Learning Outcomes

After studying this chapter, you should be able to:
1. Understand how historical forces influence the practice of management.
2. Identify and explain major developments in the history of management thought.
3. Describe the major components of the classical and humanistic management perspectives.
4. Discuss the management science perspective and its current use in organizations.
5. Explain the major concepts of systems theory, the contingency view, and total quality management.
6. Explain what a learning organization is and why this approach has become important in recent years.
7. Describe the management changes brought about by a technology-driven workplace, including the role of supply chain management, customer relationship management, and outsourcing.

Are You a New-Style or an Old-Style Manager?

Management and Organization
Classical Perspective
- Scientific Management
- Bureaucratic Organizations
- Administrative Principles
Humanistic Perspective
- Human Relations Movement
- Human Resources Perspective
- Behavioral Sciences Approach

New Manager Self-Test: Evolution of Style

Management Science Perspective
Recent Historical Trends
- Systems Theory
- Contingency View
- Total Quality Management

Innovative Management Thinking For Turbulent Times
- The Learning Organization
- Managing the Technology-Driven Workplace
The Evolution of Management Thinking

Are You a New-Style or an Old-Style Manager?1

The following are various behaviors that a manager may engage in when relating to subordinates. Read each statement carefully and rate each one Mostly True or Mostly False to reflect the extent to which you would use that behavior.

<table>
<thead>
<tr>
<th></th>
<th>Mostly True</th>
<th>Mostly False</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Closely supervise my subordinates in order to get better work from them.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Set the goals and objectives for my subordinates and sell them on the merits of my plans.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Set up controls to ensure that my subordinates are getting the job done.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Make sure that my subordinates’ work is planned out for them.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Check with my subordinates daily to see if they need any help.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Step in as soon as reports indicate that the job is slipping.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Push my people to meet schedules if necessary.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Have frequent meetings to learn from others what is going on.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Scoring and Interpretation: Add the total number of Mostly True answers and mark your score on the scale below. Theory X tends to be “old-style” management and Theory Y “new-style,” because the styles are based on different assumptions about people. To learn more about these assumptions, you can refer to Exhibit 2.4 and review the assumptions related to Theory X and Theory Y. Strong Theory X assumptions are typically considered inappropriate for today’s workplace. Where do you fit on the X–Y scale? Does your score reflect your perception of yourself as a current or future manager?

X-Y Scale

<table>
<thead>
<tr>
<th></th>
<th>Theory X</th>
<th></th>
<th>Theory Y</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10</td>
<td>5</td>
<td>0</td>
</tr>
</tbody>
</table>

The field of management is undergoing tremendous change. The questionnaire you just completed describes two differing philosophies about how people should be managed, and you will learn more about these ideas in this chapter. Both approaches still apply in today’s organizations. However, many managers find themselves caught in a situation where the methods and patterns that kept the organization successful in the past no longer seem right to keep it thriving today and into the future.

Management philosophies and organizational forms change over time to meet new needs. The workplace of today is different from what it was 50 years ago—indeed, from what it was even 10 years ago. Yet some ideas and practices from the past are still highly relevant and applicable to management.

Many students wonder why history matters to managers. A historical perspective provides a broader way of thinking, a way of searching for patterns and determining whether they recur across time periods. For example, certain management practices that seem modern, such as open-book management or employee stock ownership, have actually been around for a long time. These techniques have repeatedly gained and lost popularity since the early twentieth century because of historical forces.2 A study of the past contributes to understanding both the present and the future. It is a way of learning from others’ mistakes so as not to repeat them; learning from others’ successes so as to repeat them in the appropriate situation; and most of all, learning to understand why things happen to improve our organizations in the future.

This chapter provides an overview of the ideas, theories, and management philosophies that have contributed to making the workplace what it is today. We examine...
several management approaches that have been popular and successful throughout the twentieth century. The final section of the chapter looks at some recent trends and current approaches that build on this foundation of management understanding. This foundation illustrates that the value of studying management lies not in learning current facts and research but in developing a perspective that will facilitate the broad, long-term view needed for management success.

**MANAGEMENT AND ORGANIZATION**

Studying history doesn’t mean merely arranging events in chronological order; it means developing an understanding of the impact of societal forces on organizations. Studying history is a way to achieve strategic thinking, see the big picture, and improve conceptual skills. Let’s start by examining how social, political, and economic forces have influenced organizations and the practice of management.3

**Social forces** refer to those aspects of a culture that guide and influence relationships among people. What do people value? What do people need? What are the standards of behavior among people? These forces shape what is known as the social contract, which refers to the unwritten, common rules and perceptions about relationships among people and between employees and management.

A significant social force today is the changing attitudes, ideas, and values of Generation Y employees (sometimes called Nexters).4 These young workers, the most educated generation in the history of the United States, grew up technologically adept and globally conscious. Unlike many workers of the past, they typically are not hesitant to question their superiors and challenge the status quo. They want a work environment that is challenging and supportive, with access to cutting-edge technology, opportunities to learn and further their careers and personal goals, and the power to make substantive decisions and changes in the workplace. In addition, Gen Y workers have prompted a growing focus on work/life balance, reflected in trends such as telecommuting, flextime, shared jobs, and organization-sponsored sabbaticals.

**Political forces** refer to the influence of political and legal institutions on people and organizations. Political forces include basic assumptions underlying the political system, such as the desirability of self-government, property rights, contract rights, the definition of justice, and the determination of innocence or guilt of a crime. The spread of capitalism throughout the world has dramatically altered the business landscape. The dominance of the free-market system and growing interdependencies among the world’s countries require organizations to operate differently and managers to think in new ways. At the same time, strong anti-American sentiments in many parts of the world create challenges for U.S. companies and managers.

**Economic forces** pertain to the availability, production, and distribution of resources in a society. Governments, military agencies, churches, schools, and business organizations in every society require resources to achieve their goals, and economic forces influence the allocation of scarce resources. One trend is the growing economic power of less-developed countries. The rapid growth of China and India and their rise in the global marketplace dominated the 2007 World Bank-International Monetary Fund annual meetings, for example.5 Another force is the shifting of the economy of the United States and other developed countries, with the sources of wealth, the fundamentals of distribution, and the nature of economic decision making undergoing significant changes. Today’s economy is based as much on ideas, information, and knowledge as it is on material resources. Supply chains and distribution of resources have been revolutionized by digital technology. Surplus inventories, which once could trigger recessions, are declining or completely disappearing.6

---

As a new manager, do you appreciate a historical perspective to help you interpret current opportunities and problems? Social, economic, and political forces often repeat themselves, so your understanding will facilitate a broader view of how organizations adapt and succeed in today’s environment.
Management practices and perspectives vary in response to these social, political, and economic forces in the larger society. During difficult times, managers look for ideas to help them cope with environmental turbulence and keep their organizations vital. The Manager’s Shoptalk lists a wide variety of ideas and techniques used by today’s managers. Management idea life cycles have been growing shorter as the pace of change has increased. A recent study by professors at the University of Louisiana at Lafayette found that, from the 1950s to the 1970s, it typically took more than a decade for interest in a popular management idea to peak. By the 1990s, the interval had shrunk to fewer than three years.7

Over the history of management, many fashions and fads have appeared. Critics argue that new techniques may not represent permanent solutions. Others feel that managers adopt new techniques for continuous improvement in a fast-changing world.

In 1993, Bain and Company started a large research project to interview and survey thousands of corporate executives about the 25 most popular management tools and techniques. The list for 2007 and their usage rates are below. How many tools do you know? For more information on specific tools, visit the Bain website: http://www.bain.com/management_tools/home.asp.

**Fashion.** Over the last decade, tools such as activity-based management, one-to-one marketing, scenario planning, and virtual teams have dropped out of the top 25. Business process reengineering has been mercurial, with 69% usage in 1995, dropping to 38% in 2000, increasing again to 69% in 2007.

**Global.** North American executives are more likely to look outward, using strategic alliances and collaborative innovation more than companies in other parts of the world. European executives are big users of customer segmentation. Latin American executives use the fewest number of tools. Asia-Pacific executives report higher use of newer tools like consumer ethnography and corporate blogs.

**SOURCE:** Copyright 2007 by Emerald Group Publishing Limited. Reproduced with permission of Emerald Group Publishing Limited in the format Textbook via Copyright Clearance Center.
Recent challenges such as a tough economy and rocky stock market, environmental and organizational crises, lingering anxieties over war and terrorism, and the public suspicion and skepticism resulting from corporate scandals have left today’s executives searching for any management tool—new or old—that can help them get the most out of limited resources. This search for guidance is reflected in a proliferation of books, scholarly articles, and conferences dedicated to examining management fashions and trends. Exhibit 2.1 illustrates the evolution of significant management perspectives over time, each of which will be examined in the remainder of this chapter. The timeline reflects the dominant time period for each approach, but elements of each are still used in today’s organizations.

**CLASSICAL PERSPECTIVE**

The practice of management can be traced to 3000 B.C., to the first government organizations developed by the Sumerians and Egyptians, but the formal study of management is relatively recent. The early study of management as we know it today began with what is now called the classical perspective.

**Concept Connection**

Frederick Winslow Taylor (1856–1915). Taylor’s theory that labor productivity could be improved by scientifically determined management practices earned him the status of “father of scientific management.”
of economic man—the salaried manager”10—was born. Between 1880 and 1920, the number of professional managers in the United States grew from 161,000 to more than 1 million.11 These professional managers began developing and testing solutions to the mounting challenges of organizing, coordinating, and controlling large numbers of people and increasing worker productivity. Thus began the evolution of modern management with the classical perspective.

This perspective contains three subfields, each with a slightly different emphasis: scientific management, bureaucratic organizations, and administrative principles.12

Scientific Management

Scientific management emphasizes scientifically determined jobs and management practices as the way improve efficiency and labor productivity. In the late 1800s, a young engineer, Frederick Winslow Taylor (1856–1915), proposed that workers “could be retooled like machines, their physical and mental gears recalibrated for better productivity.”13 Taylor insisted that improving productivity meant that management itself would have to change and, further, that the manner of change could be determined only by scientific study; hence, the label scientific management emerged. Taylor suggested that decisions based on rules of thumb and tradition be replaced with precise procedures developed after careful study of individual situations.14

Taylor’s philosophy is encapsulated in his statement, “In the past the man has been first. In the future, the system must be first.”15 The scientific management approach is illustrated by the unloading of iron from rail cars and reloading finished steel for the Bethlehem Steel plant in 1898. Taylor calculated that with correct movements, tools, and sequencing, each man was capable of loading 47.5 tons per day instead of the typical 12.5 tons. He also worked out an incentive system that paid each man $1.85 a day for meeting the new standard, an increase from the previous rate of $1.15. Productivity at Bethlehem Steel shot up overnight.

Although known as the father of scientific management, Taylor was not alone in this area. Henry Gantt, an associate of Taylor’s, developed the Gantt chart—a bar graph that measures planned and completed work along each stage of production by time elapsed. Two other important pioneers in this area were the husband-and-wife team of Frank B. and Lillian M. Gilbreth. Frank B. Gilbreth (1868–1924) pioneered time and motion study and arrived at many of his management techniques independently of Taylor. He stressed efficiency and was known for his quest for the one best way to do work. Although Gilbreth is known for his early work with bricklayers, his work had great impact on medical surgery by drastically reducing the time patients spent on the operating table. Surgeons were able to save countless lives through the application of time and motion study. Lillian M. Gilbreth (1878–1972) was more interested in the human aspect of work. When her husband died at the age of 56, she had 12 children ages 2 to 19. The undaunted “first lady of management” went right on with her work. She presented

Concept Connection

Lillian M. Gilbreth (1878–1972), Frank B. Gilbreth (1868–1924). This husband-and-wife team contributed to the principles of scientific management. His development of time and motion studies and her work in industrial psychology pioneered many of today’s management and human resource techniques.

Copyright 2010 Cengage Learning. All Rights Reserved. May not be copied, scanned, or duplicated, in whole or in part.
a paper in place of her late husband, continued their seminars and consulting, lectured, and eventually became a professor at Purdue University. She pioneered in the field of industrial psychology and made substantial contributions to human resource management.

Exhibit 2.2 shows the basic ideas of scientific management. To use this approach, managers should develop standard methods for doing each job, select workers with the appropriate abilities, train workers in the standard methods, support workers and eliminate interruptions, and provide wage incentives.

The ideas of scientific management that began with Taylor dramatically increased productivity across all industries, and they are still important today. A recent Harvard Business Review article discussing innovations that shaped modern management puts scientific management at the top of its list of 12 influential innovations. Indeed, the ideas of creating a system for maximum efficiency and organizing work for maximum productivity are deeply embedded in our organizations.

However, because scientific management ignored the social context and workers’ needs, it led to increased conflict and sometimes violent clashes between managers and employees. Under this system, workers often felt exploited—a sharp contrast from the harmony and cooperation that Taylor and his followers had envisioned.

Bureaucratic Organizations

A systematic approach developed in Europe that looked at the organization as a whole is the bureaucratic organizations approach, a subfield within the classical perspective. Max Weber (1864–1920), a German theorist, introduced most of the concepts on bureaucratic organizations.

During the late 1800s, many European organizations were managed on a personal, family-like basis. Employees were loyal to a single individual rather than to the organization or its mission. The dysfunctional consequence of this management practice was that resources were used to realize individual desires rather than organizational goals. Employees in effect owned the organization and used resources for their own gain rather than to serve customers. Weber envisioned organizations that would be managed on an impersonal, rational basis. This form of organization was called a bureaucracy. Exhibit 2.3 summarizes the six characteristics of bureaucracy as specified by Weber.

Weber believed that an organization based on rational authority would be more efficient and adaptable to change because continuity is related to formal structure and positions rather than to a particular person, who may leave or die. To Weber, rationality in organizations meant employee selection and advancement based
not on whom you know, but rather on competence and technical qualifications, which are assessed by examination or according to training and experience. The organization relies on rules and written records for continuity. In addition, rules and procedures are impersonal and applied uniformly to all employees. A clear division of labor arises from distinct definitions of authority and responsibility, legitimized as official duties. Positions are organized in a hierarchy, with each position under the authority of a higher one. The manager depends not on his or her personality for successfully giving orders but on the legal power invested in the managerial position.

The term *bureaucracy* has taken on a negative meaning in today’s organizations and is associated with endless rules and red tape. We have all been frustrated by waiting in long lines or following seemingly silly procedures. However, rules and other bureaucratic procedures provide a standard way of dealing with employees. Everyone gets equal treatment, and everyone knows what the rules are. This foundation enables many organizations to become extremely efficient. Consider United Parcel Service (UPS), sometimes called *Big Brown*.
Administrative Principles

Another major subfield within the classical perspective is known as the administrative principles approach. Whereas scientific management focused on the productivity of the individual worker, the **administrative principles** approach focused on the total organization. The contributors to this approach included Henri Fayol, Mary Parker Follett, and Chester I. Barnard.

Henri Fayol (1841–1925) was a French mining engineer who worked his way up to become head of a major mining group known as Comambault. Comambault survives today as part of Le Creusot-Loire, the largest mining and metallurgical group in central France. In his later years, Fayol wrote down his concepts on administration, based largely on his own management experiences.

In his most significant work, *General and Industrial Management*, Fayol discussed 14 general principles of management, several of which are part of management philosophy today. For example:

- **Unity of command.** Each subordinate receives orders from one—and only one—superior.
- **Division of work.** Managerial work and technical work are amenable to specialization to produce more and better work with the same amount of effort.
- **Unity of direction.** Similar activities in an organization should be grouped together under one manager.
- **Scalar chain.** A chain of authority extends from the top to the bottom of the organization and should include every employee.

Fayol felt that these principles could be applied in any organizational setting. He also identified five basic functions or elements of management: planning, organizing, commanding, coordinating, and controlling. These functions underlie much of the general approach to today’s management theory.

Mary Parker Follett (1868–1933) was trained in philosophy and political science at what today is Radcliffe College. She applied herself in many fields, including social psychology and management. She wrote of the importance of common superordinate goals for reducing conflict in organizations. Her work was popular with businesspeople of her day but was often overlooked by management scholars. Follett’s ideas...
served as a contrast to scientific management and are reemerging as applicable for modern managers dealing with rapid changes in today’s global environment. Her approach to leadership stressed the importance of people rather than engineering techniques. She offered the pithy admonition, “Don’t hug your blueprints,” and analyzed the dynamics of management-organization interactions. Follett addressed issues that are timely today, such as ethics, power, and how to lead in a way that encourages employees to give their best. The concepts of empowerment, facilitating rather than controlling employees, and allowing employees to act depending on the authority of the situation opened new areas for theoretical study by Chester Barnard and others.  

Chester I. Barnard (1886–1961) studied economics at Harvard but failed to receive a degree because he lacked a course in laboratory science. He went to work in the statistical department of AT&T and in 1927 became president of New Jersey Bell. One of Barnard’s significant contributions was the concept of the informal organization. The informal organization occurs in all formal organizations and includes cliques and naturally occurring social groupings. Barnard argued that organizations are not machines and stressed that informal relationships are powerful forces that can help the organization if properly managed. Another significant contribution was the acceptance theory of authority, which states that people have free will and can choose whether to follow management orders. People typically follow orders because they perceive positive benefit to themselves, but they do have a choice. Managers should treat employees properly because their acceptance of authority may be critical to organization success in important situations.  

The overall classical perspective as an approach to management was very powerful and gave companies fundamental new skills for establishing high productivity and effective treatment of employees. Indeed, the United States surged ahead of the world in management techniques, and other countries, especially Japan, borrowed heavily from American ideas.

**Humanistic Perspective**

Mary Parker Follett and Chester Barnard were early advocates of a more humanistic perspective on management that emphasized the importance of understanding human behaviors, needs, and attitudes in the workplace as well as social interactions and group processes. We will discuss three subfields based on the humanistic perspective: the human relations movement, the human resources perspective, and the behavioral sciences approach.
Human Relations Movement

The human relations movement was based on the idea that truly effective control comes from within the individual worker rather than from strict, authoritarian control. This school of thought recognized and directly responded to social pressures for enlightened treatment of employees. The early work on industrial psychology and personnel selection received little attention because of the prominence of scientific management. Then a series of studies at a Chicago electric company, which came to be known as the Hawthorne studies, changed all that.

Beginning about 1895, a struggle developed between manufacturers of gas and electric lighting fixtures for control of the residential and industrial market. By 1909, electric lighting had begun to win, but the increasingly efficient electric fixtures used less total power. The electric companies began a campaign to convince industrial users that they needed more light to get more productivity. When advertising did not work, the industry began using experimental tests to demonstrate their argument. Managers were skeptical about the results, so the Committee on Industrial Lighting (CIL) was set up to run the tests. To further add to the tests’ credibility, Thomas Edison was made honorary chairman of the CIL. In one test location—the Hawthorne plant of the Western Electric Company—some interesting events occurred.

The major part of this work involved four experimental and three control groups. In all, five different tests were conducted. These pointed to the importance of factors other than illumination in affecting productivity. To more carefully examine these factors, numerous other experiments were conducted. The results of the most famous study, the first Relay Assembly Test Room (RATR) experiment, were extremely controversial. Under the guidance of two Harvard professors, Elton Mayo and Fritz Roethlisberger, the RATR studies lasted nearly six years (May 10, 1927 to May 4, 1933) and involved 24 separate experimental periods. So many factors were changed and so many unforeseen factors uncontrolled that scholars disagree on the factors that truly contributed to the general increase in performance over that time period. Most early interpretations, however, agreed on one thing: Money was not the cause of the increased output. It was believed that the factor that best explained increased output was human relations. Employees performed better when managers treated them in a positive manner. Recent re-analyses of the experiments have revealed that a number of factors were different for the workers involved, and some suggest that money may well have been the single most important factor. An interview with one of the original participants revealed that just getting into the experimental group had meant a huge increase in income.

These new data clearly show that money mattered a great deal at Hawthorne. In addition, worker productivity increased partly as a result of the increased feelings of importance and group pride employees felt by virtue of being selected for this important project. One unintended contribution of the experiments was a rethinking of field research practices. Researchers and scholars realized that the researcher can influence the outcome of an experiment by being too closely involved with research subjects. This phenomenon has come to be known as the Hawthorne effect in research methodology. Subjects behaved differently because of the active participation of researchers in the Hawthorne experiments.

From a historical perspective, whether the studies were academically sound is of less importance than the fact that they stimulated an increased interest in looking at employees as more than extensions of production.
machinery. The interpretation that employees’ output increased when managers treated them in a positive manner started a revolution in worker treatment for improving organizational productivity. Despite flawed methodology or inaccurate conclusions, the findings provided the impetus for the human relations movement. This approach shaped management theory and practice for well over a quarter-century, and the belief that human relations is the best approach for increasing productivity persists today.

Before reading on, take the New Manager Self-Test on page 44. This test will give you feedback about how your personal manager frame of reference relates to the human resources and other perspectives described in this chapter.

### Human Resources Perspective

The human relations movement initially espoused a *dairy farm* view of management—contented cows give more milk, so satisfied workers will give more work. Gradually, views with deeper content began to emerge. The human resources perspective maintained an interest in worker participation and considerate leadership but shifted the emphasis to consider the daily tasks that people perform. The human resources perspective combines prescriptions for design of job tasks with theories of motivation. In the human resources view, jobs should be designed so that tasks are not perceived as dehumanizing or demeaning but instead allow workers to use their full potential. Two of the best-known contributors to the human resources perspective were Abraham Maslow and Douglas McGregor.

Abraham Maslow (1908–1970), a practicing psychologist, observed that his patients’ problems usually stemmed from an inability to satisfy their needs. Thus, he generalized his work and suggested a hierarchy of needs. Maslow’s hierarchy started with physiological needs and progressed to safety, belongingness, esteem, and, finally, self-actualization needs. Chapter 15 discusses his ideas in more detail.

Douglas McGregor (1906–1964) had become frustrated with the early simplistic human relations notions while president of Antioch College in Ohio. He challenged both the classical perspective and the early human relations assumptions about human behavior. Based on his experiences as a manager and consultant, his training as a psychologist, and the work of Maslow, McGregor formulated his Theory X and Theory Y, which are explained in Exhibit 2.4. McGregor believed

**Assumptions of Theory X**

- The average human being has an inherent dislike of work and will avoid it if possible.
- Because of the human characteristic of dislike for work, most people must be coerced, controlled, directed, or threatened with punishment to get them to put forth adequate effort toward the achievement of organizational objectives.
- The average human being prefers to be directed, wishes to avoid responsibility, has relatively little ambition, and wants security above all.

**Assumptions of Theory Y**

- The expenditure of physical and mental effort in work is as natural as play or rest. The average human being does not inherently dislike work.
- External control and the threat of punishment are not the only means for bringing about effort toward organizational objectives. A person will exercise self-direction and self-control in the service of objectives to which he or she is committed.
- The average human being learns, under proper conditions, not only to accept but to seek responsibility.
- The capacity to exercise a relatively high degree of imagination, ingenuity, and creativity in the solution of organizational problems is widely, not narrowly, distributed in the population.
- Under the conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilized.

**EXHIBIT 2.4**

**Theory X and Theory Y**

Evolution of Style

This questionnaire asks you to describe yourself. For each item, give the number “4” to the phrase that best describes you, “3” to the item that is next best, and on down to “1” for the item that is least like you.

1. My strongest skills are:
   _____ a. Analytical skills
   _____ b. Interpersonal skills
   _____ c. Political skills
   _____ d. Flair for drama

2. The best way to describe me is:
   _____ a. Technical expert
   _____ b. Good listener
   _____ c. Skilled negotiator
   _____ d. Inspirational leader

3. What has helped me the most to be successful is my ability to:
   _____ a. Make good decisions
   _____ b. Coach and develop people
   _____ c. Build strong alliances and a power base
   _____ d. Inspire and excite others

4. What people are most likely to notice about me is my:
   _____ a. Attention to detail
   _____ b. Concern for people
   _____ c. Ability to succeed in the face of conflict and opposition
   _____ d. Charisma

5. My most important leadership trait is:
   _____ a. Clear, logical thinking
   _____ b. Caring and support for others
   _____ c. Toughness and aggressiveness
   _____ d. Imagination and creativity

6. I am best described as:
   _____ a. An analyst
   _____ b. A humanist
   _____ c. A politician
   _____ d. A visionary

INTERPRETATION: New managers typically view their world through one or more mental frames of reference. (1) The structural frame of reference sees the organization as a machine that can be economically efficient and that provides a manager with formal authority to achieve goals. This manager frame became strong during the era of scientific management and bureaucratic administration. (2) The human resource frame sees the organization as people, with manager emphasis given to support, empowerment, and belonging. This manager frame gained importance with the rise of the humanistic perspective. (3) The political frame sees the organization as a competition for resources to achieve goals, with manager emphasis on negotiation and hallway coalition building. This frame reflects the need within systems theory to have all parts working together. (4) The symbolic frame of reference sees the organization as theater—a place to achieve dreams—with manager emphasis on symbols, vision, culture, and inspiration. This manager frame is important for learning organizations.

Which frame reflects your way of viewing the world? The first two frames of reference—structural and human resource—are more important for new managers. These two frames usually are mastered first. As new managers gain experience and move up the organization, they should acquire political skills and also learn to use symbols for communication. It is important for new managers not to be stuck for years in one way of viewing the organization because their progress may be limited. Many new managers evolve through and master each of the four frames as they become more skilled and experienced.

SCORING: Higher score represents your way of viewing the organization and will influence your management style. Compute your scores as follows:

\[ \text{ST} = 1a + 2a + 3a + 4a + 5a + 6a = \ldots \]
\[ \text{HR} = 1b + 2b + 3b + 4b + 5b + 6b = \ldots \]
\[ \text{PL} = 1c + 2c + 3c + 4c + 5c + 6c = \ldots \]
\[ \text{SY} = 1d + 2d + 3d + 4d + 5d + 6d = \ldots \]

SOURCE: © 1988, Leadership Frameworks, 440 Boylston Street, Brookline, MA 02146. All rights reserved. Used with permission.
that the classical perspective was based on Theory X assumptions about workers. He also felt that a slightly modified version of Theory X fit early human relations ideas. In other words, human relations ideas did not go far enough. McGregor proposed Theory Y as a more realistic view of workers for guiding management thinking.

Look back at your scores on the questionnaire at the beginning of this chapter related to Theory X and Theory Y. How will your management assumptions about people fit into an organization today?

The point of Theory Y is that organizations can take advantage of the imagination and intellect of all their employees. Employees will exercise self-control and will contribute to organizational goals when given the opportunity. A few companies today still use Theory X management, but many are using Theory Y techniques. Consider how hearing-aid maker Oticon applies Theory Y assumptions to tap into employee creativity and mind power.

Oticon, a Danish company that made the world’s first digital hearing aid, was once a typical hierarchical organization with a rather stodgy culture. That all changed in the early 1990s, when chief executive Lars Kolind turned everything on its head by throwing out the old structures and controls.

Kolind believed workers would be more creative, more productive, and more satisfied if they had fewer controls and limitations. Suddenly, employees were free to work on any project and join any team they chose. There was no hierarchy, no organization charts, no titles, and few rules. Permanent desks were done away with in favor of filing cabinets on wheels that people pushed from project to project. Kolind called it “the spaghetti organization” because the company held together without a fixed structure. Ideas began bubbling up and turning into hot new products, such as a hearing aid that required less adjustment. Productivity increased, and sales and profits soared.

Some of the old structures were reinstated as the company grew larger and after Kolind left the company. For example, everyone now reports to a direct supervisor, and people no longer have complete freedom to choose projects. New top leaders believe some structure is helpful as long as workers aren’t constrained and burdened by tight controls. The Theory Y spirit survives at Oticon, helping to keep the company an innovation leader.

Behavioral Sciences Approach

The behavioral sciences approach uses scientific methods and draws from sociology, psychology, anthropology, economics, and other disciplines to develop theories about human behavior and interaction in an organizational setting. This approach can be seen in practically every organization. When IBM conducts research to determine the best set of tests, interviews, and employee profiles to use when selecting new employees, it is using behavioral science techniques. When Best Buy electronics stores train new managers in the techniques of employee motivation, most of the theories and findings are rooted in behavioral science research.

One specific set of management techniques based in the behavioral sciences approach is organization development (OD). In the 1970s, organization development evolved as a separate field that applied the behavioral sciences to improve the organization’s health and effectiveness through its ability to cope with change, improve internal relationships, and increase problem-solving capabilities. The techniques and concepts of organization development have since been broadened and expanded to address the increasing complexity of organizations and the environment, and OD
is still a vital approach for managers. OD will be discussed in detail in Chapter 10. Other concepts that grew out of the behavioral sciences approach include matrix organizations, self-managed teams, ideas about corporate culture, and management by wandering around. Indeed, the behavioral sciences approach has influenced the majority of tools, techniques, and approaches that managers have applied to organizations since the 1970s.

All the remaining chapters of this book contain research findings and management applications that can be attributed to the behavioral sciences approach.

**Management Science Perspective**

World War II caused many management changes. The massive and complicated problems associated with modern global warfare presented managerial decision makers with the need for more sophisticated tools than ever before. The management science perspective emerged to address those problems. This view is distinguished for its application of mathematics, statistics, and other quantitative techniques to management decision making and problem solving. During World War II, groups of mathematicians, physicists, and other scientists were formed to solve military problems. Because those problems frequently involved moving massive amounts of materials and large numbers of people quickly and efficiently, the techniques had obvious applications to large-scale business firms.

Management scholar Peter Drucker’s 1946 book *Concept of the Corporation* sparked a dramatic increase in the academic study of business and management. Picking up on techniques developed for the military, scholars began cranking out numerous mathematical tools for corporate managers, such as the application of linear programming for optimizing operations, statistical process control for quality management, and the capital asset pricing model.

These efforts were enhanced with the development and perfection of the computer. IBM introduced the first automatic, general purpose computer in 1944. It was essentially a calculator with 760,000 parts and 500 miles of wire that took 11 seconds to perform simple division. Further developments over the 1950s and 1960s made this new tool increasingly useful as a data processor, reporting system, and data repository for managers. Coupled with the growing body of statistical techniques, computers made it possible for managers to collect, store, and process large volumes of data for quantitative decision making. Let’s look at three subsets of the management science perspective.

*Operations research* grew directly out of the World War II military groups (called operational research teams in Great Britain and operations research teams in the United States). It consists of mathematical model building and other applications of quantitative techniques to managerial problems.

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

*Information technology (IT)* is the most recent subfield of the management science perspective, which is often reflected in management information systems. These systems are designed to provide relevant information to managers in a timely and cost-efficient manner. More recently, information technology within organizations evolved to include intranets and extranets, as well as various software programs that help managers estimate costs, plan and track production, manage projects, allocate resources, or schedule employees. Most of today’s organizations have departments of information technology specialists who use management science techniques to solve complex organizational problems.
RECENT HISTORICAL TRENDS

The post–World War II period saw the rise of new concepts, along with a continued strong interest in the human aspect of managing, such as team and group dynamics and other concepts that relate to the humanistic perspective, as described earlier in the chapter. Among the approaches we’ve discussed, the humanistic perspective has remained most prevalent from the 1950s until today. Three new concepts that appeared were systems theory, the contingency view, and total quality management.

Systems Theory

A system is a set of interrelated parts that function as a whole to achieve a common purpose. A system functions by acquiring inputs from the external environment, transforming them in some way, and discharging outputs back to the environment. Exhibit 2.5 shows the basic systems theory of organizations. It consists of five components: inputs, a transformation process, outputs, feedback, and the environment. Inputs are the material, human, financial, or information resources used to produce goods and services. The transformation process is management’s use of production technology to change the inputs into outputs. Outputs include the organization’s products and services. Feedback is knowledge of the results that influence the selection of inputs during the next cycle of the process. The environment surrounding the organization includes the social, political, and economic forces noted earlier in this chapter.

Some ideas in systems theory significantly affected management thinking. They include open and closed systems, synergy, and subsystem interdependencies.

Open systems must interact with the environment to survive; closed systems need not. In the classical and management science perspectives, organizations were frequently thought of as closed systems. In the management science perspective, closed system assumptions—the absence of external disturbances—are sometimes used to simplify problems for quantitative analysis. In reality, however, all organizations are open systems, and the cost of ignoring the environment may be failure.

Synergy means that the whole is greater than the sum of its parts. When an organization is formed, something new comes into the world. Management, coordination, and production that did not exist before are now present. Organizational units working together can accomplish more than those same units working alone. The sales department depends on production, and vice versa.

EXHIBIT 2.5

The Systems View of Organizations
Subsystems depend on one another as parts of a system. Changes in one part of the organization affect other parts. The organization must be managed as a coordinated whole. Managers who understand subsystem interdependence are reluctant to make changes that do not recognize subsystem impact on the organization as a whole. Consider Toyota’s highly successful application of the “just-in-time” inventory control system, which aims to keep inventory at its lowest. Managers knew that the best way to make the system work was to let employees on the factory floor control the flow of materials. Thus, the change in production required that the company also make changes in culture and structure. Toyota decentralized decision making so that employees doing the work were empowered to make choices about how to accomplish it. Cultural values were shifted to encourage every employee to think creatively about improving his or her particular piece of the organization and to see problems as opportunities for learning and improving.46

As the example of Toyota shows, when managers learn to think systemically, they have a powerful tool for changing outcomes and improving performance. Systemic thinking means looking both at the distinct elements of a situation and at the interaction among those elements.47 The fundamental assumption of systemic thinking is that everything in the world affects and is affected by the things around it. For example, all managers know that price, cost, volume, quality, and profit are all interrelated. Changing one will affect the others. However, most managers tend to think analytically, by breaking things down to their distinct elements. Systemic thinking takes a further step. To think systemically, managers look not only at the distinct parts of a system or situation but also at the interactions among those parts, which are continually changing and affecting each other differently. A systemic thinking process allows managers to get a handle on highly complex problems and situations in a way that analytical thinking cannot.

**Contingency View**

A second contemporary extension to management thinking is the contingency view. The classical perspective assumed a universalist view. Management concepts were thought to be universal; that is, whatever worked—leader style, bureaucratic structure—in one organization would work in another. In business education, however, an alternative view exists. In this case view, each situation is believed to be unique. Principles are not universal, and one learns about management by experiencing a large number of case problem situations. Managers face the task of determining what methods will work in every new situation.

To integrate these views the contingency view emerged, as illustrated in Exhibit 2.6.48 Here neither of the other views is seen as entirely correct. Instead, certain contingencies, or variables, exist for helping management identify and understand situations. The contingency view tells us that what works in one setting might not work in another. Contingency means that one thing depends on other things and a manager’s response to a situation depends on identifying key contingencies in an organizational situation.

---

**Exhibit 2.6** Contingency View of Management
As a new manager, learn to think systemically. Learn to see both the discrete elements of a situation as well as the ever-changing interactions among elements. Identify important contingencies that will help you understand a situation and find good solutions.

One important contingency, for example, is the industry in which the organization operates. The organizational structure that is effective for an Internet company such as Google would not be successful for a large automobile manufacturer such as Ford. A management-by-objectives (MBO) system that works well in a manufacturing firm, in turn, might not be right for a school system. When managers learn to identify important patterns and characteristics of their organizations, they can then fit solutions to those characteristics.

Total Quality Management

The theme of quality is another concept that permeates current management thinking. The quality movement is strongly associated with Japanese companies, but these ideas emerged partly as a result of American influence after World War II. The ideas of W. Edwards Deming, known as the “father of the quality movement,” were initially scoffed at in the United States, but the Japanese embraced his theories and modified them to help rebuild their industries into world powers.49 Japanese companies achieved a significant departure from the American model by gradually shifting from an inspection-oriented approach to quality control toward an approach emphasizing employee involvement in the prevention of quality problems.50

During the 1980s and into the 1990s, total quality management (TQM), which focuses on managing the total organization to deliver quality to customers, moved to the forefront in helping U.S. managers deal with global competition. The approach infuses quality values throughout every activity within a company, with frontline workers intimately involved in the process. Four significant elements of quality management are employee involvement, focus on the customer, benchmarking, and continuous improvement.

Employee involvement means that achieving quality requires companywide participation in quality control. All employees are focused on the customer; companies find out what customers want and try to meet their needs and expectations. Benchmarking refers to a process whereby companies find out how others do something better than they do and then try to imitate or improve on it. Continuous improvement is the implementation of small, incremental improvements in all areas of the organization on an ongoing basis. TQM is not a quick fix, but companies such as General Electric, Texas Instruments, Procter & Gamble, and DuPont achieved astonishing results in efficiency, quality, and customer satisfaction through total quality management.51 TQM is still an important part of today’s organizations, and managers consider benchmarking in particular a highly effective and satisfying management technique.52

**Take a Moment**

**Total quality management (TQM)** A concept that focuses on managing the total organization to deliver quality to customers. Four significant elements of TQM are employee involvement, focus on the customer, benchmarking, and continuous improvement.
Some of today’s companies pursue highly ambitious quality goals to demonstrate their commitment to improving quality. For example, *Six Sigma*, popularized by Motorola and General Electric, specifies a goal of no more than 3.4 defects per million parts. However, the term also refers to a broad quality control approach that emphasizes a disciplined and relentless pursuit of higher quality and lower costs. TQM will be discussed in detail in Chapter 18.

**INNOVATIVE MANAGEMENT THINKING FOR TURBULENT TIMES**

All of the ideas and approaches discussed so far in this chapter go into the mix that makes up modern management. A recent book on management thinking indicates dozens of ideas and techniques in current use that can trace their roots to these historical perspectives. In addition, innovative concepts continue to emerge to address management challenges in today’s turbulent world. Organizations experiment with new ways of managing that more adequately respond to the demands of today’s environment and customers. Two recent innovations in management include the shift to a learning organization and managing the technology-driven workplace.

**The Learning Organization**

One of the toughest challenges for managers today is to get people focused on adaptive change to meet the demands of an uncertain and rapidly changing environment. Few problems today come with ready-made solutions, and they require that people throughout the company think in new ways and learn new values and attitudes. These needs demand a new approach to management and a new kind of organization.

Managers began thinking about the concept of the learning organization after the publication of Peter Senge’s book, *The Fifth Discipline: The Art and Practice of Learning Organizations*. Senge described the kind of changes managers needed to undergo to help their organizations adapt to an increasingly chaotic world. These ideas gradually evolved to describe characteristics of the organization itself. The learning organization can be defined as one in which everyone is engaged in identifying and solving problems, enabling the organization to continuously experiment, change, and improve, thus increasing its capacity to grow, learn, and achieve its purpose.

The essential idea is problem solving, in contrast to the traditional organization designed for efficiency. In the learning organization all employees look for problems, such as understanding special customer needs. Employees also solve problems, which means putting things together in unique ways to meet a customer’s needs. Today’s best managers know that sustained competitive advantage can come only by developing the learning capacity of everyone in the organization.

**Managing the Technology-Driven Workplace**

The shift to the learning organization goes hand-in-hand with the current transition to a technology-driven workplace. Today, many employees perform much of their work on computers and may work in virtual teams, connected electronically to colleagues around the world. Even in factories that produce physical goods, machines have taken over much of the routine and uniform work, freeing workers to use more of their minds and abilities. Moreover, companies are using technology to keep in touch with customers and collaborate with other organizations on an unprecedented scale.

**Supply Chain Management** Supply chain management refers to managing the sequence of suppliers and purchasers, covering all stages of processing from obtaining raw materials to distributing finished goods to consumers. Exhibit 2.7 illustrates
a basic supply chain model. A supply chain is a network of multiple businesses and individuals that are connected through the flow of products or services. Today, many organizations manage the supply chain with sophisticated electronic technology. In the retail industry, Wal-Mart used end-to-end digital supply chain technology as a competitive weapon to expand rapidly in the United States and is now trying to do the same around the world. In India, for example, Wal-Mart managers are investing in an efficient supply chain that will electronically link farmers and small manufacturers directly to the stores, maximizing value for both ends. Supply chain management will be discussed in detail in Chapter 19.

As a new manager in today’s workplace, be prepared to apply technology as a tool to build relationships with employees, customers, and other organizations and to help employees think and act creatively.

Customer Relationship Management One of today’s most popular applications of technology is for customer relationship management. Customer relationship management (CRM) systems use the latest information technology to keep in close touch with customers and to collect and manage large amounts of customer data. These data can help employees and managers act on customer insights, make better decisions, and provide superior customer service. For example, when you check in at a Marriott hotel, it is likely that the desk clerk is well aware of your past requests for a king-size bed, non-smoking room, and access to the Internet in your room.

There has been an explosion of interest in CRM in just a few short years. In the Manager’s Shoptalk on page 35, CRM is the second most used management tool at 84 percent. Only 35 percent of companies reported using CRM in 2000. How things have changed! Meeting customer needs and desires is a primary goal for organizations, and using CRM to give customers what they really want provides a tremendous boost to customer service and satisfaction.

Customer relationship management (CRM) Systems that help companies keep in close touch with customers, collect and manage customer data, and collaborate with customers to provide the most valuable products and services.

Take a Moment

The BMW subsidiary MINI offers customers a voice in everything from personalizing their credit cards to designing their cars. BMW Financial Services’s MINI Platinum Visa cardholders can customize the MINI image that graces their card by accessing the Web page, shown here. There they can choose from four body styles, 36 different wheels, 21 body colors, and 24 roof options. Similar software allows individuals to customize their actual MINI vehicles. “No two MINIs are exactly alike,” the MINI Web site proclaims. This type of collaborative customer experience is the next step in customer relationship management (CRM), as companies court Internet-savvy Gen X and Gen Y consumers.
Outsourcing  Information technology has also contributed to the rapid growth of outsourcing, which means contracting out selected functions or activities to other organizations that can do the work more cost efficiently. Today’s companies are outsourcing like crazy to free up cash for investment in long-term research and innovation. Outsourcing, like supply chain management and CRM, requires that managers not only be technologically savvy but that they learn to manage a complex web of relationships. These relationships might reach far beyond the boundaries of the physical organization; they are built through flexible e-links between a company and its employees, suppliers, partners, and customers.60

A MANAGER’S ESSENTIALS: WHAT HAVE WE LEARNED?

- An understanding of the evolution of management helps current and future managers appreciate where we are now and continue to progress toward better management. Elements of various historical approaches go into the mix that makes up modern management.
- Three major perspectives on management evolved since the late 1800s: the classical perspective, the humanistic perspective, and the management science perspective. Each perspective encompasses several specialized subfields that provided important ideas still relevant in organizations today.
- Recent extensions of those perspectives include systems theory, the contingency view, and total quality management. Systemic thinking, which means looking not just at discrete parts of a situation but also at the continually changing interactions among the parts, is a powerful tool for managing in a complex environment.
- The most recent thinking about organizations was brought about by today’s turbulent times and the shift to a new workplace described in Chapter 1. Many managers are redesigning their companies toward the learning organization, which fully engages all employees in identifying and solving problems.
- The shift to a learning organization goes hand-in-hand with the transition to a technology-driven workplace. Important new management approaches include supply chain management, customer relationship management, and outsourcing. These approaches require managers to think in new ways about the role of employees, customers, and partners. Today’s best managers value employees for their ability to think, build relationships, and share knowledge, which is quite different from the scientific management perspective of a century ago.

DISCUSSION QUESTIONS

1. How do societal forces influence the practice and theory of management? Do you think new management techniques are a response to these forces?
2. Based on your experience at work or school, describe some ways in which the principles of scientific management and bureaucracy are still used in organizations. Do you believe these characteristics will ever cease to be a part of organizational life? Discuss.
3. A management professor once said that for successful management, studying the present was most important, studying the past was next, and studying the future was least important. Do you agree? Why?
4. As organizations become more technology-driven, which do you think will become more important—the management of the human element of the organization or the management of technology? Discuss.
5. Why do you think Mary Parker Follett’s ideas tended to be popular with business people of her day but were ignored by management scholars? Why are her ideas appreciated more today?

6. Explain the basic idea underlying the contingency view. How would you go about identifying key contingencies facing an organization?

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

8. What does it mean to “think systemically”? How would you apply systemic thinking to a problem such as poor performance in your current academic studies? To a problem with a romantic partner or family member?

9. Do you think management theory will ever be as precise as theories in the fields of finance, accounting, or experimental psychology? Why or why not?

10. In the Bain survey of management tools, corporate blogs were used in 30 percent of companies and also have the highest projected growth rates among managers. What might explain this? Do you think corporate blogs will ever become as popular as customer relationship management systems?

---

**MANAGEMENT IN PRACTICE: EXPERIENTIAL EXERCISE**

**Best Manager–Worst Manager**

Think of two managers you have known—the best and the worst. These managers could be anyone in a formal or informal management position with respect to you, such as a coach, teacher, student club or team leader, a volunteer leader at a church or volunteer group, a boss at work, or a family member. List below the specific qualities and behaviors of each manager that made them the best and worst.

Best manager qualities and behaviors: __________________

Worst manager qualities and behaviors: ________________

Now describe the impact of each manager’s behavior on your motivation and performance. How did the manager make you feel, and how did the manager affect the performance of yourself and others in your situation? Were you and others motivated or de-motivated, performing at a minimum or maximum?

My feelings and performance resulting from best manager: __________________

My feelings and performance resulting from worst manager: __________________

Your answers to the above questions are data points. What principles of effective management can you infer from the answers? Are differences in the best manager–worst manager behavior and impact related to differences among the classical perspective, human resources perspective, behavioral sciences approach, management science perspective, or the learning organization?

Divide into small groups of three to five members. Each person in turn will share your answers with the group. Listen carefully. What are the common qualities, behaviors, and outcomes associated with best manager and worst manager across group members?

Based on the analysis, what are three practices the group recommends that managers use to be effective?

1.

2.

3.

---

**MANAGEMENT IN PRACTICE: ETHICAL DILEMMA**

**The Supervisor**

Karen Lowry, manager of a social service agency in a midsized city in Illinois, loved to see her employees learn and grow to their full potential. When a rare opening for a supervising clerk occurred, Karen quickly decided to give Charlotte Hines a shot at the job. Charlotte had been with the agency for 17 years and had shown herself to be a true leader. Charlotte
worked hard at being a good supervisor, just as she had always worked hard at being a top-notch clerk. She paid attention to the human aspects of employee problems and introduced modern management techniques that strengthened the entire agency.

However, the Civil Service Board decided that a promotional exam should be given to find a permanent placement for the supervising clerk position. For the sake of fairness, the exam was an open competition—anyone, even a new employee, could sign up and take it. The board wanted the candidate with the highest score to get the job but allowed Karen, as manager of the agency, to have the final say-so.

Because she had accepted the provisional opening and proved herself on the job, Charlotte was upset that the entire clerical force was deemed qualified to take the test. When the results came back, she was devastated. Charlotte placed twelfth in the field of candidates while one of her newly hired clerks placed first. The Civil Service Board, impressed by the high score, is urging Karen to give the new clerk the permanent supervisory job. Karen wonders whether it is fair to base her decision only on the results of a written test.

**What Would You Do?**

1. Ignore the test. Charlotte has proved herself and deserves the job.

2. Give the job to the candidate with the highest score. You don’t need to make enemies on the Civil Service Board, and, after all, it is an objective way to select a permanent placement.

3. Devise a more comprehensive set of selection criteria—including test results as well as supervisory experience, ability to motivate employees, and knowledge of agency procedures—that can be explained and justified to the board and to employees.


---

**CASE FOR CRITICAL ANALYSIS**

**SIA Corporation**

In the early years of the new century, it wasn’t hard to see that SIA Corporation couldn’t keep doing business the old-fashioned twentieth-century way. Chief knowledge officer Jerry Seibert fully realized he owed his new position in the newly created knowledge management department to this challenge.

Headquartered in the Midwest, SIA was an umbrella organization offering a wide range of insurance products to commercial customers of all sizes throughout the country and, increasingly, to multinational corporations throughout the world. Over the years it had diversified into various types of insurance by absorbing smaller companies until it now consisted of more than 30 separate business units. Each had its own hierarchy, characterized by strong top-down administration and the well-defined rules and procedures typical of the insurance industry; virtually every employee possessed specialized knowledge about a narrowly defined market niche.

Upper-level management had given the matter considerable attention and concluded that SIA’s refined division of labor into technical specialists needed to give way to a collaborative learning organization, one where employee empowerment and open information made it possible for a single underwriter to be knowledgeable about a variety of products. Jerry’s knowledge management department, housed within human resources, could make a contribution toward this goal.

Jerry devised an elegant solution, if he did say so himself. He oversaw the development of software that allowed any SIA employee to post a query, have that question directed only to those employees with relevant expertise, and then receive an answer, often in a matter of minutes and usually before the day was out. The only hitch was that hardly anyone was posting queries on the easy-to-use system.

Why? Rachel Greenwell, a veteran SIA underwriter, clued him in. Especially after weathering a turbulent period, one that had seen plenty of layoffs in the insurance industry, many employees viewed the restructuring as the first step in a process that would lead to pink slips landing on their desks. Some employees, in fact, saw their own highly specialized knowledge as a kind of job insurance policy.

“I know that’s not what your knowledge-sharing efforts are about and that their fears are unfounded,” she reassured him. “But you’ve got about 9,999 other employees who are at least willing to entertain the possibility that sharing what they know isn’t in their best interests.”

**Questions**

1. What are some of the social, political, and economic forces that are influencing SIA’s decision to become a learning organization?
2. If you were a specialist at SIA, how and why would you respond to the proposed changes? What steps would you suggest Jerry take to increase employee utilization of the knowledge-sharing system in particular? How can he encourage SIA employees to share information?

3. What general obstacles would you foresee in a company such as SIA trying to make the transition from a hierarchical, or bureaucratic, to a learning organization? What are some general measures managers can take to smooth the way?


---

**ON THE JOB VIDEO CASE**

**Mitchell Gold + Bob Williams: The Evolution of Management Thinking**

Mitchell Gold and Bob Williams, founders of MG + BW, have had the mantra “Break the rules whenever possible!” from the beginning. Following the outdated rules governing the upholstery manufacturing industry when they started their company in 1989 would have put them on a path to destruction. Few, if any, management philosophies taking hold in the larger business world were on the minds of manufacturing executives. Industry-wide, supply chain management and customer service was a joke. Total quality management (TQM), let alone customer resource management (CRM), was nowhere to be found. When a customer placed an order for a custom upholstery couch, a customer service representative (CSR) told the customer the couch would arrive in ten weeks. Ten weeks later, however, the couch wasn’t ready and no one knew when it would be.

**Rules Broken by MG + BW**

**Produce Mission-Style Furniture, Not Mission Statements**

Until recently, furniture manufacturers’ idea of mission was limited to a style of heavy oak furniture. Gold and Williams had a clear sense of how they wanted to run their business, so they wrote it down. Following is a summarized version of the MG + BW mission:

- Guarantee comfort.
- Minimize costs to ensure price points represent understandable value to customers.

- Enforce rigorous standards for quality materials and quality control to achieve no returns and real consumer satisfaction.
- Sincerely treat all customers as we want to be treated.
- Create styling that we want in our homes—inviting, warm, an oasis of quiet and calm.
- Manufacture products in a way that preserves our rich environment for future generations.

**Make a Profit from Cutting Corners**

Furniture manufacturers are notorious for skimping on materials whenever possible, especially when the difference might seem imperceptible to customers. For example, many manufacturers use low-cost materials such as soft woods, particleboard, or plastic to construct their frames. MG + BW uses solid kiln-dried hardwoods, logged using sustainable methods, to construct its products. Gold and Williams are convinced that using cheap materials only hurts companies in the end.

**Pay Factory Workers by the Hour**

To meet delivery promises to customers, MG + BW needed to run a more efficient operation, so the company instituted an incentive-based pay structure at its Taylorville, North Carolina, factory. Most production is done by hand, so instead of hourly wages, factory employees get paid for each piece they complete. When they work faster, everybody wins. Quality assurance meetings involving representatives from the factory floor are held regularly to identify process improvements.
Casino

Martin Scorsese’s film is a lengthy, complex, and beautifully photographed study of Las Vegas gambling casinos and their organized crime connections during the 1970s. It completes his trilogy that includes Mean Streets (1973) and Goodfellas (1990). Ambition, greed, drugs, and sex destroy the mob’s gambling empire. The film includes strong performances by Robert De Niro, Joe Pesci, and Sharon Stone. The violence and the expletive-filled dialogue give Casino its R rating.

Full Employee Benefits Are Optional

By industry standards, MG + BW’s approach to benefits is pretty unusual. Apparently, offering full benefits to employees and generous benefits to spouses, partners, and other family members is downright radical. For its employees, MG + BW also built a health-conscious café, a gym and indoor walking track, and the first on-site daycare ever to exist in the furniture industry. College scholarships are awarded annually to the employees’ children as well.

Organizational Form

This scene is part of “The Truth about Las Vegas” sequence that appears early in the film. It follows the scenes of the casino deceiving the Japanese gambler. The scene starts with a close-up of Sam “Ace” Rothstein (Robert De Niro) standing between his two casino executives (Richard Amalfitano and Richard F. Strafella). In a voice-over narration he says, “In Vegas, everybody’s gotta watch everybody else.” The scene ends after Rothstein describes the former cheaters who monitor the gambling floor with binoculars. The film continues with the introduction of Ginger (Sharon Stone).

Discussion Questions

1. How does the humanistic perspective apply to MG + BW’s treatment of employees?
2. How does MG + BW’s approach to management reflect thinking about open systems and contingencies?
3. In what ways does MG + BW practice total quality management?

Cater to the Masses

Uninterested in catering to the lowest common denominator, MG + BW was the first in its industry to target a niche market. Gold loves to say, “Our emphasis is on taking care of a small and highly select number of customers extremely well.”

Strategic Alliances Are for Countries

To reach its customers, MG + BW blazed new trails in channel strategy, starting with a deal to produce private-label furniture for Pottery Barn. Additional partners include Crate & Barrel, Restoration Hardware, Chambers (catalog), and more. Thanks to another strategic coup, the W Hotels furnish their rooms with MG + BW’s furniture, too.

Gold and Williams have become the Couch Kings. The competition tries to play by their rules now. As they celebrate 20 years in business and $100 million in sales, it seems their renegade methods have paid off.

Discussion Questions

1. How does the humanistic perspective apply to MG + BW’s treatment of employees?
2. How does MG + BW’s approach to management reflect thinking about open systems and contingencies?
3. In what ways does MG + BW practice total quality management?
1. This questionnaire is from William Pfeiffer and John E. Jones, eds., “Supervisory Attitudes: The X–Y Scale,” The 1972 Annual Handbook for Group Facilitators (New York: John Wiley & Sons, 1972), pp. 65–68. This material is used by permission of John Wiley & Sons, Inc. The X–Y scale was adapted from an instrument developed by Robert N. Ford of AT&T for in-house manager training.


12. The following is based on Wren, Evolution of Management Thought, Chapters 4, 5; and Claude S. George, Jr., The History of Management Thought (Englewood Cliffs, NJ: Prentice-Hall, 1968), Chapter 4.


Journal of Applied Psychology

Hawthorne Effect: A Reconsideration


34. Tausky, Work Organizations: Major Theoretical Perspectives, p. 55.


55. Peter Senge, The Fifth Discipline: The Art and Practice of Learning


General Motors
Part One: Introduction to Management

General Motors Celebrates 100 Years of Change and Innovation

Of the many important dates in automotive history, September 16, 2008, marks both the end of an era and a bold new beginning. On that historic Tuesday, eager crowds packed the Renaissance Center in Detroit, Michigan, to celebrate a once-in-a-lifetime event: the 100-year anniversary of General Motors (GM).

Following months of centennial-themed pageantry and parades, the American automaker’s towering headquarters had taken on a museumlike aura. On the ground floor sat immaculate showroom classics from the company’s fabled past: an orange 1963 Corvette Sting Ray, a pistachio 1952 Saab, a shiny black 1955 Chevrolet Bel Air coupe, an apple-green 1973 Opel GT. Auto enthusiasts, reporters, and GM employees alike gazed nostalgically on the rows of vintage cars as the clock turned back to a glorious, bygone era in America’s history.

Despite the irresistible charm projected by these solid-steel visitors from GM’s legendary past, it was a concept vehicle from the company’s future that had the crowd’s engines revving on the main floor. For years, management at GM had talked of introducing alternative-energy models that excite consumers and protect the environment. Now, at this momentous celebration, the talk was over, and GM pulled back the curtain on what it says is the future of the auto industry: the Chevy Volt.

With its aerodynamic design and 40 miles of emissions-free driving on a single electric charge, GM’s first-ever plug-in electric vehicle is a far cry from the gas-guzzling trucks and SUVs that delivered the company’s greatest financial successes in recent decades. Indeed, the Volt represents a sea change for the world’s largest auto manufacturer. Unlike hybrids that use electric power to improve the mileage of their gasoline engines, the Volt uses a gasoline generator to assist the range of its battery-powered electric drive unit. According to GM, driving the Volt will save owners $1,500 annually in energy costs. It’s no wonder company officials cite the concept as proof of GM’s intention to lead the reinvention of the automobile.

But the arrival of the Volt comes at a pivotal moment in GM’s history. Ripple effects from an international mortgage crisis in 2008 triggered the industry’s worst sales slump since 9/11. Soaring energy prices in the same period forced management to abandon Hummer and other super-sized models that once represented hope for a financial recovery. But the list goes on. GM also faces slumping shares, stupefying quarterly losses, ballooning debt, steep competition from Toyota, precarious dealings with labor unions, and almost insurmountable fuel-efficiency regulations from the federal government.

If history is any indication, GM will tackle these challenges head on, displaying the same innovative spirit that gave the business its first 100 years of manufacturing excellence. Since its founding in 1908, the automaker has repeatedly demonstrated its strong capacity for innovation and change. From speedometers (1901 Oldsmobile) and electric headlights (1909 Cadillac) to automatic transmissions (1940 Oldsmobile) and mass-produced V-8 engines (1914 Cadillac), GM teams have given the world hundreds of innovative firsts.

Whether it’s big-idea concepts that reshape the future or smaller innovations that improve existing products, CEO Rick Wagoner and his management teams are developing the strategies that will guide the company successfully for the next 100 years. In his speech introducing the Volt’s historic unveiling, Wagoner underscored the remarkable times in which we are living. “GM’s centennial comes at an incredible time in our industry. The entire world is watching, hoping for a breakthrough in personal transportation that will address the very real energy and environmental challenges facing the globe.”

The stakes have never been higher. If GM is to avoid becoming a museum of America’s great automobile manufacturing past, management must deliver breakthrough ideas that once again stoke consumers’ passions. With the Chevy Volt in production and a large cache of renowned brands including Cadillac, Chevrolet, Pontiac, and Saturn, there is every reason to believe GM will succeed.

Questions

1. Which management functions and skills enabled GM’s leaders to create a bold vision for reinventing the automobile around green technology?
2. Identify social, political, and economic forces that affect the auto industry and the practice of management at GM.
3. Which historical management perspective fueled GM’s transformation into a manufacturing powerhouse in the early twentieth century?