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CHAPTER 2

Traditional and Contemporary Management Perspectives

CHAPTER SUMMARY

Chapter 2 summarizes the history of management and identifies the major challenges facing managers today. First, the historical context of business is discussed, then three traditional management perspectives—the classical, behavioral, and quantitative—are introduced. Contemporary perspectives, including the systems and contingency approaches, are described. The chapter concludes with a discussion of a variety of contemporary management issues and challenges.

LEARNING OBJECTIVES

After covering this chapter, students should be able to:

1. Justify the importance of history and theory to management, and discuss precursors to modern management theory.
2. Summarize and evaluate the classical perspective on management, including scientific and administrative management, and note its relevance to contemporary managers.
3. Summarize and evaluate the behavioral perspective on management, including the Hawthorne studies, the human relations movement, and organizational behavior, and note its relevance to contemporary managers.
4. Summarize and evaluate the quantitative perspective on management, including management science and operations management, and note its relevance to contemporary managers.
5. Discuss the systems and contingency approaches to management, and explain their potential for integrating the other areas of management.
6. Identify and describe contemporary management issues and challenges.

MANAGEMENT IN ACTION

The Lighter Side of Sustainability

The opening case discusses sustainable energy initiatives within the healthcare system. Several examples show how strategically implementing sustainable resource management practices reduce costs while supporting the organization's mission. Sustainable resource management includes such things as using natural lighting, using LED lighting, or installing low-flow sinks and toilets. These hospitals are approaching sustainable resource management from a systems perspective. Sustainability makes good business sense. Effective resource management plans cut across organizational functions, identifying, implementing and measuring sustainability throughout the organization.

Discussion Starter: Do you foresee any type of employee resistance to a resource management plan? Could any organization – regardless of size or purpose – benefit from sustainable resource management? How about a personal residence, would the same management tools work?

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LECTURE OUTLINE

I. THE ROLE OF THEORY AND HISTORY IN MANAGEMENT

A. The Importance of Theory and History

1. *Why theory?*—A **theory** is simply a conceptual framework for organizing knowledge and providing a blueprint for action.

Management theories are grounded in reality, used to build organizations and guide them toward their goals.

Teaching Tip: Many students react negatively to the concept of a "theory." Ask for opinions about the reasons for the popularity or lack of popularity for a particularly high-profile politician (such as the president) or other public figure (such as a sports figure or movie star). Then point out that their explanation is a theory. Go on to stress that theories are simply frameworks of thought and most people hold a number of different theories.

Management Update: Andrew Grove, former CEO of Intel, continued to espouse his theory of organizations until his retirement in 1990. He gave the theory credit for Intel's continued success in the semiconductor business. Grove's theory is that technology companies face recurring "strategic inflection points" where radical changes force firms to completely transform themselves or die. He warned that "only the paranoid survive," meaning that firms cannot sit on their success and must adapt continuously.

2. *Why history?*—Contributions from past industrialists have molded the American culture, and managers can benefit from an awareness of these contributions.

Discussion Starter: Ask students if they have read any books about history that may help them be better managers.

B. Precursors to Management Theory

1. *Management in antiquity*—Although the practice of management can be traced back to 3000 B.C., it was not given serious attention until the 1800s when large organizations emerged during the Industrial Revolution.

Extra Example: Construction of ancient wonders (Stonehenge, the Egyptian pyramids and the Great Wall of China) would not have been possible without effective management.

Global Connection: Use Figure 2.1 as a framework to underscore the fact that management history has its roots in many different cultures, countries, and eras.

Global Connection: Many Japanese executives today give some of the credit for their success to a book written in 1645. The book, entitled *A Book of Five Rings*, was written by a samurai warrior. The book describes numerous ideas and concepts for successful competition that can be generalized to management.

2. *Early management pioneers*

Robert Owen was one of the first managers to show respect and dignity to workers in his factory. He implemented better working conditions, raised the minimum age for child labor, reduced hours, and supplied meals.

Charles Babbage applied mathematical principles to find ways to make the most efficient use of facilities and materials. He also advocated division of labor.

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Global Connection: Note that many of the early management pioneers were British. One reason is that the Industrial Revolution advanced in England more quickly than in most other parts of the world.

Extra Example: Note that the very first introductory management textbook (*Principles of Management*, by George Terry) was published in 1953, over 40 years ago.

Extra Example: Andrew Ure was one of the world's first professors to teach management principles at Anderson's College in Glasgow.

II. THE CLASSICAL MANAGEMENT PERSPECTIVE

The **classical management perspective** consists of two distinct branches – scientific management and administrative management.

A. Scientific Management

Scientific management focuses on ways to improve the performance of individual workers.

Frederick W. Taylor saw workers **soldiering**, or deliberately working beneath their potential. He designed a four-step method to overcome this problem—breaking the job into small tasks, selecting and training the best employees, monitoring to ensure compliance, then replace employees who do not show high achievement.

Discussion Starter: Ask students if they have ever observed soldiering. Ask them if they have ever been "guilty" of such behavior themselves.

Extra Example: Frederick Taylor applied many of the concepts of scientific management to his favorite sports, lawn tennis and croquet.

Discussion Starter: As noted in the text, Taylor apparently falsified some of his results. In what ways, if any, does this diminish his contributions to the field of management?

The Gilbreths, a husband and wife team, also helped find more efficient ways for workers to produce output. Frank Gilbreth made his most important contribution in the field of bricklaying. He changed an 18-step process into a 5-step process and increased productivity by about 200 percent.

Extra Example: Another area in which Frank and Lillian Gilbreth made substantial contributions was in assisting the handicapped. In particular, they helped develop vocational training methods for assisting disabled veterans.

Henry Gantt introduced the Gantt chart, which is a way to schedule work. This type of chart is still used today.

Harrington Emerson was an advocate of specialized management roles in organizations. He testified before the Interstate Commerce Commission that the railroad could save $1 million a day by using scientific management.

Extra Example: Other businesses today that rely heavily on scientific management concepts include poultry processing plants and recycling centers that sort glasses, plastics, and papers into different categories.

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B. Administrative Management

Administrative management focuses on managing the total organization.

Henri Fayol was the first to identify the four management functions—planning, organizing, leading, and controlling—and he developed guidelines for managers to follow.

Cross-Reference: In addition to Fayol, many other writers over the years have attempted to develop so-called principles, rules, or guidelines for management. However, these principles have never been widely applicable for reasons discussed later in the chapter.

Lyndall Urwick is best known for integrating scientific management with administrative management.

Max Weber outlined the concept of bureaucracy based on a rational set of guidelines for structuring organizations in the most efficient manner. His work is the foundation of contemporary organization theory.

Global Connection: Again, note the influence of foreign scholars. For example, Fayol was French, Urwick was British, and Weber was German.

Cross-Reference: Weber's work is discussed in more detail in Chapter 12.

Chester Barnard wrote in a book called *The Functions of the Executive* about the acceptance of authority and how managers get employees to do what they ask.

C. The Classical Management Perspective Today

Teaching Tip: Table 2.1 summarizes the contributions and limitations of the classical management perspective.

Contributions:	(1)	Laid the foundation for management theory
	(2)	Identified key processes, functions, and skills of managers that are still important today
	(3)	Made management a valid subject of scientific inquiry
Limitations:	(1)	Best used in simple, stable organizations
	(2)	Provided universal procedures that are not appropriate in all settings
	(3)	Most viewed employees as tools rather than as resources

III. THE BEHAVIORAL MANAGEMENT PERSPECTIVE

The **behavioral management perspective** emphasizes individual attitudes and behaviors and group processes.

Hugo Munsterberg applied psychological concepts to industrial settings, founding the field of *industrial psychology* around 1900. He suggested psychologists could make valuable contributions to managers in the areas of employee selection and motivation.

Global Connection: Again, note the international influence on management as evidenced by Hugo Munsterberg, a German psychologist.

Another pioneer of behavioral management was Mary Parker Follett.

A. The Hawthorne Studies

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The Hawthorne studies were held at Western Electric and sponsored by General Electric. Elton Mayo and his colleagues controlled the lighting in one room of workers but not in another. When the illumination was increased in the experimental group, productivity increased in *both* groups. The increase in productivity was attributed to the fact that the workers were having extra attention paid to them, maybe for the first time.

Other studies found that employees will not work as fast as they can when being paid piecework wages. Instead, they will perform to the level informally set by the group in order to be accepted by the group. These two studies, and others, led Mayo to the conclusion that individual and social processes play a major role in shaping employee attitudes and behavior at work.

Discussion Starter: Recent evidence suggests that important details about the Hawthorne studies were not reported properly. For example, all the workers in the illumination study were paid extra for participating. What, if any, implications might be drawn from this?

B. The Human Relations Movement

The **human relations movement** stemmed from the Hawthorne studies. The movement argued that workers respond primarily to the social context of the workplace, including social conditioning, group norms, and interpersonal dynamics. A basic assumption is that a manager's concern for workers will lead to their increased satisfaction and improved performance.

The movement includes the need theories of motivation, such as Maslow's hierarchy of needs, and McGregor's **Theory X**, a negative view of workers based on scientific management and **Theory Y**, a positive view based on behavioral approaches.

Teaching Tip: Use Table 2.2 to summarize Theory X and Theory Y.

Cross-Reference: Maslow's theory is discussed in more detail in Chapter 15.

C. The Emergence of Organizational Behavior

The emergence of organizational behavior occurred because of the too-simplistic descriptions of work behavior by the human relationists. **Organizational behavior** takes a holistic view of behavior by addressing individual, group, and organizational processes.

Extra Example: Many business programs today have separate courses in organizational behavior. If your school has such a course, identify its number and title for your students and briefly review its topical coverage (i.e., its course description).

D. The Behavioral Management Perspective Today

Teaching Tip: Table 2.3 summarizes the contributions and limitations of the behavioral management perspective.

Contributions:	(1)	Gave insights into interpersonal processes such as motivation and group dynamics in organizations
	(2)	Focused managerial attention on these processes
	(3)	Challenged the view of employees as tools and not resources
Limitations:	(1)	Prediction was difficult due to the complexity of human behavior
	(2)	Managers were reluctant to adopt some of the behavioral concepts
	(3)	Contributions were often not communicated to the practicing managers in an understandable form

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IV. THE QUANTITATIVE MANAGEMENT PERSPECTIVE

The **quantitative management perspective** focuses on decision making, economic effectiveness, mathematical models, and the use of computers. The two branches of the quantitative approach are management science and operations management.

A. Management Science
Management science focuses specifically on the development of mathematical models. These models help organizations try out various activities with the use of a computer. Modeling can help managers determine the best way to do things, saving money and time.

B. Operations Management
Operations management is an applied form of management science that helps organizations develop techniques to produce their products and services more efficiently.

Extra Example: Many business programs today have separate courses in management science and/or operations management. If your school has either or both courses, identify them by number and title for your students and briefly review their topical coverage.

Cross-Reference: Operations management is discussed in more detail in Chapter 20.

C. The Quantitative Management Perspective Today

Teaching Tip: Table 2.4 summarizes the contributions and limitations of the quantitative management perspective.

Contributions:	(1)	Developed sophisticated quantitative techniques to assist in decision making
	(2)	Increased awareness of complex processes and aided in planning and control
Limitations:	(1)	Cannot fully explain or predict behavior of people
	(2)	Mathematical sophistication may come at the expense of other important skills
	(3)	Models may require unrealistic or unfounded assumptions

V. INTEGRATING PERSPECTIVES FOR MANAGERS

Integrating perspectives, including the systems and contingency perspectives, bring together aspects of classical, behavioral, and quantitative approaches.

A. The Systems Perspective
A **system** is an interrelated set of elements functioning as a whole.

Cross-Reference: Remind your students that we introduced the concept of a system in Chapter 1 and used it as a framework for our definition of management.

An organization as an open system is composed of four elements: inputs (material or human resources), transformation processes (technological and managerial processes), outputs (products or services), and feedback (reactions from the environment).

Group Exercise: Break students up into small groups. Have them select an organization and diagram its inputs, transformation processes, outputs, and feedback mechanisms.

Open systems interact with their environment.

Closed systems do not interact with their environment.

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Subsystems are systems within a broader system.

Synergy are units that are more successful working together than working alone.

Entropy is a normal process that leads to system decline.

Teaching Tip: Note the subtle but important distinction between entropy and poor management.

B. The Contingency Perspective
Appropriate managerial behavior depends on the elements of the situation.

A **universal perspective** tries to identify the "one best way" to manage organizations.

A **contingency perspective** argues that universal theories cannot be applied to organizations because each is unique.

C. An Integrating Framework
Managers need to include the parts from each perspective that are relevant to their situation and apply them using both the systems and contingency approaches.

The basic premise of the integrative framework is that elements of the classical, behavioral, and quantitative perspectives may all be relevant. However, none is likely to provide a complete explanation.

Therefore, managers need to carefully assess situations and then select those elements from each perspective that can be applied.

Group Exercise: Form small groups. Have them identify a problem or opportunity facing a business or other organization. Then have them identify elements and ideas from the classical, behavioral, and quantitative perspectives that might be relevant. In addition, have them discuss how systems and contingency perspectives might affect the situation.

VI. CONTEMPORARY MANAGEMENT ISSUES AND CHALLENGES

Teaching Tip: Figure 2.5 is a useful mechanism for illustrating the time frames across which different management perspectives have evolved.

A. Contemporary Applied Perspectives
The Theory Z model and the concern for excellence were important seminal work in the early 1980s. More recent advancements have been made by Peter Senge, Stephen Covey, Tom Peters, Michael Porter, John Kotter, and Gary Hamel.

Discussion Starter: Ask students if they have read—or heard of—Theory Z. Since most will not, use this fact to discuss the faddish nature of many new approaches and ideas.

B. Contemporary Management Challenges
1. Sluggish economy
2. Globalization
3. Ethics, social responsibility, and corporate governance
4. Quality
5. Shift to service economy
6. The role and impact of social media

Cross-Reference: Many of the contemporary management challenges are covered in detail in other parts of this book. For example, globalization is covered in Chapter 5.

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END OF CHAPTER QUESTIONS

Questions for Review

1. **Briefly describe the principles of scientific management and administrative management. What assumptions are made about workers?**

   Scientific management uses techniques such as time-and-motion studies and piecework pay systems to increase the productivity of individual workers. Scientific management calls for observation, development of improved procedures, training, and motivating workers. Administrative management is also based on rational and scientific methods, but it focuses on the organization as a whole. Principles of administrative management include the specialization of managerial work, the development of bureaucracy, and theories about authority and control. Both scientific management and administrative management assume that workers are interchangeable and identical, that rational processes govern most behavior, and that money is the best motivator.

2. **What are the differences between the contingency and the universal perspectives on management? How is the contingency perspective useful in the practice of management today?**

   Contingency perspectives prescribe different approaches for different situations, while universal perspectives focus on one "best" approach. For the most part, contingency perspectives are preferred by today's managers, because they are often better able to accommodate changes in the people, the organization, and its environment. As the environment in which businesses operate becomes ever more complex, uncertain, and dynamic, contingency perspectives are likely to be employed more and more.

3. **Describe the systems perspective. Why is a business organization considered an open system?**

   The systems perspective tells us that organizations are systems composed of various elements that interact in different ways. The system transforms inputs into outputs and receives feedback from its environment. Open systems interact with their environment, and therefore businesses are considered to be open systems because they interact with customers, the government, local communities, and other external elements.

4. **For each of the contemporary management challenges, give at least one example other than the examples found in the text.**

   An acute labor shortage is manifested in the health care industry today, where nurse and technician shortages are driving up labor costs. How to handle an aging workforce is one issue in the management of diversity. The current generation of workers is showing an increased interest in religion, as compared to older generations. Change continues to accelerate as product innovations rise sharply. Instant messaging is a fairly new form of information technology, as are personal digital assistants (PDAs). New ways of organizing include increase reliance on teamwork and virtual workplaces. Globalization continues to impact businesses—one example is the expanding membership of the European Union and the subsequent changes in those markets. Corporation's ethics are under increased scrutiny, following the scandals at Enron and other firms. Quality is an important challenge as businesses seek to attract a shrinking market of consumers. The U.S. and other developed countries are continuing their shift to a service economy.

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Questions for Analysis

5. **Young, innovative, or high-tech firms often adopt the strategy of ignoring history or attempting to do something radically new. In what ways might this strategy help them? In what ways might this strategy hinder them?**

   This strategy can be useful because it completely jettisons older systems, eliminating some of the problems they had. For example, the virtual firm is a radically different way of organizing that allows the company to call upon the best talent anywhere in the world, eliminate the expenses of maintaining a headquarters facility, and give creative workers the freedom to work in whatever way, place, and time works best for them. However, the strategy also throws out what was best about the traditional ways of doing business, which can lead to problems. For example, many virtual firms are finding that employees prefer to spend at least some time in face-to-face interaction.

6. **Can a manager use tools and techniques from several different perspectives at the same time? For example, can a manager use both classical and behavioral perspectives? Give an example of a time when a manager did this, and explain how it enabled him or her to be effective.**

   As noted in the text, any given management problem may be addressed by using elements and ideas from the three major perspectives on management. The answer to this question should be based on the logic and rationale used to link the perspectives in a coordinated fashion that seems to make sense for a given situation. For instance, an example might be a manager who is more effective because he uses operations management techniques to design an efficient production line, but he also uses techniques from the behavioral management perspective to motivate his workers.

7. **Visit Amazon.com. Select the tab that reads "See All 32 Product Categories," and then choose the link for "Books." Next select the link for "Bestsellers," and click on "Business & Investing" from the categories listed down the left side of the screen. Look at Amazon's list of best-selling business books. What ideas or themes do you see in the list? Which business leaders do you see?**

   A current bestseller at the time of publication of this Instructor's Manual was *Toyota Kata* by Mike Rother. This book explains the Improvement Kata, which is a means for making creative work teachable. Teams using the Improvement Kata learn as they reach targets and adapt based on what they are learning. Other themes include developing your management skills, identifying your strengths, and motivating people. The biography of Elon Musk is a hot seller. Musk is the entrepreneur and innovator behind SpaceX, Tesla, and SolarCity. Musk sold one of his internet companies, PayPal, for $1.5 billion. A perennial best seller is Dale Carnegie's *How to Win Friends and Influence People*, originally published in 1936. A 'new' perennial favorite is *Outliers* by Malcolm Gladwell. Written in 2008, this book explores the most famous and the most successful, asking the question: what makes high-achievers different?

Questions for Application

8. **Go to the library or go online and locate material about Confucius. Outline his major ideas. Which seem to be applicable to management in the United States today?**

   Students should emphasize the strong ethical base of Confucius's teachings. Specific teachings include personal virtue, devotion to family, and the pursuit of justice. Some students may look at the use of individual motivators in organizations to ensure true work devotion for personal enhancement. Other students may use the Japanese management style, which fosters a family atmosphere in business with mutual dedication by workers and mangers.

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9. **Find a company that has laid off a significant number of workers in the last year. (*Hint*: Use the word *layoff* as a search term on the Internet.) Investigate that company. Why did the firm make the layoffs? In your opinion, is the company likely to accomplish its intended goal by laying off so many workers? Why or why not?**

   Companies are usually conducting layoffs, so examples will be easy to find. For example, Intel is currently laying people off due to 'lackluster sales'. Disney ABC Television Group drew criticism after announcing (then reversing) layoffs of 35 tech workers. The dig here was the company laid off as many workers earlier and had the workers train their foreign replacements in sessions now known as "knowledge transfer" sessions. The article does not say why Disney ABC TG was making the changes but if the reason was to cut expenses, they may have accomplished that goal but ultimately lost customers as a by-product.

10. **Read about management pioneer Frederick Taylor at** *www.cftech.com/BrainBank/TRIVIABITS/FredWTaylor.html* **or another source. Describe Taylor's background and experience. How does an understanding of Taylor's early career help you to better understand his ideas about scientific management?**

    Taylor was born into an affluent family, who didn't understand his interest in applying scientific principles to the study of manual labor. He worked as a factory worker, which was very unusual for a wealthy gentleman. His observations of workers, therefore, are probably quite accurate. Given the combination of wealth and education on one hand, and practical experience in factory work on the other hand, Taylor's interests and drives become more clear.

END OF CHAPTER EXERCISES

Building Effective Decision-Making Skills

I. Purpose
   This exercise is designed to help students develop their decision-making skills, emphasizing the importance of system interdependencies in organizations.

II. Format
   This exercise is designed so that it can be effective when done individually or in small groups. Answers could be written or presented to the class for evaluation. It should take less than a half hour.

III. Follow-up
   A. Carefully examine each of your three options. In what ways might each option affect other parts of the organization?
      The option to buy lower-grade materials will require changes in purchasing, but it will also impact workers because they will have to work harder to make a good quality product from inferior materials. It may also have a major impact on sales, if the decline in quality is recognized by buyers. The lay-off option will create anxiety and resentment in those workers remaining in the firm, and it will probably raise overall wage expense, because the less-skilled workers will not work as efficiently as those who have better training. The option to purchase new equipment requires the most up-front investment, but it has the greatest potential for cost savings later.

   B. Which is the most costly option *in terms of impact on other parts of the organization, not in terms of absolute dollars*? Which is the least costly?
      Both lay-offs and inferior materials will be very costly for the organization. The use of inferior materials may be the "most costly" because it could cause customers to buy competitors'

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products and eventually lead to the failure of the firm. The least costly option is the purchase of new equipment. (See reasons under item 1, above).

C. What are the primary obstacles that you might face in trying to implement each of your three options?
The option to use inferior materials may cause dissatisfaction from the workers, and will certainly cause customers' dissatisfaction if it is detected. The lay-off option will encounter resistance from workers, and the best, most experienced workers may leave the company for other employment. The purchase of new equipment will likely encounter resistance from the CEO or other financial personnel, based on the increase in up-front costs.

D. Can you think of other options for accomplishing your goal of reducing costs?
Students may suggest cost-cutting ideas, such as better inventory control or improved use of information systems. They may also suggest a closer integration with suppliers or use of a less-expensive distribution channel. There are possibilities for cost savings in every functional area of the firm.

Building Effective Interpersonal Skills

I. Purpose
This exercise asks you to examine your attitudes about how people regard work and how they should behave in the workplace.

II. Format
This in-class exercise involves looking at 8 items that consists of two related statements and responding to the statements in terms of how each statement reflects your attitude about how people regard work and behave in the workplace.

Student responses vary depending on their attitude toward how people regard work.

MANAGEMENT AT WORK

Customer Delight

The case discusses how Wells Fargo emerged from the banking crisis in better shape than competitors even though the CEO believes shareholders come last. This position runs counter to conventional wisdom of maximizing shareholder value. Steve Denning believes this same principle and offers a program for change called "Radical Management." This program is a new way of managing that generates high productivity, continuous innovation, deep job satisfaction, and customer delight. The key to Denning's five interlocking principles of Radical Management is "customer delight". Denning believes delighting customers is the true bottom line of any business and the key to an enduring future. The text then applies Denning's principles to Wells Fargo who he feels has taken a few steps toward Radical Management but is a long way from "radical." He concludes Wells Fargo is satisfying their customers without yet delighting them.

1. Case Question 1: In general, what sort of criticisms would Denning level at the *behavioral management perspective*? At the *quantitative management perspective*?

Denning may say that both perspectives focus internally when the focus should be on the customer. The behavioral management perspective focuses on behavior of individuals and groups. If using radical management's "self-organizing teams", individual problem behaviors would arise naturally to the attention of the manager holding the team accountable. Focus on decision making, economic effectiveness and mathematical models describe the quantitative management perspective. Denning may use tools from each perspective but only if it furthers the organization toward the ultimate goal of delighting the customer.

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2. **Case Question 2:** If your school announced that it was thinking about adopting the management goal of "delighting customers," what changes in its current management practices would you recommend? What sort of (reasonable) practices would "delight" rather than merely satisfy you?

   Student's recommendations will vary widely. Examples could include free food in the dorm cafeterias, reduced or free textbooks, and ability to enroll in classes earlier.

3. **Case Question 3:** Consider the following perspectives on management practice: the *quantitative perspective*, the *systems perspective*, and the *contingency perspective*. Let's say that you're asked to develop a plan for shifting your company's management model from one of the above models to one in which the company's goal is "delighting customers." What sort of recommendations for change would you probably make, given the nature of your company's current management practices? Which current practices might be good springboards for making the shift? Which might be probable impediments to making the shift?

   Denning points out on his website that Radical Management depends on adopting all changes in order to make the process work. One change without the other will not work. If in a company using quantitative management perspective, students may suggest shifting the role of managers from controlling individuals to enabling self-organizing teams. A shift from bureaucracy to dynamic linking is another suggestion. Teams with freedom to create may produce better efficiency. This system, with its focus on efficiency, would hinder creativity through bureaucratic red tape. If advising a company using the systems perspective approach, suggestions may include shifting the goals from making money for shareholders to delighting customers through continuous innovation. This would have to include a change in values from money to innovation. The systems perspective already looks at the company as a whole, which is more conducive to Radical Management. The feedback loop, already in place, is the beginning of customer delight. In order to make the many changes needed to introduce Radical Management, an organization must be flexible. A company using contingency perspective must have flexibility and could be a good candidate for a shift to Radical Management. Suggestions may include a shift from top-down to horizontal communication and enabling of self-organizing teams.

4. **Case Question 4:** Denning likens a manager who manages in the interest of shareholder value to a football coach who coaches to beat the point spread instead of winning the game. Explain the analogy in more detail. In particular, Denning claims that "in such a world, it is hardly surprising that the corporate world is plagued by scandals." Why might the management practice of *maximizing shareholder value* lead to questionable ethical (and even illegal) behavior among top managers?

   A coach who only wants the team to beat the point spread is only serving those who gamble on the team, not the team itself. If a manager only wants to increase shareholder profit (the gamblers) then the company (team) may actually lose. If managers are only concerned with maximizing shareholder value it could lead to unethical, and even illegal, behavior. Managers may treat their employees badly in order to make short-term gains, for example. The motivation to cheat and lie is greater when those managers consider themselves accountable only to shareholders and not to their employees.

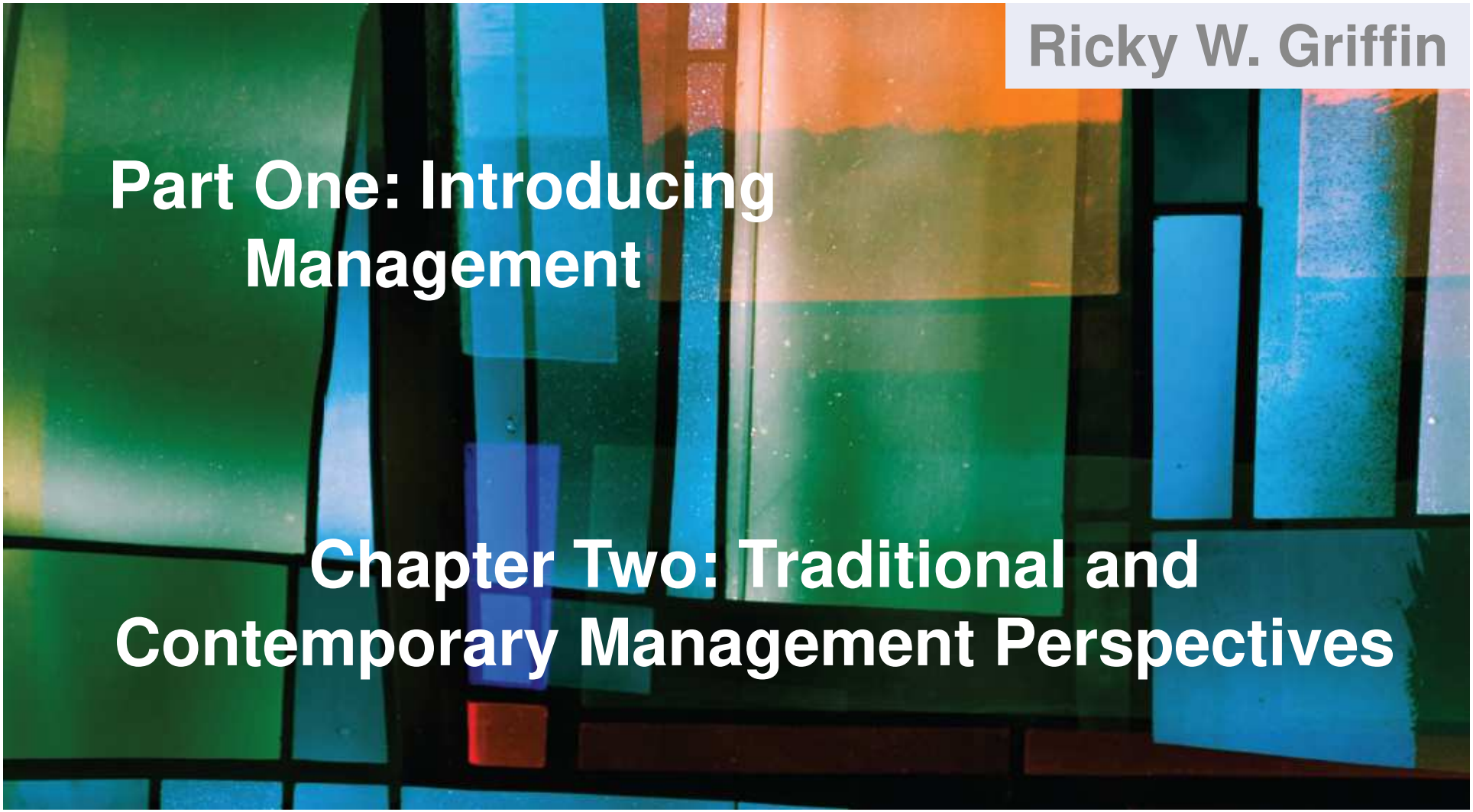
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TWELFTH EDITION

MANAGEMENT

Ricky W. Griffin



Part One: Introducing Management

Chapter Two: Traditional and Contemporary Management Perspectives

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Learning Outcomes

1. Justify the importance of history and theory to management, and discuss precursors to modern management theory.
2. Summarize and evaluate the classical perspective on management, including scientific and administrative management, and note its relevance to contemporary managers.
3. Summarize and evaluate the behavioral perspective on management, including the Hawthorne studies, the human relations movement, and organizational behavior, and note its relevance to contemporary managers.

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Learning Outcomes

4. Summarize and evaluate the quantitative perspective on management, including management science and operations management, and note its relevance to contemporary managers.
5. Discuss the systems and contingency approaches to management, and explain their potential for integrating the other areas of management.
6. Identify and describe contemporary management issues and challenges.

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Importance of Theory and History

Theory

A conceptual framework for organizing knowledge and providing a blueprint for action.

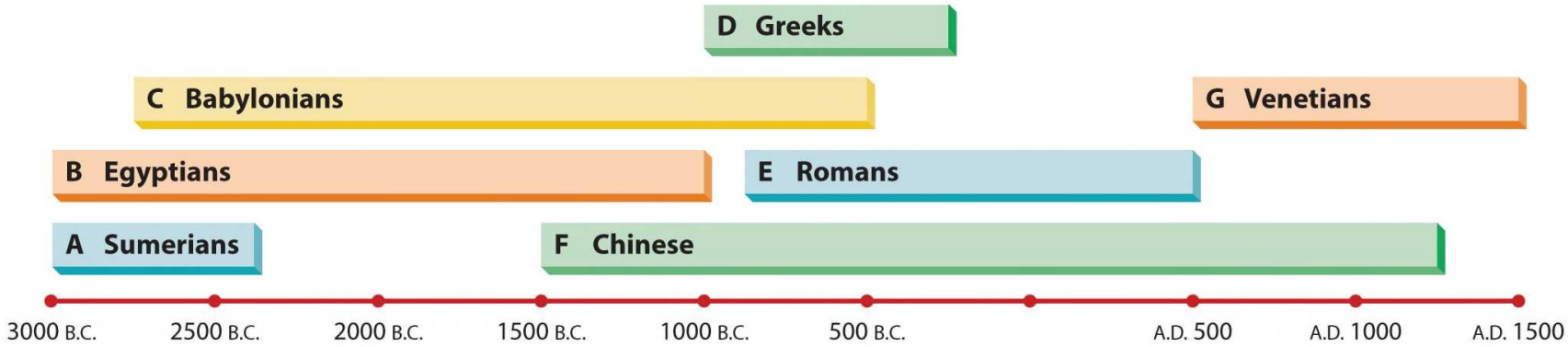
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Importance of Theory and History

- Management theories are grounded in reality.
  - Theories are used to build organizations and guide them toward their goals.
- Understanding the historical context provides a sense of heritage and helps managers avoid mistakes of others.

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Figure 2.1 Management in Antiquity



A Used written rules and regulations for governance

B Used management practices to construct pyramids

C Used extensive set of laws and policies for governance

D Used different governing systems for cities and state

E Used organized structure for communication and control

F Used extensive organization structure for government agencies and the arts

G Used organization design and planning concepts to control the seas

This simple time line shows a few of the most important management breakthroughs and practices over the last 4,000 years.

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Early Management Pioneers

- Robert Owen
  - One of the first managers to recognize the importance of human resources.
  - He raised working age for children, reduced hours, and supplied meals.
- Charles Babbage
  - Mathematically focused on efficiency of production.
  - Believed in division of labor.

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Classical Management Perspective

Consists of two branches – scientific management and administrative management.

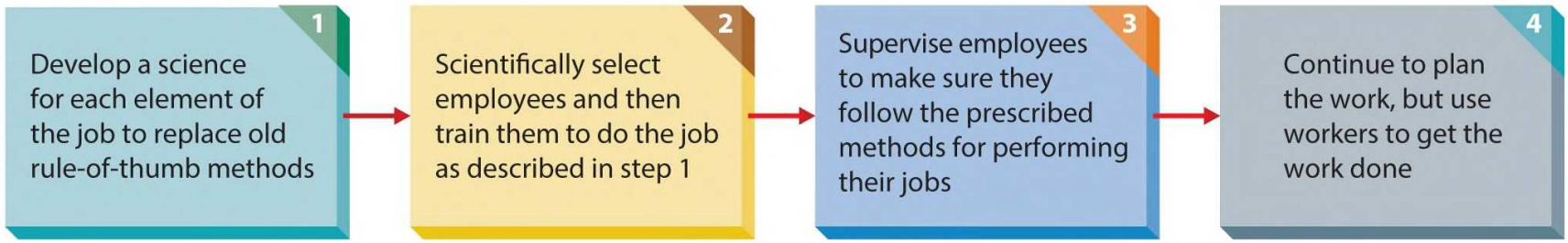


Focuses on ways to improve the production of individual workers.

Focuses on managing the total organization.

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Figure 2.2 Steps in Scientific Management



Frederick Taylor saw workers **soldiering**, or deliberately working below their potential. He devised this four step method to overcome the problem.

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Scientific Management

- Frank and Lillian Gilbreth
  - They developed numerous techniques and strategies for eliminating inefficiency.
- Henry Gantt
  - Introduced the Gantt chart for scheduling work.
- Harrington Emerson
  - An advocate for specialized management roles.

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Administrative Management

- Henri Fayol
  - First to identify the four management functions.
- Lyndall Urwick
  - Integrated scientific and administrative management.
- Max Weber
  - Studied efficient organizational structure.
- Chester Barnard
  - Wrote about acceptance of authority.

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Classical Management Today

- Contributions
  - Laid the foundation for management theory.
  - Identified key processes, functions, and skills.
  - Made management a valid subject of study.
- Limitations
  - Best used in simple, stable organizations.
  - Universal procedures may not be appropriate in some settings.
  - Employees not viewed as resources.

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Table 2.1 Classical Management Perspective

General Summary	The classical management perspective had two primary thrusts. Scientific management focused on employees within organizations and on ways to improve their productivity. Noted pioneers of scientific management were Taylor, Gilbreths, Gantt, and Emerson. Administrative management focused on the total organization and on ways to make it more efficient and effective. Prominent administrative management theorists were Fayol, Urwick, Weber, and Barnard.
Contributions	Laid the foundation for later developments in management theory. Identified important management processes, functions, and skills that are still recognized today. Focused attention on management as a valid subject of scientific inquiry.
Limitations	More appropriate for stable/simple organizations than dynamic and complex organizations. Often prescribed universal procedures that are not appropriate in some settings. Even though some writers (such as Gilbreth and Barnard) were concerned with the human element, many viewed employees as tools rather than resources.

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Behavioral Management Perspective

Behavioral management perspective

Emphasizes individual attitudes and behaviors and group processes.

Hugo Munsterberg applied psychology to the industrial setting, founding the field of *industrial psychology.*

Mary Parker Follett was an early pioneer of this theory.

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Behavioral Management Perspective

- Conducted the Hawthorne Studies
  - Found increased productivity in both control and experimental group.
    - Later attributed to heightened employee morale due to extra attention.
- Later studies identified:
    - "rate busters" (overproducers) and "chiselers" (underproducers).
- Their conclusion:
    - Human behavior was much more important in the workplace than previously believed.

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Human Relations Movement

Human relations movement

- Argued that workers respond primarily to the social context of the workplace.

- Stemmed from the Hawthorne studies.
- A basic assumption is that a manager's concern for workers will lead to increased satisfaction and improved performance.

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Human Relations Movement

Theory X

- A pessimistic and negative view of workers consistent with the views of scientific management.

Theory Y

- A positive view of workers; it represents the assumptions that human relations advocates make.

Includes Maslow's Hierarchy of Needs and Douglas McGregor's Theory X and Theory Y.

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Theory X and Theory Y

Theory X Assumptions	People do no like work and try to avoid it.
	Managers have to control, direct, coerce, and threaten employees to get them to work toward organizational goals.
	People prefer to be directed, to avoid responsibility, and to want security, they have little ambition.
Theory Y Assumptions	People do not naturally dislike work.
	People are internally motivated to reach objectives to which they are committed.
	People are committed to goals when they receive personal rewards for reaching objectives.
	People will both seek and accept responsibility under favorable conditions.
	People have the capacity to be innovative in solving problems.
	People are bright, but their potential is underutilized.

Source: D. McGregor and W. Bennis, *The Human Side Enterprise: 25th Anniversary Printing,* 1985.

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Emergence of Organizational Behavior

Organizational behavior

- Contemporary field focusing on behavioral perspectives on management.

Organizational behavior takes a holistic view of behavior and addresses individual, group, and organization processes.

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Behavioral Management Today

- Contributions
  - Gave insights into interpersonal processes.
    - Such as motivation and group dynamics.
  - Focused managerial attention on these processes.
  - Viewed employees as resources.
- Limitations
  - Behavior is difficult to predict.
  - Managers are reluctant to adopt concepts.
  - Research ineffectively communicated to managers.

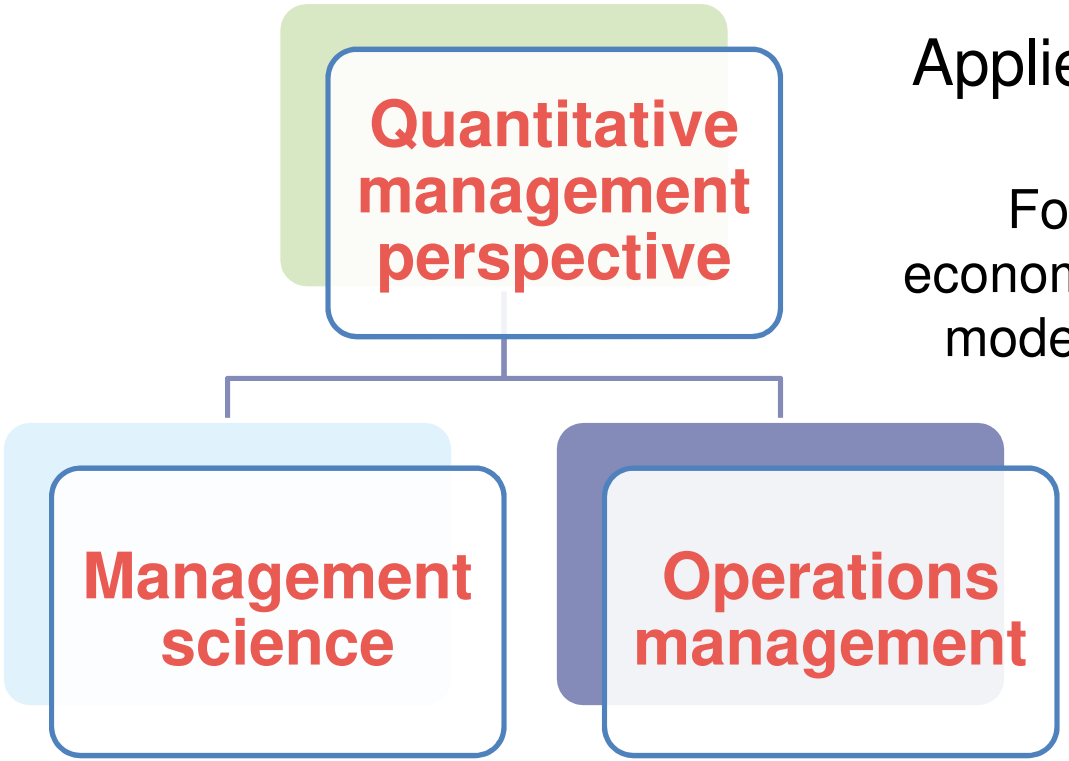
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Table 2.3 Behavioral Management Perspective

General Summary	Focuses on employee behavior in an organizational context. Stimulated by the birth of industrial psychology, the human relations movement supplanted scientific management as the dominant approach to management in the 1930s and 1940s. Prominent contributors to this movement were Mayo, Maslow, and McGregor. Organizational behavior, the contemporary outgrowth of the behavioral management perspective, draws from an interdisciplinary base and recognizes the complexities of human behavior in organizational settings.
Contributions	Provided important insights into motivation, group dynamics, and other interpersonal processes in organizations. Focused managerial attention on these same processes. Challenged the view that employees are tools and furthered the belief that employees are valuable resources.
Limitations	The complexity of individual behavior makes prediction of that behavior difficult. Many behavioral concepts have not yet been put to use because some managers are reluctant to adopt them. Contemporary research findings by behavioral scientists are often not communicated to practicing managers in an understandable form.

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Quantitative Management Perspective



Applies quantitative techniques to management.

Focuses on decision-making, economic effectiveness, mathematical models, and the use of computers.

Focuses specifically on the development of mathematical models.

Concerned with helping the organization more efficiently produce its products or services.

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Quantitative Management Today

- Contributions
  - Sophisticated techniques assist decision-making.
    - Particularly useful in planning and controlling.
  - Increased awareness of complex processes.
- Limitations
  - Cannot fully explain or predict behavior.
  - Mathematical sophistication may come at the expense of other important skills.
  - Models may require unrealistic assumptions.

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Table 2.4 Quantitative Management Perspective

General Summary	Focuses on applying mathematical models and processes to management situations. Management science deals specifically with the development of mathematical models to aid in decision making and problem solving. Operations management focuses more directly on the application of management science to organizations. Management information systems are developed to provide information to managers.
Contributions	Developed sophisticated quantitative techniques to assist in decision making. Application of models has increased our awareness and understanding of complex organizational processes and situations. Has been very useful in the planning and controlling processes.
Limitations	Cannot fully explain or predict the behavior of people in organizations. Mathematical sophistication may come at the expense of other important skills. Models may require unrealistic or unfounded assumptions.

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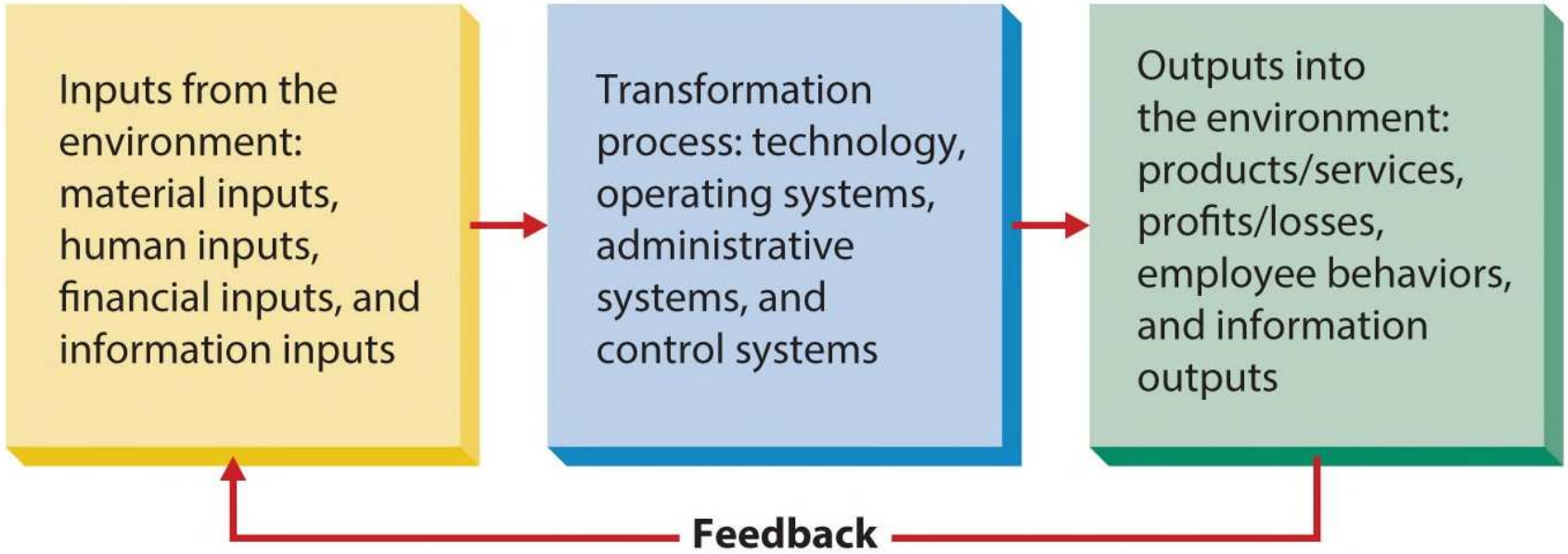
Integrating Perspectives for Managers

Systems Perspective

- A **system** is an interrelated set of elements functioning as a whole.
- An **open system** is one that interacts with its environment.
- A **closed system** does not interact with its environment.
- A **subsystem** is a system within another system.

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Figure 2.3 Systems Perspective of Organizations



Synergy is two or more subsystems working together to produce more than the total of what they might produce working alone.

Entropy is a normal process leading to system decline.

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Contingency Perspective

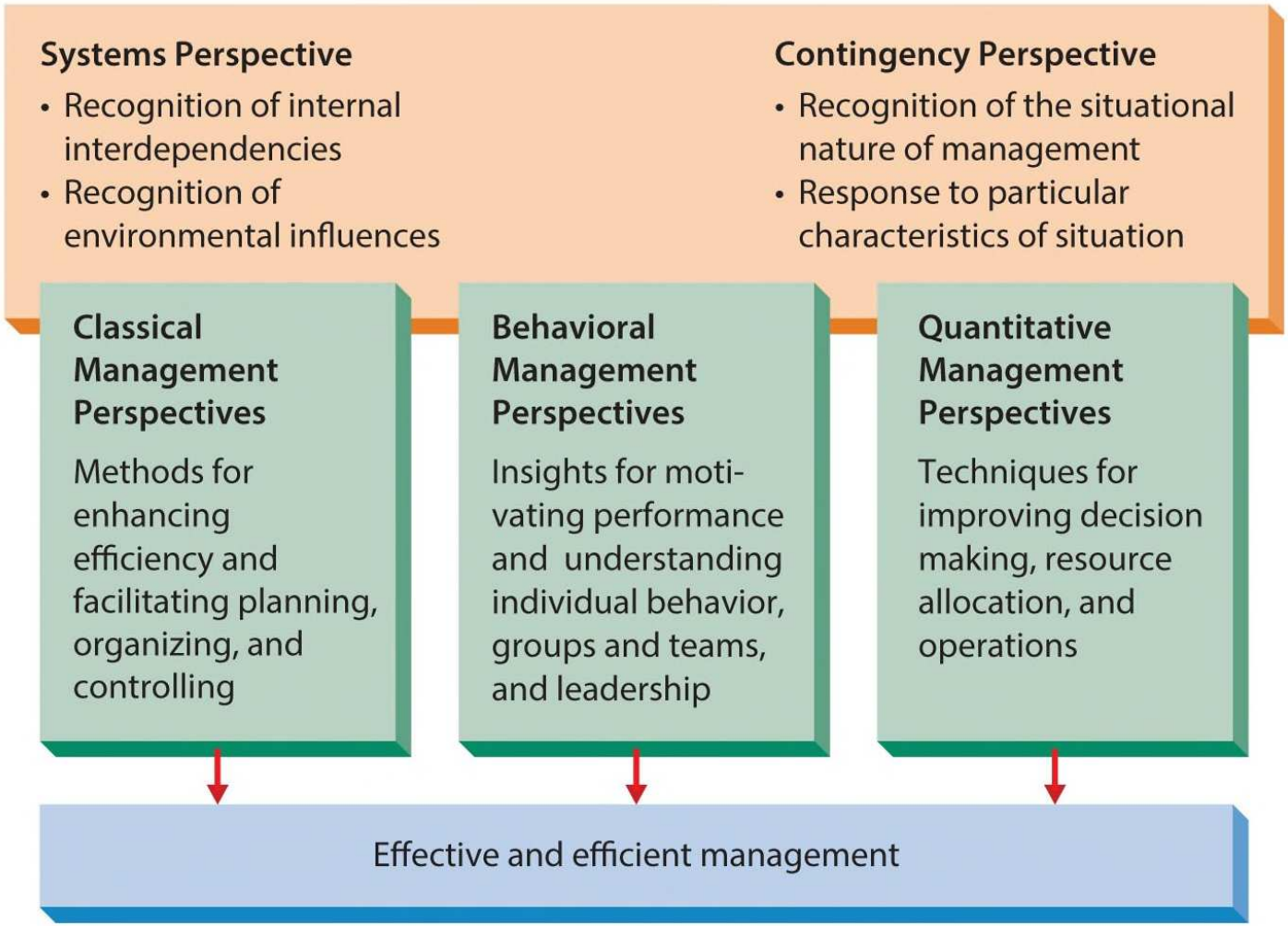
- A **universal perspective** tries to identify the "one best way" to do something.
  - Includes the classical, behavioral, and quantitative approaches.
- The **contingency perspective** suggests that appropriate managerial behavior in a given situation depends on, or is contingent on, a wide variety of elements.
  - Believes each organization is unique.

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Figure 2.4

An Integrating Framework of Management Perspectives

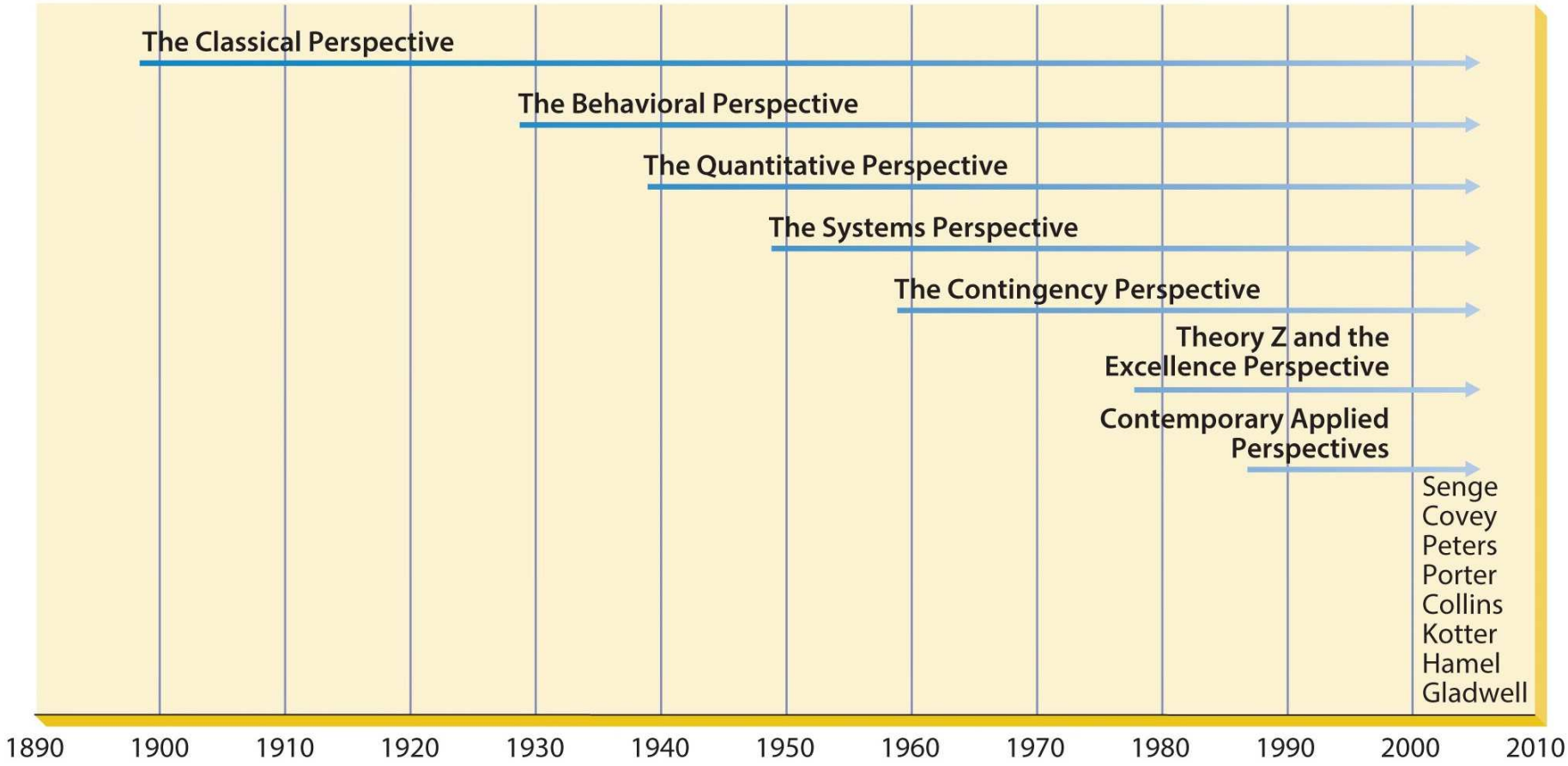
Managers should include portions of each perspective relevant to their situation and apply them using systems and contingency approaches.



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Figure 2.5

Emergence of Modern Management Perspectives



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Contemporary Applied Perspectives

Major impacts include:

- *Theory Z*
- *In Search of Excellence*
- Biographies of successful business leaders.
- Authors such as Peter Senge, Stephen Covey, Tom Peters, Michael Porter, John Kotter, and Gary Hamel.
- Malcolm Gladwell's books.
- Even *Dilbert* cartoons had an impact.

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Contemporary Management Challenges

- An unpredictable economy, limiting growth.
- Globalization presents many challenges.
- Ethics and social responsibility in relation to corporate governance.
- Quality as the basis for competition, increased productivity, and lower costs.
- The shift toward a service economy.
- The role and impact of social media.

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Summary

Chapter two

- established the historical context of management.
- discussed the three traditional management perspectives:
  - classical, behavioral, and quantitative.
- described the systems and contingency perspectives as approaches to integrate the three traditional perspectives.
- identified contemporary issues and challenges.

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