers

The Evolution of Management

1800-1930's – Classical Approaches to Management
1940's – Present – Contemporary Approaches to Management

LO2 - Classical approaches

2.1 Systematic management

The ***systematic management*** approach attempted to build specific procedures and processes into operations to ensure coordination efforts.
Systematic management emphasized internal operations because managers were concerned primarily with meeting the explosive growth in demand brought about by the industrial revolution.

2.2 Scientific management

Frederick Taylor introduced a second approach called ***scientific management*** because the systematic management approach failed to lead to widespread production efficiency.

Taylor identified four principles of scientific management:
1. Management should develop a precise, scientific approach for each element of one's work to replace general guidelines.
2. Management should scientifically select, train, teach, and develop each worker so that the right person has the right job.
3. Management should cooperate with workers to ensure that jobs match plans and principles.
4. Management should ensure an appropriate division of work and responsibility between managers and workers.

Taylor used time and motion studies to identify the "one best way" to perform the job. He also implemented a pay system in which workers were paid additional wages when they exceeded a standard level of output for each job.

Henry L. Gantt became a protégé of Taylor extended the piece rate system to include supervisors and is also known for creating the Gantt chart.

Frank B. and Lillian M. Gilbreth, a husband and wife team, used a camera to record workers

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and identify wasteful movements. Lillian Gilbreth was also known as the "mother of modern management". She earned a PhD and went on to teach at Purdue University.

2.3 Bureaucracy

The ***bureaucracy*** approach to management emphasizes a structured, formal network of relationships among specialized positions in the organization.

Developed by Max Weber, a German sociologist, lawyer, and social historian, he showed how to eliminate the variability that results from managers with different skill levels.

Bureaucracy can be efficient, but it lacks flexibility, and is difficult to dismantle.

2.4 Administrative management

The ***administrative management*** approach emphasized the perspective of senior managers within the organization, and argued that management was a profession and could be taught.

Henri Fayol, a French mining engineer and executive, identified five functions and 14 principles of management. The five functions are planning, organizing, commanding, coordinating, and controlling. The 14 principals include:

1. ***Division of work***—*divide* work into specialized tasks and assign responsibilities to specific individuals.
2. ***Authority***—*delegate* authority along with responsibility.
3. ***Discipline***—*make* expectations clear and punish violations.
4. ***Unity of command***—*each* employee should be assigned to only one supervisor.
5. ***Unity of direction***—*employees'* efforts should be focused on achieving organizational objectives.
6. ***Subordination of individual interest to the general interest***—the general interest must predominate.
7. ***Remuneration***—*systematically reward efforts that support the* organization's direction.
8. ***Centralization***—*determine* the relative importance of superior and subordinate roles.
9. ***Scalar chain***—*keep* communications within the chain of command.
10. ***Order***—*order* jobs and material so they support the organization's direction.
11. ***Equity***—*fair discipline and order enhance employee commitment.*
12. ***Stability and tenure of personnel***—*promote* employee loyalty and longevity.
13. ***Initiative***—*encourage* employees to act on their own in support of the organization's direction.
14. ***Esprit de corps***—*promote* a unity of interests between employees and management.

2.5 Human relations

Developed during the 1930's, the ***human relations*** approach is aimed at understanding how psychological and social processes interact with the work situation to influence performance.

The Hawthorne studies were conducted during 1924-1932 and concluded that productivity may be affected more by psychological and social factors than by physical or objective influences. The conclusion of the study was that the workers performed and reacted differently because the researchers were observing them. This reaction is known as the ***Hawthorne Effect***.

Critics believed that one result of human relations— a belief that a happy worker was a productive worker—was too simplistic.

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LO3 - Contemporary approaches

3.1 Sociotechnical systems theory

Sociotechnical systems theory suggests that organizations are effective when their employees (the social system) have the right tools, training, and knowledge (the technical system) to make products and services that are valued by customers.

A precursor to the total quality management (TQM) movement, it also promoted the use of teamwork and semiautonomous work groups as important factors for creating efficient production systems.

3.2 Quantitative management

Quantitative management emphasizes the application of quantitative analysis to management decisions and problems. A manager makes a decision by developing formal mathematical models of the problem.

Typically they use these techniques as a supplement or tool in the decision process, not the primary approach. The limited use of quantitative management is due to managers not being trained in using these techniques.

3.3 Organizational behavior

Organizational behavior studies and identifies management activities that promote employee effectiveness through an under- standing of the complex nature of individual, group, and organizational processes.

Douglas McGregor influenced the field of management in the 1960's with his *Theory X* and *Theory Y* perspective. Theory X managers assume workers are lazy and irresponsible and require constant supervision and external motivation to achieve organizational goals. Theory Y managers assume employees *want* to work and can direct and control them- selves. Theory X is known as a *self-fulfilling prophecy.*

3.4 Systems theory

The ***systems theory*** states that organizations are open systems, dependent on **inputs** from the outside world, such as raw materials, human resources, and capital. They transform these inputs into ***outputs*** that (ideally) meet the market's needs for goods and services. The environment reacts to the outputs through a feedback loop; this feedback provides input for the next cycle of the system.

The ***contingency perspective*** refutes universal principles of management by stating that a variety of factors, both internal and external to the firm, may affect the organization's performance. Therefore, there is no "one best way" to manage and organize because circumstances vary.

Situational characteristics are called ***contingencies***.
The contingencies include

- Circumstances in the organization's external environment.
- The internal strengths and weaknesses of the organization.
- The values, goals, skills, and attitudes of managers and workers in the organization.
- The types of tasks, resources, and technologies the organization uses.

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LO4 - Modern contributors

In 2001 Jim Collins authored an influential book titled *Good to Great.* His research team analyzed 1,435 companies and discovered that great companies are managed by "level 5 leaders" who often display humility while simultaneously inspiring those in the organization to apply self-discipline and self-responsibility while pursuing high standards.

Other exceptional leaders who have left their mark on management practice include Herb Kelleher, cofounder of Southwest Airlines, Sam Walton, founder of Walmart, Jack Welch, Ex-CEO of General Electric, and Lou Gerstner, former CEO of IBM.

One of Peter Drucker's major contributions to the practice of management was the need for organizations to set clear objectives and establish the means of evaluating progress toward those objectives. He was the first person to discuss "management by objective" (MBO), by which a manager should be self-driven to accomplish key goals that link to organizational success.

In the *Seven Habits of Highly Effective People: Powerful Lessons in Personal Change,* Stephen Covey discussed how a leader's success hinges on balancing between personal and professional effectiveness.

All of these historical perspectives have left legacies that affect contemporary management thought and practice. Just remember, times do pass, and things do change.

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KEY TERMS PRESENTED IN THIS CHAPTER

Administrative Management A classical management approach that attempted to identify major principles and functions that managers could use to achieve superior organizational performance

Bureaucracy A classical management approach emphasizing a structured, formal network of relationships among specialized positions in the organization

Contingencies Factors that determine the appropriateness of managerial actions

Contingency Perspective An approach to the study of management proposing that the managerial strategies, structures, and processes that result in high performance depend on the characteristics, or important contingencies, or the situation in which they are applied

Economies of Scale - Reductions in the average cost of a unit of production as the total volume produces increases

Hawthorne Effect People's reactions to being observed or studied resulting in superficial rather than meaningful changes in behavior

Human Relations A classical management approach that attempted to understand and explain how human psychological and social processes interact with the formal aspects of the work situation to influence performance.

Inputs Goods and services organizations take in and use to create products or services

Organizational Behavior A contemporary management approach that studies and identifies management activities that promote employee effectiveness by examining the complex and dynamic nature of individual, group, and organizational processes

Outputs The products and services organizations create

Quantitative Management A contemporary management approach that emphasizes the application of quantitative analysis to managerial decisions and problems

Scientific Management A classical management approach that applied scientific methods to analyze and determine the "one best way" to complete production tasks

Sociotechnical Systems Theory An approach to job design that attempts to redesign tasks to optimize operation of a new technology while preserving employees' interpersonal relationships and other human aspects of the work

Systematic Management A classical management approach that attempted to build into operations the specific procedures and processes that would ensure coordination of effort to achieve established goals and plans

Systems Theory A theory stating that an organization is a managed system that changes inputs into outputs

SUSTAINABILITY BOX

The Greenest Companies Worldwide

While some critics still see the green movement as a fad or temporary trend, many global companies are taking real steps to become greener. Managers and leaders of these organizations see many benefits to pursuing sustainability initiatives, including a reduction in operating costs, the creation of more efficient products, and the resulting generation of goodwill from customers who are concerned about the environment. Since 2009, *Newsweek* magazine has compiled an annual ranking of the greenest U.S. and global companies. An expert advisory panel and two environmental research firms analyze data from each company such as its environmental footprint (green- house gas emissions and water use), management efforts (environmental policies and initiatives), and disclosure (company reporting of environmentally related activities).

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What were the top 25 greenest companies in 2011? IBM was ranked second among all companies in the world and was the only U.S. firm to make the top 10. Over the past 20 years, IBM has saved more than 5.4 billion kilowatt-hours of electricity, reducing energy costs by approximately $400 million. The only other U.S. firms that made the top 25 were Hewlett-Packard, Sprint Nextel, and Baxter. European firms dominated the list. Nine European firms made the top 25, including Munich Re (Germany), BT Group (Great Britain), and Philips (Netherlands). Green companies did not come from only the United States and Europe; the remainder of the list consisted of organizations from Australia, Brazil, India, Canada, and Japan.

Based on the investments that these organizations are making, there is little doubt that "going green" and managing for sustainability are becoming part of the current and future fabric of managerial thought and practice.

DISCUSSION QUESTIONS AND SUGGESTED ANSWERS

1. **Knowing that the majority of companies and organizations in the United States rely on conventional energy sources like coal, natural gas, and oil to power their operations, to what extent is the growing use of green power a passing fad or a fundamental shift in energy consumption. Defend your position.**

   Most students will probably argue that this is more of a fundamental shift than a passing fad. However, some may point out that some companies' green initiatives are more superficial than others. Most companies include green initiatives as part of their corporate sociability initiatives, and realize that customers are more likely to support companies that engage in socially responsible business practices.

2. **Compare and contrast the use of conventional (coal, natural gas, and oil) and green energy sources and technologies (wind, solar, geothermal, and biogas). In other words, why should a company consider shifting part/all of its energy consumption from conventional to green power?**

   Students will likely answer that green energy sources are better for the environment and rely less on limited natural resources.

PREP CARDS

DISCUSSION QUESTIONS

1. **Using the concepts of systems theory, describe the subsystems in a college or university and how these subsystems are both components of the whole and interdependent with other subsystems.**

   Subsystems might include schools or colleges within the university, athletics teams, fraternities and sororities, and other extra-curricular groups, all of which contribute to overall academic goals.

2. **The U.S. military is legendary in terms of its bureaucracy. In what ways does this structure benefit the organization? In what ways might it hinder the organization?**

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The military structure is efficient and productive and relies on specialized skills of military officials. However, some people perform best without excessive rules and procedures, which can limit creativity.

3. **The work environment and the workforce have changed significantly since 1916, when Henri Fayol published a book identifying the functions and principles of management. Look at Fayol's Principles of Management (Exhibit 2.4, page 33). Which of these principles do you believe still are important in the contemporary workforce? In what ways do you see them as remaining important? Which of these principles are less applicable today? Why?**

   Students will vary in their responses but may note that concepts such as authority, unity of directive, and equity remain highly important, whereas division of work, centralization, and stability and tenure of personnel remain less important. That is, jobs have become less specialized, and centralized, and life-long tenure within a given organization is less of a reality today.

4. **Douglas McGregor believed there were two types of managers: Theory X managers, who assume that workers dislike work, lack ambition and require constant supervision, and Theory Y managers, who assume that employees enjoy work, are self-directed and seek responsibility. In what situations would a Theory X manager be more effective? In what situations would a Theory Y manager be more effective? What experiences have you had in the workplace or in school that support your assertions?**

   Students may note that Theory X managers may be more effective as managers of entry-level jobs, whereas Theory Y managers are more appropriate for most other jobs or careers. Students may offer a variety of examples to highlight experiences with both types of managers.

GROUP CHALLENGE

"Management Approaches"—Divide the class into four groups and give each group the following scenario:

> You are the office manager at a large law firm, and several administrative assistants have come to you over the past few weeks to complain about Sara, another administrative assistant in the firm. They tell you that Sara is often late, sometimes takes longer lunches than is allowed, and spends considerable time on personal telephone calls. When you confront Sara, she acknowledges that, although she may come in late occasionally or make personal calls, her work is always done on time, and the quality of her work is impeccable. She suggests that this should be the measure used to evaluate her performance, not small infractions.

Assign each group one management theory (scientific management, human relations, systems approach, and contingency approach), answer the following questions, and appoint a spokesperson to share the group's findings with the class.

Questions:

1. **As the office manager, you are a believer in the assigned management theory. How would you handle this situation?**

The scientific management group may point out that Sara's work time is spent inefficiently and she would either require additional training or be terminated for not achieving organizational plans and principles. The human relations group may appreciate that employee down-time is important for overall satisfaction and performance in one's job and may not decide to intervene. The systems approach group would con-

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sider Sara's inputs and outputs. If her performance is high, no intervention may be needed. The contingency group may suggest examining whether the strategies, structures, and processes that are currently in place should be modified given Sara's high performance level.

2. Do you believe this is the best approach to the situation? Why or why not?

Answers will vary based on the assigned role.

ACTIVITIES

SAS, a leader in business analytics software and services with over 13,000 employees worldwide, has been consistently ranked among Fortune 100's Best Companies to Work For. Instruct students to go to their website (www.sas.com), click on the Careers link at the bottom of the page, and read about what it means to work at the company. Based upon that research, students should submit a brief report discussing which management approach they believe is used at SAS.

CHAPTER VIDEO

Teachers and Performance Incentives -- Run time: 2:49

When Sulphur Springs Elementary School in Tampa received an F rating, the school district responded by bringing In a new principal, Christy Buell. She quickly replaced 60% of the staff and was able to attract new teachers by using the school district's merit pay program that pays teachers more when their students attain better grades. Teachers can earn up to $5,000 extra if their students are among those that show the most improvement on test scores within the school year. Even President Obama has embraced the idea of performance incentives for teachers, but the approach is not without its critics. They contend that there is little research showing that the approach work, it's hard to administer fairly, and it can create Ill will among teachers. However, the failing grade that Sulphur Springs received two years ago has now become a B, and the school district has received a $100,000,000 grant from the Bill and Melinda Gates Foundation to further study and fine-tune the pay-for-performance approach.

Follow-Up Questions:

1. **Sulphur Springs Principal Buell is a strong believer in pay for performance, and this reflects Fayol's principle of management on remuneration (I.e., "systematically reward efforts that support the organization's direction"). Can you see any other similarities between Buell's approach and Fayol's principles of management?**

   Students may also note that this objective could help ensure *stability and tenure of personnel, unity of direction*, and *initiative*.

2. **One critic in the video suggests that compensation programs that create competition between teachers are not good for students. In what ways do you believe this is true? How does competition between teachers differ from competition between salespeople at a car dealership?**

   Students will likely agree this is true but may have varying opinions on whether it could have a negative impact on students. Some may note that competition at a car dealership only influences each individual customer and customers do not interact with each other, as do students in a school.

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3. **How would you establish a pay for performance plan for professors at your college or university? What measures would you use to assess the professor's performance?**

   Answers will vary here but students will likely focus most on the "teaching" aspect of professor performance and might suggest that greater weight is given to student evaluations and that pay could be commensurate with higher satisfaction ratings. Others may suggest taking into consideration academic achievement or even placement upon graduation, although difficulties with all "performance" factors will be debated.

4. **How is the school district using quantitative management in addressing student performance?**

   Student test scores are used to determine teacher's raises.

LECTURETTES

LECTURETTE 2.1: Administrative Management

THE HAWTHORNE EFFECT

1. The Hawthorne Studies were a series of experiments conducted from 1924 to 1932. During the first stage of the project (the Illumination Experiments), various working conditions, particularly the lighting in the factory, were altered to determine the effects of those changes on productivity. The researchers found no systematic relationship between the factory lighting and production levels. In some cases, productivity continued to increase even when the illumination was reduced to the level of moonlight. The researchers concluded that the workers performed and reacted differently because the researchers were observing them. This reaction is known as the ***Hawthorne Effect***.

TODAY'S MANAGER

1. The question always seems to be, how does this apply to becoming a manager in today's society. This is simple. The Hawthorne Effect demonstrates the importance of managers focusing on their employees, being visible to their employees and taking notice of what their employees are doing. Whatever the manager focuses on will be what their employees focus on. If the manager is invisible and never leaves their office, the employees will take notice of this. On the other hand, if the manager is on the floor watching what the employees are doing, delegating, leading and controlling, then the employees will be motivated to do a better job. This is directly related to the "Management By Walking Around" theory. The more visible you are as a manager, the more productive your employees will be.

LECTURETTE 2.2: Classical Approaches

THE IDEAL BUREAUCRACY

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1. Max Weber, a German sociologist, made his mark on management theory when he developed his concept of bureaucracy. As large organizations were evolving out of the industrial revolution, they clearly lacked a basis for orderly organization and management. To meet this need, Weber designed his "ideal bureaucracy" to improve the operations of large, complex organizations.
2. Weber coined the term "bureaucracy" based on the German word, "buro," which meant office. Weber's ideal bureaucracy was a large organization that operated on a rational basis.
3. Weber understood that the "ideal bureaucracy" did not exist anywhere, but he advocated that managers should work to that end by creating organizations with the following characteristics:

Specialization of Labor	Tasks should be broken down into routine, well-defined activities so that all employees would know exactly what is expected of them and would become, in a short time, expert in their specific task assignments.
Formal Rules and Procedures	There should be a documentation of rules and procedures that would clearly: ➢ Delineate work behaviors. ➢ Facilitate work coordination. ➢ Ensure uniformity of work and behavior.
Impersonality	Once rules, procedures, and sanctions are documented, and they should be uniformly applied to all employees, with no adjustment for personalities or other personal considerations.
Well-defined Hierarchy	Positions should be placed in multiple levels, with precise reporting relationships among levels. The hierarchy provides for the supervision of lower-level offices by higher-level ones, a method for handling exceptions, and the ability to establish accountability.
Career Advancement Based	Employee selection, placement, and promotion on Merit should be based on the individual qualifications and performance of the employee.

THE OFFICERS IN A BUREAUCRACY

1. According to Weber, one of the critical features of the ideal bureaucracy was the appointment of its officers. It was his contention that all organizational officers (managers) should be appointed and should function according to the following criteria:

   - Officers (managers) are free as individuals and are subject to organizational authority only in terms of their impersonal, official obligations.
   - Officers (managers) are to be organized in a clearly established hierarchy of offices.
   - Each managerial office should have a clearly defined sphere of competence.
   - Each managerial office should be filled in a spirit of a free contractual relationship.
   - Candidates for the managerial offices should be selected on the basis of technical qualifications.
   - Officers (managers) should be compensated through fixed salaries, with salary scales graded primarily on the basis of rank in the organizational hierarchy. The employing institution would not have the right to terminate an officer's appointment, except under certain circumstances. However, the officer is always free to resign the position.

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- Once appointed to a position, that office should be treated as the sole, or at least the fundamental, occupation of the office-holder.
- Serving as an organizational officer should be perceived as a career with a system of promotion based on achievement or authority, or both.
- The officer (manager) works apart from the ownership.
- The officer (manager) should be subject to a system of strict discipline and control with respect to the conduct of the office.

THE COMING DEATH OF BUREAUCRACY

1. Contemporary management writers, reflecting the public's negative attitude toward modern-day bureaucracies with their red tape and complexities, argue that bureaucracies will die unless they are able to adapt to the change in their environments.
2. Weber would agree because he never envisioned the sort of bureaucracy that has evolved and replaced his "ideal bureaucracy."

   Over the years, bureaucracies have moved away from Weber's ideal and have assumed a number of negative characteristics, which will probably cause their demise. Specifically, they:
   - No longer allow for adequate personal growth and development.
   - Foster "groupthink" and stubborn conformity to norms.
   - Fail to consider the informal organization and the people problems therein.
   - Have obsolete control systems.
   - Have no judicial process.
   - Have no mechanism for resolving differences and conflicts that occur between ranks and between functional work groups.
   - Stifle communication and creative ideas.
   - Fail to utilize the full value of their human resources due to employee fear and mistrust.
   - Cannot assimilate the wave of new technology.
   - Modify the personalities of their members who reflect the dull and conditioned "organization man."
3. Bureaucracies must clean up their acts or die.[1]

LECTURETTE 2.3: Modern Contributors

GOOD TO GREAT – JIM COLLINS

1. In 2001 Jim Collins authored an influential book titled *Good to Great* in which he and his research team analyzed 1,435 companies to understand why some companies reach high levels of sustained performance while other companies fail to reach greatness. He discovered that great companies are managed by "level 5 leaders" who often display humility while simultaneously inspiring those in the organization to apply self-discipline and self-responsibility while pursuing high standards. These leaders often leave enduring legacies without drawing a lot of attention to themselves.

TODAY'S MANAGER

1. The question asked by Collins is "Why some companies make the leap… and others don't?" Collins and his team explored what does into a company transforming from mediocre to excellent. In the

[1] Adapted from Warren Bennis, "The Coming Death of Bureaucracy," *Think,* March 1986, 30-35; Warren Bennis, "Beyond Bureaucracy," *American Bureaucracy,* 1970, 3-16; Max Waber, "The Ideal of Bureaucracy," from M Weber, *The Theory of Social and Economic Organizations,* translated by A. Henderson and T. Parsons (New York: the Free Press, 1947); William Wolf, the Management of Personnel (San Francisco: Wadsworth Publishing Co., Inc., 1961), 8-43.

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process, the team uncovered timeless principles on how the Good to Great companies produced sustained great results and achieved enduring greatness. In his book, he talks about this process, which we will discuss in more detail.

- ***Level 5 Leaders*** – All the companies studied had what Collins describes as "Level 5 Leaders". The term refers to an individual who is very humble on a personal level, but who possesses a great deal of drive and desire to succeed, where "success" is not personal, but defined by creating something great that will outlast their time at the helm. These are people with an unwavering will and commitment to do what is necessary to drive their organization to the top. Most of the good to great executives discussed luck as an important factor in their success. Level 5 leaders, are, in any case, the kind of people who do not point to themselves as the cause for an organization's success. The chapter closes with a discussion of whether Level 5 Leaders are born, or made, with the conclusion that many people probably have the kernel of abilities and attitude necessary to attain that status[2].

- ***First Who … Then What*** - During the transformation from good to great, rather than concern themselves first with the "what" - products, direction, strategy - the companies studied ensured they had ***the right people "on the bus"*** before anything else. By having a strong team, these companies avoided the pitfall of the "lone genius" CEO.

  Some practical tips for how to be rigorous:
  - Don't hire someone unless you're 100% sure that they're the right person. It's better to wait and get someone that you *know* is a good fit.
  - Once you realize you need to fire someone, don't put it off. Do it quickly and fairly, but do it and be done with it.
  - Give good people good opportunities, rather than the biggest problems. Fixing problems makes you good, but taking advantage of the right opportunities can make you great.

  Good to great teams were mostly composed of people who had a good sense of balance with the rest of their lives - family, church, and so on. Of course, they had a deep commitment to their companies, but not one that blinded them to the other important things in their lives.

- ***Confront the Brutal Facts*** - One of the key factors in the success of the great companies was a series of good decisions. The good decisions flowed from the fact that they all made a consistent and thorough effort to confront reality, internalizing the facts relevant to their market. Having lofty goals can be good, but you can never lose sight of what the reality is on the ground, no matter how much you will it to be different.

  Create a climate where honesty is valued and honored. If people aren't telling it like it is, those at the top may not realize the truth until its too late. Some tips to create this kind of climate:
  - It's often better to ask questions rather than dispense "answers".
  - Encourage healthy debate. It should also not just be argument for the sake of argument - reach a conclusion and move on.
  - When things go wrong, investigate to avoid repeating the mistake, instead of assigning blame. If people are too worried about protecting themselves, it becomes difficult to honestly analyze and learn from failures.
  - Create mechanisms, "red flags" that allow people to communicate problems instantly and without repercussions, and in a way that cannot be ignored.

[2] Contributor, S. Good to Great: Why Some Companies Make the Leap … and Others Don't. Featured Summary, 2012.

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Amidst these "brutal facts" that must be faced, you must also have faith in your final goal. By maintaining this vision, and keeping your ear to the ground, it won't be necessary to motivate people - if you've got the right people, they'll be motivated of their own accord.

- ***The Hedgehog Concept*** – The "hedgehog concept" refers to a parable of a hedgehog and a fox, where the fox knows many things, but the hedgehog knows one big thing. "Hedgehogs" by and large built the good to great companies - this doesn't mean stupid - au contraire - it just means that they were able to focus on one big important thing that made their companies great. Sometimes it takes real genius to see through all the clutter and grab the one, simple, unique thing that gives you the advantage.

  The "three circles" is an idea regarding how to *find* your "hedgehog concept": think of three interlocking circles, representing
  1) what you are passionate about,
  2) what you can make money at, and
  3) what can you be the best at.

  At the intersection of these three things lies the winning target. If you can bring all three things to bear, you have found a way to excel.

- ***Culture of Discipline*** – Great companies have both an entrepreneurial spirit and a sense of discipline. They are both necessary - without the drive to try new things, and some degree of independence, a company becomes a rigid, stifling hierarchy. Without some sense of discipline, things begin to break down as the company grows. The best companies have latitude for individual action, as well as a culture of disciplined behavior.

  One helpful approach to discipline is to have a "stop doing" list. Stop doing the things that aren't central to your business. Stop doing the things that are just clutter, but even more importantly, stop doing even things that might be seen as important, if they are not in your "three circles".

- ***Technology*** – "Great companies adapt and endure" - technology is not a differentiator in and of itself, but rather something that enhances great companies. They use it to further increase their leverage, in a conscious, directed way, rather than rushing to embrace it for the sake of its newness. Technology won't light a fire where there is none, but where there is already good momentum, judicious use of technology can help accelerate it. Technology is an enabler of change, not the cause of it - but the "people factors" must be in place before application of technology will do any good. Technology as a *reaction* - to the latest fashion, to the competition - was not what was found in great companies. These companies possess a drive all their own that pushes them to be the best in their chosen field, and picking the right technology is a natural part of that.

- ***The "Flywheel" and "Doom Loop"*** – These two concepts represent positive and negative momentum. A flywheel is a heavy wheel that takes a lot of energy to set in motion - to do so usually requires constant, steady work, rather than a quick acceleration. Great companies' transformations were like this as well. There was no magic recipe or no 'aha' moment when everything changed. Rather, with everything in place, lots of hard work slowly but steadily got the great companies going faster and faster, with a lot of momentum. Once it's in motion, all that stored energy tends to keep it moving in the right direction.

  Conversely, the "doom loop" is the vicious circle that unsuccessful companies fall into, rushing first in one direction, then another, in the hope of creating a sudden, sharp break with the past that will propel them to success. Some attempt to do this through acquisitions, others through bringing in a new leader who decides to change direction completely, in a direction incompatible with the company. The results are never good.

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The difference between the two approaches is characterized by the slow, steady, methodical preparation inherent in the flywheel, as compared to the abrupt, radical, and often revolutionary, rather than evolutionary changes within the company.

- ***Built to Last*** – The results from this book were obtained without regards to Collins' earlier work, Built to Last, but when all was said and done, Good to Great is what has to happen *before* a company becomes Built to Last. Much of what is present in Good to Great was present during the creation by their founders of the Built to Last firms. Companies that have endured have a raison d'être beyond simply making money - they have distinguishing and unique characteristics, goals and ways of operating that go beyond a simple desire to make money. These core values are preserved, while tactics change continuously to deal with an restless, tumultuous world that never stops.

  The "Big Hairy Audacious Goal", a concept introduced in Built to Last can be either good (as motivation, something to pursue), or bad (if it's impossible or a bad fit). Good BHAGs are those formulated from a deep understanding, whereas bad ones come from brash recklessness without regard for the actual values and capabilities of the company.

- ***Why Greatness?*** – Because it's not really that much harder to be great than good, and if you're not motivated to greatness, perhaps you should consider doing something else where you are. ***Note:*** Interestingly, CEO salaries don't seem to be a major factor in terms of their correlation with "good to great" companies.

ADDITIONAL DISCUSSION QUESTIONS

1. **Using the concepts of systems theory, describe the subsystems in a college or university and how these subsystems are both components of the whole and interdependent with other subsystems.**

   The *systems theory* states that organizations are open systems, dependent on inputs from the outside world, such as raw materials, human resources, and capital. They transform these inputs into *outputs* that (ideally) meet the market's needs for goods and services. The environment reacts to the outputs through a feedback loop; this feedback provides input for the next cycle of the system.

   In the case of a college or university, inputs would include incoming students, faculty, the institutional facilities, life of the institution (fraternities, sororities, clubs, activities, etc.), course curriculum, etc. These components are all subsystems of the entire college experience. These subsystems may act independently, but are still connected the larger system which is the college or university. Although these subsystems are independent, they are also interdependent on the other subsystems. For example, a fraternity can operate on its own, but without students feeding into it and without the university being present, there is really no need for a fraternity.

2. **The U.S. military is legendary in terms of its bureaucracy. In what ways does this structure benefit the organization?**

   The bureaucracy approach to management emphasizes a structured, formal network of relationships among specialized positions in the organization. Developed by Max Weber, a German sociologist, lawyer, and social historian, he showed how to eliminate the variability that results from managers with different skill levels.

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The major benefit of a bureaucratic management system to the U.S. military is that it allows large organizations to perform the many routine activities necessary for survival in an unbiased and efficient manner. It eliminates variability and promotes a standardized approach no matter what skill level different managers possess. Rules and regulations standardize behavior, and authority resides in positions rather than individuals. With such a large and complex organization as the U.S. military, it would be difficult to operate with any other approach. Although it can be efficient and productive, it is not for every organization.

3. The work environment and the workforce have changed significantly since 1916, when Henri Fayol published a book identifying the functions and principles of management. Look at Fayol's Principles of Management (Exhibit 2.4). Which of these principles do you believe still are important in the contemporary workforce? In what ways do you see them as remaining important? Which of these principles are less applicable today? Why?

The five functions are:

1. Planning,
2. Organizing,
3. Commanding,
4. Coordinating, and
5. Controlling.

The 14 principles include:

1. ***Division of work***—*divide* work into specialized tasks and assign responsibilities to specific individuals.
2. ***Authority***—*delegate* authority along with responsibility.
3. ***Discipline***—*make* expectations clear and punish violations.
4. ***Unity of command***—*each* employee should be assigned to only one supervisor.
5. ***Unity of direction***—*employees'* efforts should be focused on achieving organizational objectives.
6. ***Subordination of individual interest to the general interest***—the general interest must predominate.
7. ***Remuneration***—*systematically reward efforts that support the* organization's direction.
8. ***Centralization***—*determine* the relative importance of superior and subordinate roles.
9. ***Scalar chain***—*keep* communications within the chain of command.
10. ***Order***—*order* jobs and material so they support the organization's direction.
11. ***Equity***—*fair discipline and order enhance employee commitment.*
12. ***Stability and tenure of personnel***—*promote* employee loyalty and longevity.
13. ***Initiative***—*encourage* employees to act on their own in support of the organization's direction.
14. ***Esprit de corps***—*promote* a unity of interests between employees and management.

All five functions and 14 principles are still applicable with today's workforce. Although "commanding" and "coordinating" have been combined into "leading", the functions have withheld the test of time. As far as the principles are concerned, all 14 are still important in today's workforce, but some rank higher than others in order of importance.

For example, although unity of command is important in some organizations like the U.S. military, there are organizations that operate effectively in a matrix structure. This doesn't make one way better than the other, but some systems do not work as well with a linear control and command structure. At the end of the day, people do need to know whom they report to and if a person has two bosses

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who disagree, whom should they answer to. Even in a matrix structure, there needs to be one direct supervisor.

The only function, which seems to be of less importance today, is "stability and tenure of personnel". The days of working for the same employer your entire life seems to be fading away. As the economy fluctuates, employers will cut jobs, reduce pay and benefits and do whatever it takes to survive. The same is true from employees also. As employees are more mobile than ever before, there is no such thing as company loyalty. Employees will jump ship at the opportunity for advancement or to earn more money. If it is better for them and their families, they will forget the name of their current employer in a matter of minutes. Loyalty and longevity is a two-way street and the street is not very busy in today's workplace.

4. **Douglas McGregor believed there were two types of managers: Theory X managers, who assume that workers dislike work, lack ambition and require constant supervision, and Theory Y managers, who assume that employees enjoy work, are self-directed and seek responsibility. In what situations would a Theory X manager be more effective? In what situations would a Theory Y manager be more effective? What experiences have you had in the workplace or in school that support your assertions?**

Douglas McGregor's Theory X assumes that people dislike work, have no ambition, want no responsibility, attempt to avoid work, would rather follow than lead, are self-centered, do not care about the organization, are not intelligent and resist change.

This approach relies on coercion, implicit threats, tight controls and micro-management. Although both theories are easy to understand, they do not hold up in today's modern workforce. With this being said, Theory X managers still exist and will always exist. They feel it is up to them to make people do their work. As mentioned earlier, they are micro-managers, are extremely task oriented and do not believe in building positive relationships. Although this theory can be effective in a large or growing organization, it is also proven that Theory Y management is more effective.

Theory Y management is just the opposite as Theory X. Theory Y managers believe that the average person likes work, they will exercise self-direction to achieve organizational goals, they are creative and intelligent and the average person seeks responsibility. Theory Y managers can be effective if they have the support of the organization. The company culture will determine how effective a manager can be with this management philosophy. By giving employees the ability to make decisions, give input, and participate in the decision making process, organization can get employee involvement and commitment. This management style can be effective in small private owned businesses as well as large multinational organizations.

EXAMPLES

Example 2.1 – Economies of Scale: Wal-Mart is probably the best example of a company that utilizes economies of scales as a distinctive competitive advantage. As a dominant player in the retail industry, the company can take advantage of enormous efficiencies in order to keep costs low. Wal-Mart's worldwide presence gives the company tremendous bargaining power with its suppliers. In addition, the size of Wal-Mart allows for cheaper distribution costs.

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Example 2.2 – Bureaucracy: Colleges and Universities are good examples of bureaucratic organizations. The goal of the organizations is to provide structure, and a formal network among specialized positions in the organization. The goal is to provide efficient service and to treat everyone the same. Although this does reduce the possibility of discrimination, it also takes away the flexibility that is sometimes needed to provide exceptional customer service. Employees in the organization cannot make decisions that could expedite the process for an individual because there are very structured process that needs to be followed.

Example 2.3 – Contingency Perspective: There are many forms of contingency theory. In a general sense, contingency theories are a class of behavioral theory that contend that there is no one best way of organizing / leading and that an organizational / leadership style that is effective in some situations may not be successful in others. In other words, the optimal organization / leadership style is contingent upon various internal and external constraints.

Most quarterbacks get input from either the head coach or an offensive coordinator when calling plays in the NFL. From the quarterback's perspective, this is a form of participative management as they are getting input from others. There are times when this style of leadership does not work though. When a quarterback reads a specific defense and makes a quick decision to change the play by calling an audible in order to capitalize on the opponent, does he call a huddle to get input from the coaching staff? No. In most cases, he is going to take an authoritarian approach and make a decision without any input from others on the team. Is this a bad thing? No. There are times when others in the organization should trust the leader's decision making ability and realize that they would not make a decision that would hurt the organization or the football team. In this case, the leadership style the quarterback utilizes is dependent upon the situation or in this case, depending on the defense.

Example 2.4 – Organizational Behavior: Google is a classical example of a company who believes in the value of their employees. Since individuals are unique and they are not motivated by the same things, Google has incorporated a work environment that is an employee's dream. They offer their employees free rides to work, they offer several different places to eat on campus (for free), the have laundry facilities at work, volleyball courts, bicycles to go from one building to the next, cappuccino bars and flexible work hours. If you are not a morning person, you can come into work late and stay late. They provide the environment for employees to be motivated to work hard and be committed to the success of the company. Share this short video with your class: http://youtu.be/dQO3xK9g_CE (Working at Google).

Example 2.5 – Quantitative Management: How are UPS and FedEx so efficient at delivering packages all over the world? They use sophisticated mathematical models to determine the most efficient routes for all of their drivers. Ankota has developed a similar delivery software for the healthcare industry. There software allows for turn-by-turn GPS routing, printed route sheets, real-time delivery status updates, rescheduling of deliveries when a signature is required and computer assisted delivery planners[2]. Check out the website and free demo at: http://www.ankota.com/hme-delivery-software/

[2] *Ankota – Healthcare Delivery Management*. September 16, 2012.

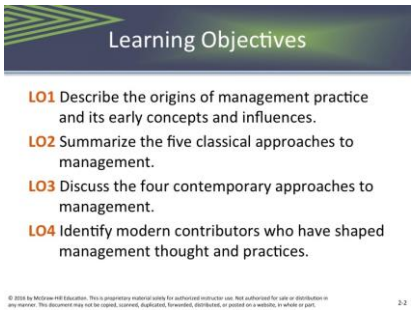
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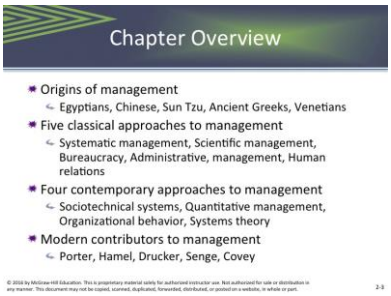
These expanded PowerPoint slides can be used to supplement the lecture material.



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Chapter Title



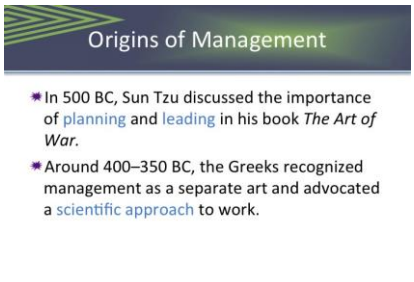
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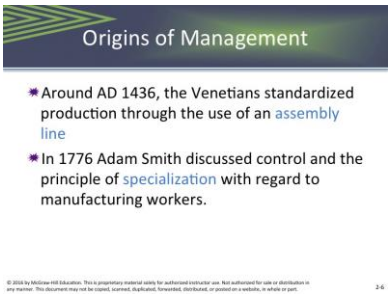
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Chapter Overview



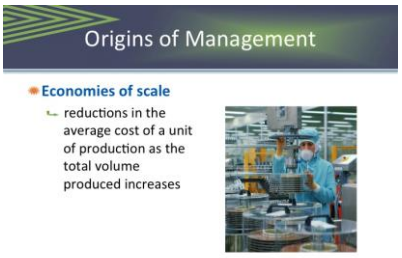
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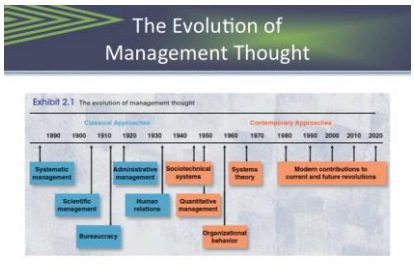
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EXPANDED POWERPOINT SLIDE 7
Economies of Scale



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The Evolution of Management

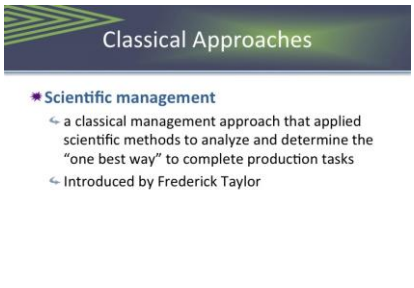


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Systematic Management

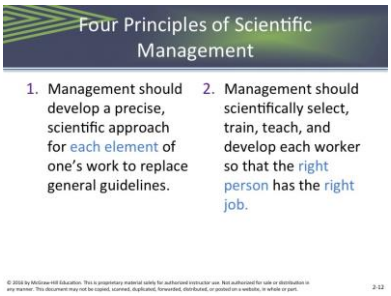
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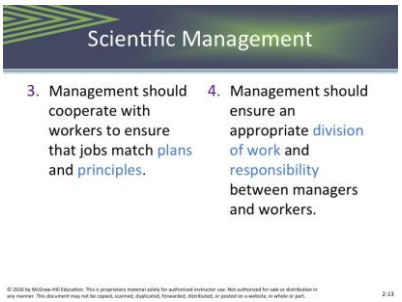
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Goals Were Achieved Through



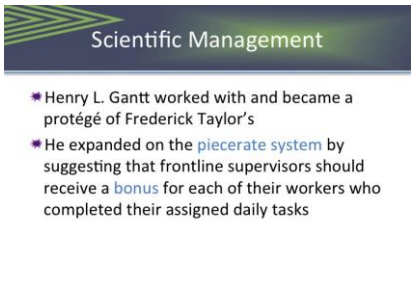
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Scientific Management



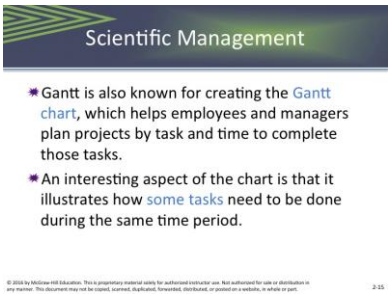
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Four Principles of Scientific Management



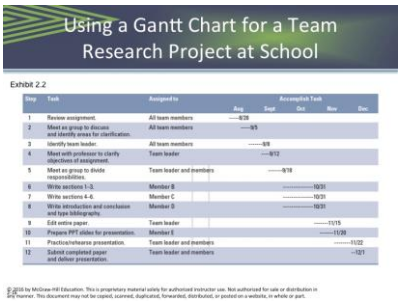
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Four Principles of Scientific Management



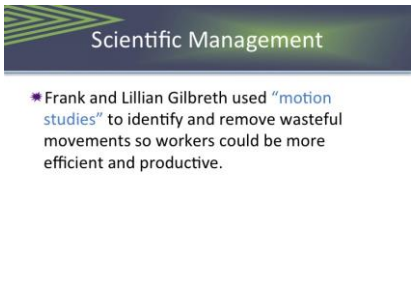
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Henry L. Gantt



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Gantt Chart



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Gantt Chart

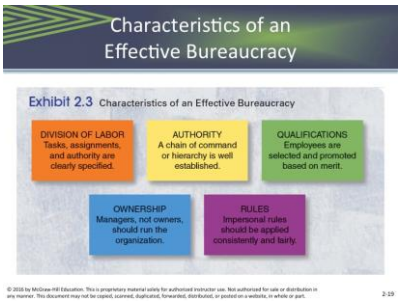


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Motion Studies

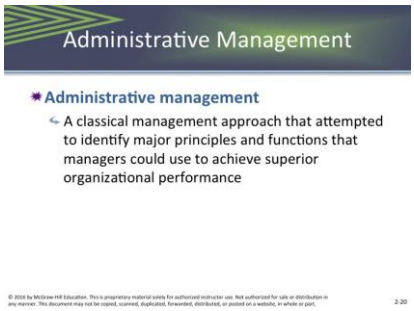


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Bureaucracy

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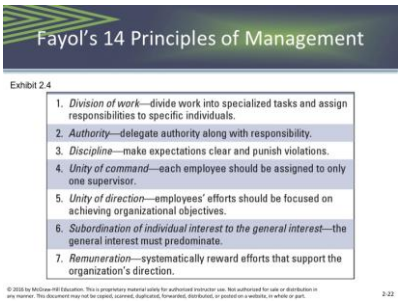
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Characteristics of an Effective Bureaucracy



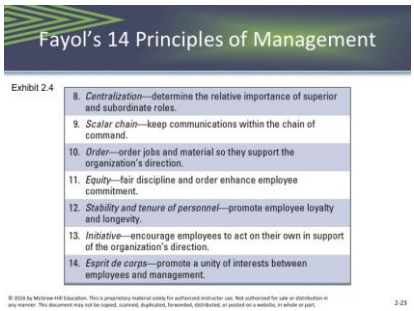
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Administrative Management



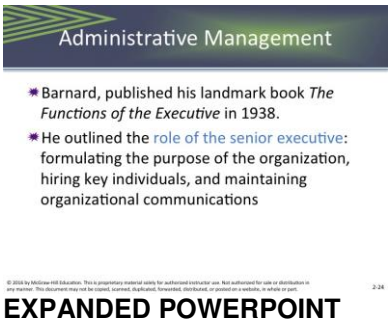
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Henri Fayol



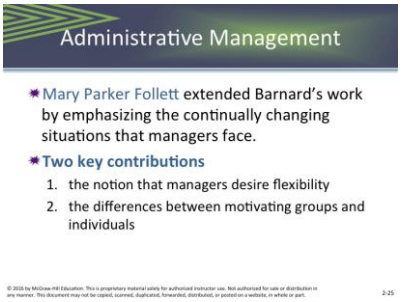
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Fayol's 14 Principles



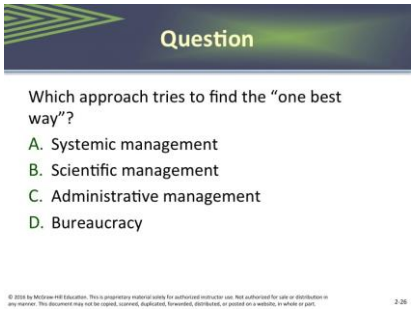
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Fayol's 14 Principles



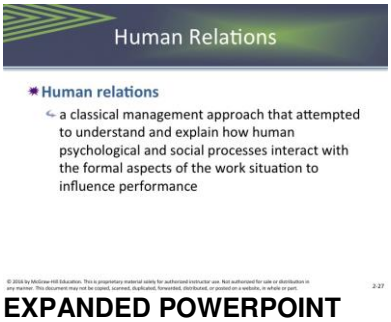
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Administrative Management



EXPANDED POWERPOINT SLIDE 25
Mary Parker Follett



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Question

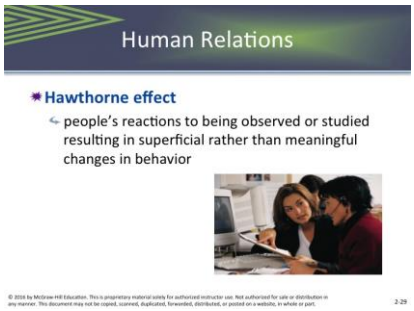


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Human Relations

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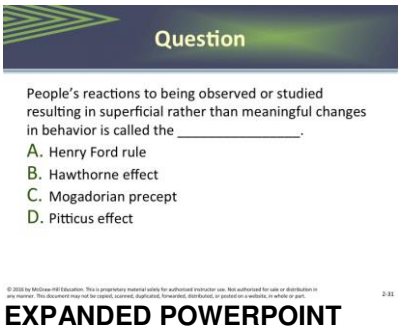
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Human Relations



EXPANDED POWERPOINT SLIDE 29
Hawthorne Effect



EXPANDED POWERPOINT SLIDE 30
Hawthorne Effect



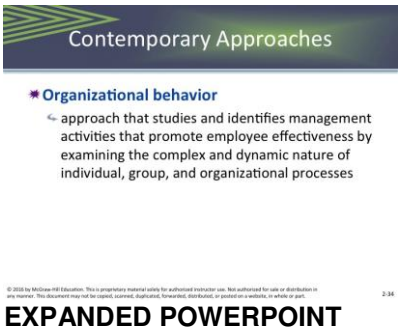
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Question



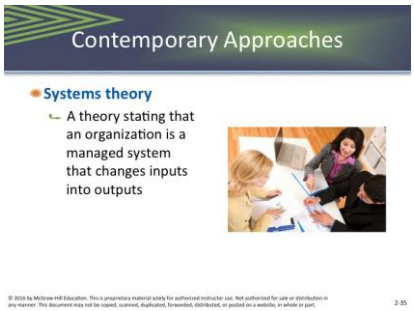
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Sociotechnical Systems Theory



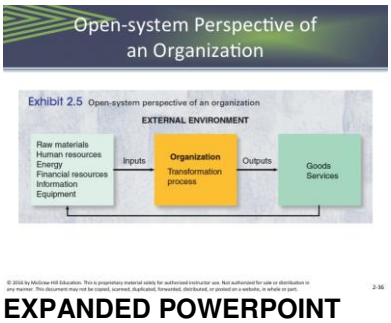
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Quantitative Management



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Organizational Behavior

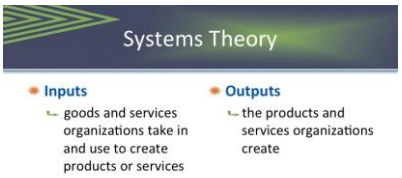


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Systems Theory

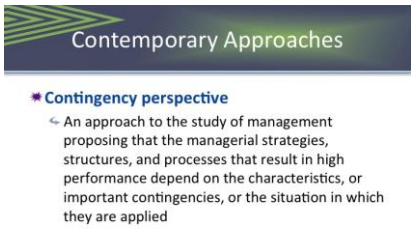


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Open System Perspective

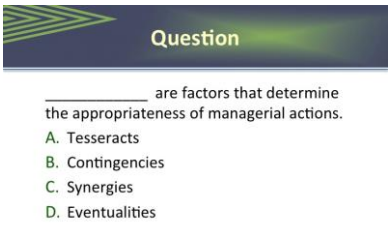
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Inputs and Outputs



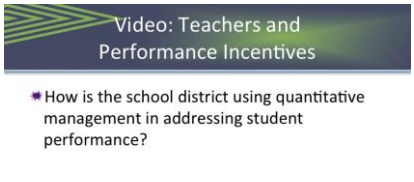
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Contingency Perspective



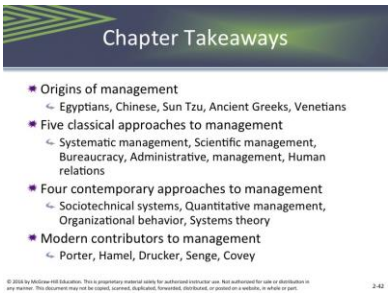
EXPANDED POWERPOINT SLIDE 39
Question



EXPANDED POWERPOINT SLIDE 40
Contingencies



EXPANDED POWERPOINT SLIDE 40
Video: Teachers and Performance Incentives



EXPANDED POWERPOINT SLIDE 40
Chapter Takeaways

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SUPPLEMENTAL FEATURES

Go to Connect ® for M Management to access additional Resources.

YOUNG MANAGER CLIPS

- **Tim Cote, Technology Services Manager**

MANAGER'S HOT SEAT (MHS)

- **No Manager Hot Seat for this Chapter**

SELF-ASSESSMENTS

- **No Self-Assessment for this Chapter**

TEST YOUR KNOWLEDGE

- **Management History Timeline**
- **Management's Historical Figures**
- **Managerial Functions**

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