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CHAPTER 2

The Evolution of Management Thought

CHAPTER OBJECTIVES

- ✓ **Identify** two key assumptions supporting the universal process approach and briefly **describe** Henri Fayol's contribution.
- ✓ **Discuss** Frederick W. Taylor's approach to improving the practice of industrial management.
- ✓ **Identify** at least four key quality improvement ideas from W. Edwards Deming and the other quality advocates.
- ✓ **Describe** the general aim of the human relations movement and **explain** the circumstances in which it arose.
- ✓ **Explain** the significance of applying open-system thinking to management.
- ✓ **Explain** the practical significance of adopting a contingency perspective.
- ✓ **Describe** what "management by best seller" involves and **explain** what managers can do to avoid it.

OPENING CASE

What are Zildjian's Secrets to Success?

Craigie Zildjian is head of The Zildjian Company, the world's largest cymbal maker and the oldest continuously family-run business in the U.S. (founded in 1623 in Turkey, now located in Norwell, MA). Her perspective on their recipe for success:

- ✓ Guided by core values:
 - Continuous quality improvement
 - Innovation
 - Craftsmanship
 - Customer collaboration
 - Empowering employees

- Avoiding complacency
- Reinvesting in the company
- ✓ Risky R&D (research and development) also help Zildjian maintain a competitive edge with 65% of the world cymbal market. Introducing the first titanium-coated cymbal and expanding their plant are two examples of how they are taking risks and betting on the future.
- ✓ Careful listening is part of the corporate strategy. This includes bringing in artists (musicians) to meet with the R&D manager and marketing staff. An excellent example of how Zildjian collaborates with their customers.

Ask students to compare much younger companies they are familiar with (they are likely to mention Apple or Google) with the nearly 400 year old Zildjian Company. What are the

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similarities and differences? What can these young companies learn from the history and success of such an old company?

LECTURE OUTLINE

Historians and managers alike believe that one needs to know where management has been if one is to understand where it is going.

Various approaches in the evolution of management thought are discussed relative to the lessons each can teach today's managers.

I. THE PRACTICE AND STUDY OF MANAGEMENT

The systematic study of management is relatively new, essentially a product of the twentieth century. The actual practice of management has been around for thousands of years.

- ✓ The pyramids of Egypt stand as tangible evidence of the ancient world's ability to manage.
- ✓ Those ancient managers faced many of the same general problems managers face today such as planning, staffing, managing resources, keeping records, monitoring progress and taking corrective action when needed.

A. Information Overload

- ✓ In early cultures, management was learned by word of mouth and by trial and error.
- ✓ There was no systematically recorded body of management knowledge.
- ✓ Thanks to modern print and electronic media there is a wealth of information on management available for students of management.
- ✓ So much information exists today that it is difficult or impossible to keep abreast of it all.

B. An Interdisciplinary Field

Scholars from many fields—including psychology, sociology, cultural anthropology, mathematics, philosophy, statistics, political science, economics, logistics, computer science, ergonomics, history, and various fields of engineering—have, at one time or another, been interested in management.

- ✓ Administrators in the areas of business, government, religious organizations, health care, and education have also contributed.
- ✓ Each group has offered its own perspective, with new questions and assumptions, new research techniques, different technical jargon, and new conceptual frameworks.

C. No Universally Accepted Theory of Management

- ✓ There is no single theory of management that is universally accepted today.
- ✓ This chapter covers five approaches to management, which provide the main headings for the chapter.

Annotation 2a

What About Factual Accuracy?

Questions: In general, how much do you trust the factual accuracy of historical accounts?

Anyone who has ever played the game "Operator" as a child knows how quickly information can be distorted as it is passed from one person to another. Add the emotions of the moment when a historical event occurs, along with the effect of time passing, and no historical account will ever be completely accurate. Then consider the different perspectives of people in varying roles at the event. To test this, go to your parents and ask about an event that occurred before you were born. Whether you choose a personal event or one of broader significance, you will get two very different accounts.

What is the best way to get the real story? The best way to get the real story of any past incident or period is to collect information from as many sources as possible and look for consistencies. In general, however, approach any account with a healthy dash of doubt.

II. THE UNIVERSAL PROCESS APPROACH

The **universal process approach** is the oldest and one of the most popular approaches to management thought. It is also called the universalist or functional approach. Early writers emphasized the specialization of labor, the chain of command, and authority.

There are two main assumptions:

- ✓ Although the purpose of organizations may vary, a core management process remains the same across all organizations.
- ✓ This process can be reduced to a set of separate functions and related principles.

A. Henri Fayol's Universal Management Process

Henri Fayol published his classic book, *Administration Industrielle et Générale*, in 1916. It was not translated into English until 1949. Fayol's work had a permanent impact on twentieth-century management thinking.

Fayol divided the manager's job into five functions (as mentioned in Ch. 1):

- (1) Planning
- (2) Organizing
- (3) Command
- (4) Coordination
- (5) Control

His 14 universal principles of management (listed and explained in Table 2.1 in the text) were intended to show managers how to carry out their functional duties. These principles are

- (1) Division of work
- (2) Authority
- (3) Discipline
- (4) Unity of command
- (5) Unity of direction
- (6) Subordination of individual interests to the general interest

- (7) Remuneration
- (8) Centralization
- (9) Scalar chain
- (10) Order
- (11) Equity
- (12) Stability and tenure of personnel
- (13) Initiative
- (14) Esprit de corps

These functions and principles have withstood the test of time because of their widespread applicability.

B. **Lessons from the Universal Process Approach**

- ✓ The complex management process can be separated into interdependent areas of responsibility, or functions.
- ✓ Management is a continuous process beginning with planning and ending with controlling.
- ✓ There is a concern that this rigid approach may make management seem more rational and orderly than it really is.
- ✓ The functional approach is useful because it specifies what managers *should* do.

III. **THE OPERATIONAL APPROACH**

The term **operational approach** is a convenient description of the production-oriented area of management dedicated to improving efficiency and cutting waste.

It has also been called scientific management, management science, operations research, production management, and operations management.

Its underlying purpose is “to make person-machine systems work as efficiently as possible.”

A. **Frederick W. Taylor’s Scientific Management**

- ✓ Taylor was born in 1856 and was a self-made man.
- ✓ As a factory manager, Taylor was appalled at the industry’s unsystematic practices.
- ✓ In his pursuit to find a better way he sought what he termed a “mental revolution” in the practice of industrial management.
- ✓ **Scientific management** is the development of performance standards on the basis of systematic observation and experimentation.
- ✓ *Experiment* was Taylor’s trademark.

Taylor focused on four areas:

- ✓ Standardization
- ✓ Time and task study
- ✓ Systematic selection and training
- ✓ Pay incentives

Annotation 2b Piece-Rate Puzzle

Questions: How do you want to get paid? Why?

What kind of a worker are you? Do you tend to stay focused until a task is done, or do you work in spurts followed by periods of unproductive behavior? How long can you concentrate before needing to take a break? Do you tend to work faster than average, or are you the slow and steady one who wins the race? How accurate do you tend to be? Are you good or bad with details? The answers to these questions affect which pay system you would prefer.

If you're a fast and focused worker who tends toward accuracy in details, the piece rate would be much more favorable. If you need to take your time to be accurate, you would probably benefit more with a straight hourly rate.

Which pay plan is probably better for the library? why?

In terms of library goals, the piece rate is probably the best bet for ensuring both productivity and accuracy.

B. Taylor's Followers

Frank and Lillian Gilbreth were inspired by Taylor to turn motion study into an exact science.

- ✓ Using motion pictures, they studied and streamlined work motions, paving the way for work simplification by cataloguing 17 different hand motions (called therbligs)
- ✓ They are best known today as the parents in the humorous book and movie *Cheaper by the Dozen*, which 2 of their 12 children wrote about living in a household where scientific management was applied.

Henry L. Gantt refined production control and cost control techniques.

- ✓ Variations of Gantt's work-scheduling charts are still used today. (See Chapter 6.)
- ✓ Gantt also emphasized the importance of the human factor and urged management to concentrate on service rather than profits.

C. The Quality Advocates

Today's managers recognize the strategic importance of quality. In the 1980s, Americans began to realize that quality was the reason for Japan's dominance in world markets. As a result, the following quality advocates began to be listened to:

- ✓ Walter A. Shewhart introduced statistical quality control in 1931.
- ✓ Kaoru Ishikawa was a professor at the University of Tokyo who advocated quality before World War II.
 - He founded JUSE (the Union of Japanese Scientists and Engineers).
 - He focused on prevention and introduced the idea of both *internal and external customers*.
 - He introduced fishbone diagrams, which are still used as a problem-solving tool. (See Chapter 8.)

- ✓ W. Edwards Deming introduced concepts such as employee participation and continuous improvement in Japan. His 1986 book, *Out of the Crisis*, became a bible for Deming disciples. (See Chapter 16 for more.)
- ✓ Joseph M. Juran also had a strong influence on Japanese managers.
 - The Juran Institute helped strongly establish the concept of the internal customer.
 - Teamwork, partnerships with suppliers, problem solving, and brainstorming are all Juran trademarks.
 - Juran also introduced *Pareto analysis*, a technique for separating major problems from minor ones (his 80/20 rule is further discussed in Chapter 6 under the heading of “Priorities”).
- ✓ Armand V. Feigenbaum developed the concept of *total quality control* while a doctoral student at MIT.
 - His 1951 book focused on quality improvement throughout an organization.
 - He felt that the *customer* is the one who ultimately determines quality.
- ✓ Philip B. Crosby wrote the 1979 best-seller *Quality Is Free*, which promoted the concept of *zero defects*, or doing it right the first time.

D. Lessons from the Operational Approach

- ✓ Scientific management was a revolutionary approach, producing dramatic results in the context of the haphazard industrial practices at the time.
- ✓ It created a much-needed emphasis on promoting production efficiency and combating waste.
- ✓ Even though Taylor’s work is often considered “dehumanizing” today, Taylor actually improved working conditions by reducing fatigue and redesigning machines to fit people.
- ✓ Operations management tends to be broader in scope and application than scientific management. **Operations management** is defined as developing tools and procedures to efficiently transform raw materials, technology, and human talent into useful goods and services.

WINDOW ON THE WORLD

Norwegian Paper Maker Benefits from a Detailed Model of Its Global Operations

Discussion Question: Why is this analytical approach superior to the usual us-versus-them approach to union-management relations?

When Norske Skog managers began to analyze performance and plant outcomes based on numerical data they removed the subjective nature of decision making and instead based their strategic decisions on cold hard facts. When the union hired their own experts they probably thought they would discover some flaw in the data analysis model, instead they “found nothing to complain about”. By focusing the analysis on the numbers and performance outcomes, management removed any potential for employees or the union to challenge their decision making or accuse them of personal bias. Ultimately, this creates an environment where the union members are far more likely to support management rather than waste valuable time and energy working against management.

IV. THE BEHAVIORAL APPROACH

This approach recognizes the importance of people in management and reflects the belief that successful management depends on the ability to understand and work with a variety of people.

A. The Human Relations Movement

The **human relations movement** was a concerted effort among theorists and practitioners to make managers more sensitive to employee needs. It was supported by three very different historical influences.

- (1) **The Threat of Unionization:** The movement was a union-avoidance tactic, with the idea that satisfied employees would be less likely to join unions.
- (2) **The Hawthorne Studies:** Practical behavioral research studies such as these made management aware of the psychological and sociological dynamics of the workplace. One outcome – researchers determined that productivity was much less affected by changes in work conditions than by the attitudes of the workers themselves.
- (3) **The Philosophy of Industrial Humanism:** A convincing rationale for treating employees better and recognition that people were important to productivity. There were three primary proponents:
 - ✓ Elton Mayo focused on emotional factors. He encouraged work that fostered personal and subjective satisfaction.
 - ✓ Mary Parker Follett encouraged managers to motivate performance rather than demand it. She recognized that employees are a complex collection of emotions, beliefs, attitudes and habits. Cooperation, a spirit of unity, and self-control were keys to productivity.
 - ✓ Douglas McGregor created the Theory X/Y philosophy, with Theory X as the traditional assumptions (which he characterized as pessimistic, stifling and outdated) and **Theory Y** stating that employees are energetic and creative if given the opportunity.

Character, Courage and Values

American Express Puts Its People First

For Discussion:

Why is this employee-centered management style both good business and a key workplace ethics issue? *The theory: Happier employees mean happier customers. As their CEO says, "Great service starts with the people who deliver it." By asking the employees what THEY want and then implementing, the company is putting actions behind those words. In addition to happier employees who are more committed and engaged, they are also more loyal, have a greater sense of ownership and are much less likely to lie, cheat or steal from the company. Thus, happy employees deliver good customer service which is good for business and happy employees foster an ethical work environment which is also good for business.*

B. Organizational Behavior

1. **Organizational behavior** is a modern approach to management that attempts to determine the causes of human work behavior and translates the results into effective management techniques.
2. This is an interdisciplinary approach with psychology predominating.

Annotation 2c

Craigie Zildjian - Theory X or Theory Y?

Does Craigie Zildjian appear to be a Theory X or a Theory Y manager?

Craigie appears to be pretty much Theory Y. Her strategies involve her managers and her employees. Every example she gave focused on some responsibility her employees had—from meeting with artists to visiting music stores. The other clue is her constant use of the word “we” She never says, “I do” in this discussion but, rather, always focuses on everyone involved.

C. Lessons from the Behavioral Approach

- ✓ Primarily, the behavioral approach makes it clear to present and future managers that *people* are the key to productivity.
- ✓ Negatively, traditional human relations doctrine has been criticized as vague and simplistic. Supportive supervision and good human relations does not guarantee higher morale and productivity.

V. THE SYSTEMS APPROACH

A **system** is a collection of parts operating interdependently to achieve a common purpose.

This approach requires a completely different style of thinking. The traditionalists said that the whole can be explained in terms of its parts. Systems theorists assume that the whole is greater than the sum of its parts. The difference is traditional analytic thinking (outside-in) versus synthetic thinking (inside-out). Systems theorists propound synthetic thinking because management is not practiced in a vacuum. Many organizational and environmental variables affect each other.

A. Chester I. Barnard’s Early Systems Perspective

- ✓ Barnard wrote the classic *The Functions of the Executive* in 1938.
- ✓ In it, he characterized all organizations as cooperative systems.
- ✓ “A cooperative system is a complex of physical, biological, personal, and social components which are in a specific systematic relationship by reason of the cooperation of two or more persons for at least one definite end.”
- ✓ Barnard felt that an organization did not exist if three principal elements—willingness to serve, common purpose, and communication—were not present and working interdependently (see Figure 2.4).

B. General Systems Theory

General systems theory is an interdisciplinary area of study based on the assumption that everything is part of a larger, interdependent arrangement. Ludwig von Bertalanffy, a biologist, was the founder of general systems theory.

1. Levels of Systems

- ✓ Identifying hierarchies of systems, ranging from very specific to very general, has helped make general systems theory more concrete.
 - ✓ See the seven-level scheme of living systems in Figure 2.5.
2. Closed versus Open Systems
- ✓ A **closed system** is a self-sufficient entity.
 - ✓ An **open system** depends on the surrounding environment for survival.
 - ✓ Systems can be categorized as open or closed by evaluating the amount of interaction they have with the outside environment.
 - ✓ Organizations are, by their very nature, open systems.

Annotation 2d

What type of System is the Zildjian Company ?

Zildjian Company is definitely an open system. Customer collaboration goes back decades, as far as 1929, and it continues today as artists visit the plant so the Research and Marketing teams can meet directly with them. Zildjian managers are also very aware of their competition. The remark "careful listening is part of our corporate strategy" is evidence of their awareness that their organization is an open system.

C. New Directions in Systems Thinking

- ✓ Organizational Learning and Knowledge Management
 - Organizational learning portrays the organization as a living and *thinking* open system.
- ✓ Like the human mind, organizations rely on feedback to adjust to changing environmental conditions, and they learn from experience.
- ✓ Organizations engage in complex mental processes such as anticipating, perceiving, envisioning, problem solving, and remembering.
- ✓ When organizational learning becomes a strategic initiative to identify and fully exploit valuable ideas from both inside and outside the organization, a *knowledge management* program exists. More is said about knowledge management and how it relates to decision making in Chapter 8.
- ✓ Chaos Theory and Complex Adaptive Systems
 - ✓ Chaos theory was developed in the 1960s and 1970s by mathematicians Edward Lorenz and James Yorke.
 - ✓ The challenge for those in the emerging field known as complex adaptive systems theory is the notion that every complex system has rules that govern the seemingly random patterns and that those rules can be discovered in a seemingly chaotic system.
 - ✓ With this theory, managers are challenged to be more flexible and adaptive than in the past.
 - ✓ Chaos theory and complex adaptive systems theory are launching pads for new and better management models, not final answers.

- ✓ Lessons from the Systems Approach
 - ✓ Managers have a greater appreciation for the importance of seeing the whole picture.
 - ✓ The systems approach also works to integrate various management theories.
 - ✓ Critics say the systems approach is short on verifiable facts and practical advice.

Green Management: Toward Sustainability

For Discussion:

How can this sort of open-system thinking help managers create more sustainable practices and products? *From its extraction through sale, use and disposal, all the stuff in our lives affects communities at home and abroad, yet most of this is hidden from view. The Story of Stuff is a 20-minute, fast-paced, fact-filled look at the underside of our production and consumption patterns. The Story of Stuff exposes the connections between a huge number of environmental and social issues, and calls us together to create a more sustainable and just world. It'll teach you something, it'll make you laugh, and it just may change the way you look at all the stuff in your life forever. Watch Annie Leonard's video at www.storyofstuff.com. Viewing the video in class will lead to a lively discussion about limited resources and how today's managers need to think beyond their company and look at the entire open system and supply chain. In this open system environment they will realize the need to develop creative strategies (that remain market driven) for repurposing waste and making better use of locally available resources & technology while minimizing our consumption of natural resources. This will lead to increased efficiency and effectiveness. Companies that have an open system mind-set and encourage managers to develop sustainable practices and products will ultimately realize competitive advantage. How about all of your "stuff"?*

Students are likely to respond with answers varying from eco friendly purchasing to shopping at the local farmer's market. On the other end – most will mention recycling and composting.

VI. THE CONTINGENCY APPROACH

The **contingency approach** is an effort to determine, through research, which managerial practices and techniques are appropriate in specific situations.

- ✓ Different situations require different managerial responses.
- ✓ This approach is particularly appropriate in intercultural situations.
- ✓ In real-life management, the success of any given technique is dictated by the situation.

A. Contingency Characteristics

Contingency thinking is viewed as a workable compromise between the systems approach and a purely situational perspective. (Figure 2.6 illustrates this.)

The contingency approach is

- (1) An open-system perspective
- (2) A practical research orientation
- (3) A multivariate approach
 - ✓ Bivariate analysis looks for simple one-to-one causal relationships.
 - ✓ **Multivariate analysis** is a research technique used to determine how a combination of variables interacts to cause a particular outcome.

B. Lessons from the Contingency Approach

- ✓ The contingency approach is a helpful addition to management thought because it emphasizes situational appropriateness.
- ✓ Contingency thinking is a practical extension of the systems approach.
- ✓ Critics say contingency theory creates the impression that the organization is a captive of its environment, making attempts to manage it useless.
- ✓ The contingency approach is not yet fully developed. Its final impact remains to be seen.

Annotation 2e

What evidence is there of the contingency approach at Zildjian Company ?

Bringing in current musicians to talk to the team and sending employees out to music stores to listen both incorporate a focus on the open system perspective. New products such as a titanium-coated cymbal show a practical research focus. Having a focus on numerous core values such as continuous quality improvement, innovation, craftsmanship, etc. show that Zildjian takes a multivariate approach.

VII. THE ERA OF MANAGEMENT BY BEST SELLER: PROCEED WITH CAUTION

Over the last 25 years or so, the field of management moved from the classroom into the mainstream. Peter Drucker launched this trend, becoming the first management guru who appealed to both academics and practicing managers.

In 1982, the popularization of management shifted into high gear when Thomas J. Peters and Robert H. Waterman, Jr. published *In Search of Excellence*.

Others followed (see Table 2.4), and the popular appeal of management grew.

Certain academics worried that the instant gurus and their best sellers would encourage shoddy research and simplistic thinking.

A. What's Wrong with Management by Best Seller?

Top managers will apply concepts learned in a book to an organization with no diagnosis or assessment to determine the real organizational problems. This is not the fault of the management books, which typically contain some really good ideas. Rather, it is the hurried and haphazard application of those ideas that causes the problems.

B. How to Avoid the Quick-Fix Mentality

In a follow-up study of the “excellent” companies outlined in Peters and Waterman’s *In Search of Excellence*, companies that satisfied all of the excellence criteria turned out to be no more effective than a random sample of *Fortune* 1000 companies.

To avoid the quick-fix mentality, managers should

1. Remain current with literature in the field, particularly with journals that translate research into practice.
2. Ensure that concepts applied are based on science or, at least, some form of rigorous documentation, rather than purely on advocacy.
3. Be willing to examine and implement new concepts, but first do so using pilot tests with small units.
4. Be skeptical when solutions are offered; analyze them thoroughly.
5. Constantly anticipate the effects of current actions and events on future results.

Annotation 2f

Practical Take-Aways

Question: What specific take-away lessons have you learned from studying this chapter that can help you avoid common “rookie” mistakes as a manager?

Would you start building a house without some experience with the tools, familiarity with the properties of the materials you were using, and some basic knowledge of how a building is put together? Would you try to take out an appendix without a basic knowledge of anatomy and some experience in wielding a surgical scalpel? How about something simpler? How about driving a car? Do you remember your first time behind the wheel? And that frightening feeling gripped you even after years of observing others driving.

Yet, when it comes to management and organizational behavior, people are thrown into situations with limited (if any) training and experience and are expected to get it right. One of the most critical take-aways is the understanding that there are many approaches and ideas in management and you have to take the time to see what works for you. It takes practice and the maturity to blend theory, experience and the advice of others with your own experience.

C. Putting What You Have Learned to Work

To put this historical overview into proper perspective, this chapter provides a useful conceptual framework for students but generally does not carry over to the practice of management. Managers are pragmatists; they use whatever works, generally a “mixed bag” approach.

END OF CHAPTER FEATURES

- ✓ Terms to Understand – encourage students to make use of the flashcards available on the student website. Also, suggest they visit the Manager’s Toolkit section on the website for tips and suggestions for aspiring managers.
- ✓ Action Learning Exercise – *Open Systems Thinking and Recycling* Encourage students to keep a log for 24 hours recording all tangible items they buy or consume, include in the report what they did with packaging, waste and leftovers. Then have students respond to the questions for consideration at the end, and discuss the results in class.
- ✓ Ethics Exercise – *Do The Right Thing, Putting the Recent Recession into Historical Perspective.* After reading John Gerzema’s observations have students respond to the questions that follow. A few possible responses they are likely to offer are included.

What are the ethical implications of the following interpretations?

1. Managers will need to be mindful of the new reality – money has become less important to people. From an ethical perspective we hope this is good news. Although we may see less bad behavior that is motivated by money and instead is replaced by a quality of life incentive. Changes in motivation do not automatically eliminate ethical concerns. Therefore, managers will need to learn what *does* motivate their employees as they strive to increase employee loyalty and productivity while still fostering an ethical workplace. The American Dream that was driven by material possessions has taken a bit of turn to also include happiness that is derived from activities and relationships.
 2. Historical blip or new reality? Have we learned from the past? A walk down memory lane will remind us of “old-fashioned” values – family, faith and community. These have come and gone often times as unemployment rates and prosperity hit peaks and valleys. Students’ opinions will vary on whether or not this new reality is here to stay.
 3. Younger employees are less motivated by money and more interested in balancing their work and personal lives. In an effort to find the keys to motivating this new generation, managers should begin by simply asking each employee. As we learned from Mary Parker Follett, employees are a complex collection of emotions, beliefs, attitudes and habits. From an ethical perspective it simply makes good sense to treat each person as a unique individual with emotional needs rather than a number or machine. Each person has a unique set of needs, wants and values so a manager cannot assume that each of their team members is motivated by the same opportunities or rewards. Lead by seeking input and inviting feedback. Ask them “what’s working?” and “what’s not?”.
- ✓ Managers-In-Action Video Case Study – Mitchell Gold + Bob Williams

Gold & Williams Industry Trendsetter

Length: 8 minutes and 15 seconds

Topics:

Quality, Employees, Eco-friendly manufacturing\Recycling, Employee Benefits, Customer Expectations, Diversity, Work environment, Recruitment, Retention, Health & Wellness, and Innovation.

Company Background

Source: Mitchell Gold + Bob Williams company website January 4, 2011

<http://www.mgbwhome.com/>

Whether you're raising a baby or a business, there are more than enough rules on how to do it. The furniture industry is no exception. Right from the start, Mitchell Gold knew he had to break some of those rules to satisfy their customers. And it paid off big time.

In 1989 when the economy was unstable, he and his partner, Bob Williams, naively created The Mitchell Gold Co. Since then, despite tough economic times and upheaval in the furniture industry, sales have reached in excess of \$100 million. The combination of Gold's years of marketing experience with Williams' talents as art director set the course for Mitchell Gold and changed the furniture industry.

One of their earliest ideas, "Relaxed Design," was based on trends they saw in the apparel industry. Designing furniture Bob Williams would want in his own home - comfortable, classic, affordable - he dressed his pieces in relaxed slipcovers of pre-washed fabrics like denim, khaki and velvet. He also addressed the need for a less-intimidating shopping experience by limiting choices to avoid confusing consumers. Along the way, Williams has received numerous awards, including Design 100 awards from Metropolitan Home magazine. And today, the line, which started with dining chairs, offers both slipcovered and tailored upholstery (including down-blend cushions, premium goose-down-blend and comfortable sleepers), leather, sectionals, beds, ottomans, recliners and yes.. dining chairs.

Mitchell Gold + Bob Williams has won accolades from the media, as well as its consumers. Following are some innovations on the company's journey to success:

Customer Service. "Our emphasis is on taking care of a small and highly select number of customers extremely well," says Gold. "And on training each store's salespeople so that consumers feel safe and satisfied buying from them." To do that, explains Gold, "we added a special group called TAPs (The Answer People), who travel the country doing no selling, but only sharing knowledge of our products."

Retail Partners. The company is a leading home-furnishings brand, carried in such national chains as Pottery Barn, Restoration Hardware, Williams Sonoma Home, and Bloomingdale's, as well as in more than 60 independent retailers nationwide. In addition, there is a growing chain of Mitchell Gold + Bob Williams Signature Stores that carries exclusively their products, in cities ranging from New York to D.C., Miami, Houston, Portland OR, and L.A.

Commercial Ventures. Mitchell Gold + Bob Williams furniture is so popular that hip hotel chains such as the W Hotels or Rande Gerber's Whiskey Bars want to treat their guests to Mitchell Gold + Bob Williams.

Brand Building. "People want to know who makes the furniture they're spending their lives on and want to buy a brand associated with the lifestyle they want to live", says Gold. The right ads, the right publications and subtle "co-branding" with retailers have helped Gold do that.

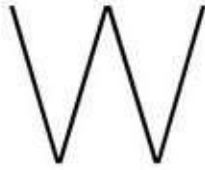
Hot Stuff. It's not just advertising that makes people remember a brand, says Gold. It's the right advertising. Designed to "make a statement" and grab consumers' attention by pushing the envelope in style, content and theme, Mitchell Gold's advertising campaigns are always unexpected and a strong departure from typical advertisements in the industry. Besides, who said furniture ads can't be as provocative as apparel or cosmetics?

Instant Antiques. Leather European club chairs that look as if they'd been in the family for years and go so well with flea market finds - but are proportioned just right for today.

Factory Power. Where does 18 years of incredible growth lead? A big factory. In 1998 Mitchell Gold built a 267,000 sq-ft., state-of-the-art factory, bringing total manufacturing and warehouse space to 400,000 sq. ft. The new facility has a health-conscious café, employee gym and indoor walking track, and even its own on-site daycare center for its over 700+ employees (lulu's child enrichment center link) - the first one of its kind in the residential furniture industry.

Community Advocacy. Mitchell Gold + Bob Williams are honored to support grass-roots and national not-for-profits who champion for those less fortunate and individuals living with life-challenging illnesses. The company is proud to support groups such as the Human Rights Campaign, Empire State Pride Agenda, DIFFA (Design Industries Foundation for AIDS), Friends In Deed, ALFA (AIDS Leadership Foothills-area Alliance), Juvenile Diabetes Research Foundation, Ovarian Cancer Research Fund and the Leukemia Society.

On the Mitchell Gold + Bob Williams website there is a link (<http://mgbwhome.com/whoweare.asp>) to "Who We Are" which leads to the list below which is great for class discussion on company values and becoming a people-centered organization. This also appears in the background on a wall during the video.



Who We Are.

We provide comfort. For everyone.
We were once a jewel of a company 23 persons strong and growing.
We are now a jewel of a company 700+ persons strong and growing.
We are forward in thinking and design.
We look backward to learn.
We are unpredictable.
We love to laugh.
We are in the homes of many famous people.
We are in the homes of many more not so famous people.
We believe in we. Not I.
We believe children enrich our lives.
We believe in enriching the lives of our children.
We don't like mean people.
We obsess over minutia.
We believe in giving great service.
We are active in the pursuit of equality.
We provide consistently good quality.
We deliver consistently on time.
We are timeless.
We love pets.
We give to our communities.
We work with the best merchants and tastemakers.
We sell our collection in the most spectacular of retail environments.
We love to entertain.
We love to be entertained.
We are traditional.
We are non-traditional.
We love what we do.
We never miss a meal. Ever.
We create an environment of mutual respect.
We respect our environment.
We believe in providing customers with a value.
We value our customers.
We are curious about everything.
We are stopped by nothing.
We are on a mission to make the world a more comfortable place.

We invite you to please join us.

Mitchell Gold + Bob Williams

Synopsis of Video

Company Founders Mitchell Gold and Bob Williams discuss their unique approach in the furniture industry when they started their company. They clearly demonstrate how successful companies can produce quality products while also providing a great place to work. Employees share their perspective, which makes it easy to understand why Mitchell Gold + Bob Williams has grown from 23 employees to more than 700.

For more information about Mitchell Gold + Bob Williams visit their website:

<http://www.mgbwhome.com/>

Previewing Questions

1. Describe quality management ideas and practices suggested by quality advocates Deming, Ishikawa, Juran, and Feigenbaum (discussed in this chapter in the Quality Advocates section)?

Kaoru Ishikawa who advocated quality by focusing on prevention. He also introduced the idea of both internal and external customers, and fishbone diagrams as a problem-solving tool.

W. Edwards Deming introduced concepts such as employee participation and continuous improvement.

Joseph M. Juran helped strongly establish the concept of the internal customer. Teamwork, partnerships with suppliers, problem solving, and brainstorming are all Juran trademarks. He also introduced Pareto analysis, a technique for separating major problems from minor ones (80/20 rule)

Armand V. Feigenbaum developed the concept of total quality control focused on quality improvement throughout an organization. He felt that the customer is the one who ultimately determines quality.

2. What responsibility should a company have to their employees' quality of life and working conditions? Provide specific examples to support your answer.

Personal opinion question, however, based on the Ethics Exercise at the end of the chapter, evidence would suggest managers should pay attention to quality of life and working conditions. Examples will vary – consider using REI or Google as examples. They provide excellent employee benefits and outstanding working conditions that foster creativity, empowerment, loyalty, productivity, and long-term success.

3. How can business owners and managers get employees to produce their best work?

Taking the time to learn about each employee and what motivates them

will help managers to provide the appropriate level of challenge and independence and to structure meaningful rewards.

Postviewing Questions

4. For each of the quality advocates referenced in question one, identify a quality idea/perspective and discuss a corresponding practice in place today at Gold + Williams.

Kaoru Ishikawa the idea of both internal and external customers is demonstrated when the owners discuss not only their commitment to being driven by the external customer as it relates to design but also focused on listening to their employees. This example also illustrates W. Edwards Deming's concept of employee participation and Joseph M. Juran's internal customer and teamwork. Armand V. Feigenbaum felt that the customer is the one who ultimately determines quality. Gold + Williams redefined how the furniture industry did business after listening to customers. The results were more affordable, flexible products delivered faster.

5. How does the work environment at Gold + Williams impact quality and success? *Gold + Williams have created a corporate culture centered around people with the belief that if people are having fun and enjoy their job they will produce their best work. Air conditioning, good lighting and a place where everyone is welcome and valued contribute to a higher sense of ownership, employee engagement and success.*
6. From an employee recruitment and retention perspective, what benefits, policies, and management practices provide Gold + Williams with a competitive advantage? Explain why. *Air conditioning, good lighting and good coffee were some of the items mentioned that brought people to the company. Policies and practices that are inclusive, where people are accepted regardless of their sexual orientation is another example. Their annual health fair with free physicals is yet another benefit where management has sent a strong message through their actions that people in the company are important. The owners also set an example by being friendly and personable with employees and leading by example in the community. Creating an environment where the emphasis is on teamwork: "Each person's success is everyone's success" contributes to a positive work environment. All of these things combine to create a company where employees feel valued and are therefore loyal and committed to doing their best work.*

7. One of the five overarching changes mentioned in chapter 1 was environmentalism and sustainability. Discuss how Gold + Williams is responding to this change and adapting its manufacturing practices?
From day one, Gold + Williams has had a commitment to the environment. They changed the perspective to consumer/retail driven which leads to faster shipping and ideally, less waste.

CLOSING CASE: SIX GENERATIONS HAVE FINE TUNED GUITAR MAKER

1. *Division of Work:* Specialization of labor includes a group of employees who make just the guitar strings.
Unity of command: No more absentee managers off fixing other factories.
Unity of direction: A commitment from every employee to try to make the perfect guitar.
Remuneration: Since 1986 employees have received about \$15 million in profit sharing.
Initiative: Shifting from a traditional hierarchical structure to a more team oriented environment where employees were more involved.
Esprit de corps: Successfully producing 85,000 guitars in a team oriented environment where everyone is striving to make the perfect guitar and is rewarded with profit sharing for the effort implies there is a good bit of esprit de corps.
2. She would be very positive about it. Shifting from a top-down management structure to a more team oriented approach is certainly aligned with Follett's focus on people. Everything Martin does is about valuing a motivated workforce and creating an environment where workers can shine.
3. Martin is definitely a Theory Y manager. His pride in the company and his belief in his employees' ability to make the perfect guitar is evident.
4. An open system. They rely on customers for their business, they hired people from different industries with expertise in quality and they seek learning opportunities from outside, nontraditional experiences such as Outward Bound.
5. *The 7 Habits of Highly Effective People: Powerful Lessons in Personal Change.* Because all employees of any company should have the concepts in this book as part of their toolkit.
Reengineering the Corporation: A Manifesto for Business Revolution. Staying competitive in any industry involves using the all the productivity tools available for manufacturing and design.

INSTRUCTIONAL TIPS

1. In order to help support your students on research projects assigned in this class, this chapter in the manual provides a list of periodicals that are good resources for articles on management and related topics. You are welcome to copy this list and share it with your students when giving research assignments.
2. A brief class discussion of the impact of one's personal background on one's present and future perspective and direction can help highlight the value of using a historical perspective as a basis for understanding.
3. An interesting and enjoyable class exercise that helps personalize the material in Chapter 2 is to assign individuals or groups the roles of Henri Fayol, F. W. Taylor, Mary Parker Follett, Chester I. Barnard, W. Edwards Deming, and Thomas J. Peters. Then ask each expert to debate and discuss how he or she would handle various contemporary management situations (e.g., global competition, employee alcohol/drug abuse, diversity issues, the changing character and nature of the workforce, and motivation of younger employees who value leisure more than work).
4. A debate or other structured class discussion session about the relative merits of each of the major approaches to management is a good way to compare and contrast the various perspectives. It quickly becomes apparent that there is no single best approach and that each perspective contributes something of value to our knowledge of management.
5. There is a saying that "those who do not study history are condemned to repeat it." Ask students which of the various approaches to management they think they could use when they become managers. What ideas do they think would no longer be effective in today's workplace?
6. To add energy to the discussion of chaos theory and complex adaptive systems theory, bring a number of small soft balls or toys to class and start the students tossing them around the classroom. You'll see the energy level of the class shoot up as students toss the items around. (You can add arbitrary rules such as "Toss objects to a different person each time." You can also vary the size of the balls and toys. For example, add a beach ball to the collection being tossed around.) Slowly add additional balls and toys, one at a time, until the "system" collapses under the sheer number of flying things. Discuss the fine line between a complex system and total chaos, using this example. (Caution: To ensure the safety of this exercise, use only soft balls and toys, and allow only underhand throwing.)

ADDITIONAL DISCUSSION/ESSAY QUESTIONS

1. What was Henri Fayol's contribution to the evolution of management thought?
2. How did F. W. Taylor go about improving job performance through scientific management?
3. What circumstances gave rise to the human relations movement?
4. What is an open system, and why is it useful to view organizations as open systems?
5. As this chapter shows, the basis for the quality movement actually started in the 1930s. Why do you think it took so long to catch on in the United States?
6. How would you react if a new boss gave you a book to read and told you that the organization was going to change dramatically to reflect the book's ideas?

DISCUSSION STARTER:

HISTORICAL PERSPECTIVE AND CONTEXT; MANAGEMENT HISTORY; TODAY'S STUDENTS

Although management theory and practice have been researched and analyzed for hundreds of years, it is often difficult to convince today's aspiring managers that learning about the history of management is worth their time. Today's college students have grown up with the internet, social media and smart phones. How can they possibly learn from managers who never had access to these modern day communication tools?

For Discussion:

1. What impact has technology had on contemporary managers?
2. What aspects of management remain the same?
3. What useful lessons have you learned from the "school of hard knocks" (e.g., your own historical context)?
4. What lessons can be learned from managers who came before us? And why is it important (or unnecessary) to put modern management practices into historical context?

BONUS VIDEOS

BIZFLIX VIDEO CASES FROM THE TEXTBOOK WEBSITE

Discussion Questions and Guide

Chapter 2 Video Case: *Casino*

VIDEO CASE SYNOPSIS

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. According to *VideoHound's Golden Movie Retriever*, 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.

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.

VIDEO CASE DISCUSSION QUESTIONS AND SUGGESTED ANSWERS

1. *Apply Fayol's principles of management to this scene. Which ones appear in the scene? Give examples from the scene of what you see.*

The scene offers examples of several of Fayol's principles of management discussed in this chapter, including:

Unity of command: Each person has a single manager to whom they report. Examples: Dealers watch players; boxmen watch dealers; floormen watch boxmen.

Division of work: Each function on the gambling floor has a specialized division of labor. Examples: Dealers deal cards and collect the casino's take; ex-cheaters specialize in surveillance.

Unity of direction: All similar gambling floor activities group together with a single focus.

Scalar chain: Rothstein's description captures the extensive scalar chain of the Tangiers casino. The chain of authority relationships extends from him to the lowest level in the casino through each of managers he describes.

2. *Compare the Theory X and Theory Y assumptions to this scene. Which assumptions appear in this scene from Casino?*

The scene primarily shows management behavior associated with Theory X assumptions. Strong control and direction are major features of management behavior on the gambling floor. The ex-cheaters appear closer to some Theory Y assumptions than those of Theory X. They show self-direction and self-control and likely have high commitment to identifying and catching cheaters.

3. *How might the systems approach be applied to this managerial environment?*

The behind-the-scenes workings of a casino can definitely be described as a system. Students may disagree as to whether this is an open or a closed system, and in fact, as in most cases, it is both. However, it is probably best described as relatively open because the internal system is dependent on the gamblers who play at the casino. Also noteworthy is the amount of time that both gamblers and casino managers spend in attempting to discern "the rules" that govern the seemingly chaotic nature of any type of gambling.

BONUS LECTURE

The M.B.B.S. Syndrome

Shortly after Blanchard and Johnson's first runaway best seller came out, a joke made the rounds among management consultants.

"Have you heard about the man who studied the *One Minute Manager* and still got fired?"

"What happened?"

"He didn't know what to do with the other 59 minutes."

Recently another story has been circulating based on the constant push for quality in organizations today. It tells of a CEO who walked into the office of the human resource director one morning and said simply, "I want *our* company reengineered too," and then walked out.

Both of these are examples of a concept referred to as M.B.B.S., *Management by Best Seller*. This describes the tendency of some managers, and consequently some businesses, to jump on the bandwagon of every new idea they run across and just as quickly discard it when it doesn't work immediately and the next new idea hits.

M.B.B.S. occurs at all levels of an organization but can have the most impact when initiated at the top. This is because the people at the top have the authority and dollars to make their ideas a part of the organization. In its most extreme form, M.B.B.S. can cause an organization to experience many sudden shifts in direction and focus, leading to confusion and frustration at lower organizational levels. Even when it appears at lower levels, too strong a focus on one approach to management can cause problems with a manager's career or subordinates.

This perspective is not meant to disparage new business ideas. They are generally quite useful and well-thought-out and can prove to be a positive force when integrated properly into a company. The problem occurs when executives choose to jump on the bandwagon of one new business or management concept after another without fully understanding any of them. Here are some reasons for this pattern of behavior:

- ✓ **Weak or unfocused corporate culture and/or strategic focus.** When the direction of an organization is unclear, it is easier to be blown off course by the winds of each new idea.
- ✓ **An insecure or incompetent executive team.** The team knows something is wrong but not how to fix it. The members hope that the new idea will prove to be a panacea for their company.
- ✓ **Strong, unquestioning top-down control.** This creates a situation in which a top executive can become inspired by a new idea, and no one else in the organization will question the new focus, even if it is inappropriate.
- ✓ **Consultants who recognize the market value of a new concept and present themselves as experts despite limited experience or understanding.** This can lead to spending a great deal of money hiring people to do consulting or training that doesn't work.
- ✓ **An unwillingness to spend the time and money or do the hard work that is needed.** This refers either to doing what is required to successfully implement the new idea or to solving the problems that made the new idea look so appealing in the first place.
- ✓ **A short-term focus.** This leads to top management's constant search for a "quick fix."

The main problem with this approach is also discussed in Chapter 2 of the text. No one concept or idea can serve as a cure-all for every organization's ills. New ideas have to be carefully evaluated for their value in a specific situation before a decision is made to incorporate them into an organization. Managers need to understand that even the best ideas require time, money, and effort to implement. Finally, it is important not to throw out older ideas that have shown their value in favor of the "flavor of the month" approach to business.

One major danger of this approach is that good ideas can be discarded because of hasty, unsuccessful attempts to execute them. Another danger is the possibility that a company will ignore or cut back on business basics because the firm's time and money are jumping from one big idea to another indiscriminately. The end result is an injustice to the new ideas as well as to the old.

To avoid this pattern, there are steps a company can take:

- ✓ **Build a strong focus and a clear mission.** This applies both to direction and to the way of achieving that direction within the company.
- ✓ **Develop a system for evaluating new business ideas.** This may include a committee to determine whether the idea will fit with the organization and a phased approach to implementation, involving testing the new idea on a small department or division first.
- ✓ **Analyze failures.** When a new business concept doesn't work, the organization has to determine whether the fault lies with itself or with the idea.
- ✓ **Work for balance in the organization.** A focus on the new shouldn't automatically include a rejection of systems and ideas that have worked well in the past.
- ✓ **Don't ignore the nuts and bolts of good management.** Basics such as feedback, fairness, and other elements of good management have to be continuously supported no matter what new ideas develop.

M.B.B.S. does not have to be standard procedure. With the right kind of focus, managers can benefit from every new business idea, adding the components that best match their needs and letting go of ideas that may be glamorous but are ineffective or inappropriate for their organization.

BONUS PROJECT ASSIGNMENT

One of the challenges for management students is to identify credible sources for their research. Although sites such as Wikipedia are fast and easy to access, the reality is that anyone can publish anything they choose without the need for fact checking or referencing valid, reliable data. In other words, everything you read on an open source page should be viewed with a level of skepticism. In contrast, there are many good resources available for management scholars. Select a topic from this chapter and find an article from one of the following publications to bring to class for discussion. The college library subscribes to many of these publications and they are available in print and in a digital format online. Check with the reference librarians for more information.

Management Literature Resources

These periodicals are good resources for management articles. Many libraries also have the *Business Periodicals Index*, the *Business Publications Index and Abstracts*, and “online” listings of business articles. Some of these publications are also partially or totally available online. However, if you access them directly you may have to pay a fee. Try accessing them through the library databases first where the articles are available to students for free.

Academy of Management Executive	Journal of Business Research
Academy of Management Journal	Journal of Business Strategy
Academy of Mgt. Learning and Education	Journal of Contemporary Business
Academy of Management Review	Journal of International Business Studies
Across the Board	Journal of Management
Administrative Management	Journal of Management Development
American Journal of Sociology	Journal of Management Studies
Association Management	Journal of Organizational Behavior
Barron's	Journal of Organizational Excellence
Black Enterprise	Journal of Purchasing
The Bureaucrat	Journal of Small Business Management
Business 2.0	Journal of Systems Management
Business Ethics	Journal of World Business
Business Horizons	Labor Law Journal
Business Month	Long Range Planning
Business and Society Review	Management Accounting
Business Week	Management International Review
California Management Review	Management Today
Canadian Business	Management World
Cost and Management	Managerial Planning
Decision Sciences	MIT Sloan Management Review
Euro-Asia Business Review	Monthly Labor Review
Executive Female	National Business Woman
Fast Company	Operations Research
Fortune	Organizational Dynamics
Futurist	Personnel
Group and Organization Management	Personnel and Guidance Journal
Harvard Business Review	Personnel Psychology
Hispanic Business	Planning Review HR
Magazine	Psychology Today Human
Relations	Public Administration
Inc.	Public Administration Review
Industrial & Labor Relations Review	Public Personnel Management
Industrial Relations	Quality Progress
Industry Week	Risk Management
Information Week	Strategic Management Journal
Information Technology	Supervisory Management
Inside Supply Management	Technology Review
International Management	Training
Journal of Applied Behavioral Science	Training and Development
Journal of Applied Psychology	The Wall Street Journal
Journal of Business Communication	Web Bound
Journal of Business Ethics	Working Mother