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## **CHAPTER 2**

### **Historical Foundations of the Learning Organization.**

#### **CHAPTER OUTLINE**

- I. Are You a New-Style or an Old-Style Manager?
- II. Management and Organization
- III. Classical Perspective
  - A. Scientific Management
  - B. Bureaucratic Organizations
  - C. Administrative Principles
- IV. Humanistic Perspective
  - A. Human Relations Movement
  - B. Human Resources Perspective
  - C. Behavioral Sciences Approach

- V. Management Science Perspective
- VI. Recent Historical Trends
  - A. Systems Theory
  - B. Contingency View
  - C. Total Quality Management
- VII. Innovative Management Thinking for Turbulent Times
  - A. The Learning Organization
  - B. Managing the Technology-Driven Workplace

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## **ANNOTATED LEARNING OBJECTIVES**

After studying this chapter, students should be able to:

1. *Understand how historical forces influence the practice of management.*

The practice of management has changed in response to historical conditions. The three major historical forces shaping management are social, political, and economic.

2. *Identify and explain major developments in the history of management thought.*

The three major perspectives on management that have evolved since the late 1800s are the classical, humanistic, and management science perspectives.

3. *Describe the major components of the classical and humanistic management perspectives.*

The thrust of the classical perspective was to make organizations efficient operating machines. This perspective contained the following subfields, each with a slightly different emphasis:

### The Evolution of Management Thinking

- a. Scientific management emphasized that decisions based on rules of thumb and tradition be replaced with precise procedures developed after careful study of individual situations as the solution to improving labor productivity.
- b. Bureaucratic organizations emphasized management on an impersonal, rational basis through elements such as clearly defined authority and responsibility, record keeping, and separation of management and ownership.
- c. Administrative principles focused on the productivity of the total organization rather than the productivity of the individual worker.

The humanistic perspective emphasized the importance of understanding human behaviors, needs, and attitudes in the workplace, as well as social interactions and group processes. Major components include the:

- a. Human relations movement, which recognized and directly responded to social pressures for enlightened treatment of employees, and the notion that human relations was the best approach for increasing productivity – a belief that persists today.
- b. Human resources perspective, which maintained an interest in worker participation and considerate leadership but shifted the emphasis to consider the daily tasks that people perform, combining prescriptions for design of job tasks with theories of motivation.
- c. Behavioral sciences approach, which develops theories of human behavior based on scientific methods and study.

#### 4. *Discuss the management science perspective and its current use in organizations.*

The scientific management perspective is a subfield of the classical management perspective that emphasized scientifically determined changes in management practices as the solution to improving labor productivity. The basic ideas of scientific management dramatically increased productivity across all industries, and they are still important today. Under this system, managers should develop a standard method for performing each job. They should select workers with appropriate abilities for each job. Managers should train workers in standard methods. They should support workers by planning their work and eliminating interruptions. Lastly, managers provide wage incentives to workers for increased output.

#### 5. *Explain the major concepts of systems theory, the contingency view, and total quality management.*

Systems theory is an extension of the human resources perspective. This theory describes organizations as open systems that are characterized by entropy, synergy, and subsystem interdependence. A system is a set of interrelated parts that function as a whole to achieve a common purpose. An open system interacts with its environment to survive. Entropy is a universal property of systems and refers to their tendency to run down and die. Synergy means the whole is greater than the sum of its parts. Subsystems are parts of a system that depend on one another for their functioning.

The contingency view is an extension of the humanistic perspective in which the successful resolution of organizational problems is thought to depend on managers' identification of key variations in the situation at hand. Certain contingencies, or variables, exist for helping management identify and understand situations. The contingency view tells us that what works

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in one setting might not work in another. Management's job is to search for important contingencies. When managers learn to identify important patterns and characteristics of their organizations, they can then fit solutions to those characteristics. Important contingencies that managers must understand include the industry, technology, the environment, and international cultures.

Total quality management (TQM) is a concept that focuses on managing the total organization to deliver quality to customers. The approach infuses quality values throughout every activity within a company. Four significant elements of quality management are employee involvement, focus on the customer, benchmarking, and continuous improvement.

6. *Explain what a learning organization is and why this approach has become important in recent years.*

The learning organization is an organization in which everyone is engaged in identifying and solving problems, enabling the organization to continuously improve and increase its capability. The essential idea is problem solving, in contrast to the traditional organization that is 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. To develop a learning organization, managers make changes in all the subsystems of the organization.

The learning organization approach has become important due to the need to get people focused on adaptive changes necessary to meet the demands of an uncertain and rapidly changing environment. Most problems today require that people throughout the company think in new ways and learn new values and attitudes.

7. *Discuss the management changes brought about by a technology-driven workplace, including the role of supply chain management, customer relationship management, and outsourcing.*

Companies are using technology to keep in touch with customers and collaborate with other organizations on an unprecedented scale. Today, many organizations manage their supply chains with sophisticated electronic technology that enables them to maximize value for both ends of the chains. 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. 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 with other organizations.

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## LECTURE OUTLINE

### I. ARE YOU A NEW-STYLE OR AN OLD-STYLE MANAGER?

Management philosophies and organizational forms change over time to meet new needs. This exercise helps students determine their primary management style as either Theory X (old style) or Theory Y (new style).

### II. MANAGEMENT AND ORGANIZATION Exhibit 2.1

An historical perspective on management provides a context or environment in which to interpret current opportunities and problems. Studying management history is a way to achieve strategic thinking, see the big picture, and improve conceptual skills. The first step is to explain the social, political, and economic forces that have influenced organizations and the practice of management.

**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 the social contract, 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 X and Generation Y employees—young, educated, and technologically adept. Career life cycles are getting shorter, with workers changing jobs every few years. There is a growing focus on work/life balance, reflected in telecommuting and other alternative work arrangements.

*Discussion Question #1: How do societal forces influence the practice and theory of management? Do you think new management techniques are a response to these forces?*

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**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, and justice. People are demanding empowerment, participation, and responsibility in all areas of their lives. On a global scale, growing anti-American sentiments in many parts of the world create challenges for United States companies and managers.

**Economic forces** pertain to the availability, production, and distribution of resources in a society; organizations require resources to achieve their objectives. The economy of the United States and other developed countries is shifting with the sources of wealth, distribution and decision-making.

The newly emerging economy is based largely on ideas, information, and knowledge; supply chains have been revolutionized by digital technology. Another trend is the importance of small and mid-sized businesses. However, a massive economic shift is not without upheavals. In 2000, stock prices fell, especially for dot.coms, and lay-offs were widespread.

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Management practices and perspectives vary in response to these social, political, and economic forces. During hard times, managers look for new ideas to help them cope.

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### III. CLASSICAL PERSPECTIVE Exhibit 2.2

The **classical perspective** emerged during the nineteenth and twentieth centuries, and emphasized a rational, scientific approach to the study of management. The factory system of the 1800s faced challenges such as tooling plants, organizing managerial structure, training nonEnglish speaking employees, scheduling, and resolving strikes. These new problems and the development of large complex organizations demanded a new perspective on coordination and control. The classical perspective contained three subfields, each with a slightly different emphasis—scientific management, bureaucratic organizations, and administrative principles.

#### A. Scientific Management

1. Frederick W. Taylor (1856-1915) developed **scientific management**, a subfield of the classical perspective that emphasized scientific changes in management to improve labor productivity. However, because scientific management ignored the social context and workers' needs, it led to increased conflict and clashes between management and employees.
  - a. Taylor suggested decisions based on rules of thumb and tradition be replaced with precise work procedures developed after careful study of the situation. In 1898, Taylor used the unloading of iron from rail cars and reloading finished steel to calculate the correct movements and tools needed to increase productivity. Taylor worked out an incentive system that paid each man \$1.85 instead of \$1.15 a day for meeting the new standard, and productivity shot up as a result.

2. Taylor is the *father of scientific management*, but Henri Gantt developed the *Gantt Chart*—a bar graph that measures planned and completed work.
3. Frank B. and Lillian M. Gilbreath pioneered time and motion study, which stressed efficiency and the best way to do a job. Frank is known for work with brick layers, but surgeons were able to save countless lives through the application of the time and motion study. Lillian pioneered the field of industrial psychology and made substantial contributions to human resource management.
4. Scientific management is important today, specifically the idea of arranging work based on careful analysis of tasks for maximum productivity. It is used in developing standards for jobs, selecting workers with appropriate abilities, training workers, supporting workers, eliminating interruptions, and providing wage incentives.

#### B. Bureaucratic Organizations Exhibit 2.3

1. The **bureaucratic organizations** approach is a subfield of the classical perspective that looked at the organization as a whole. Max Weber (1864-1920) introduced management on an impersonal, rational basis through defined authority and responsibility, formal recordkeeping, and separation of management and ownership.
  - a. Weber's idea of organization was the bureaucracy: a system that incorporated division of labor, hierarchy, rules and procedures, written decisions, promotion based on technical qualifications, and separation of ownership and management. In a bureaucracy, managers do not depend on personality for successfully giving orders, but rather on the legal power invested in their managerial positions.
2. The term *bureaucracy* has a negative meaning in today's organizations and is associated with endless rules and red tape; however, ideally everyone gets equal treatment. For example, UPS has been successful because of its bureaucracy of rules and regulations, a well-defined division of labor, and technical qualifications as a primary hiring criterion.

#### C. Administrative Principles

1. The **administrative principles** approach focused on the total organization rather than the individual worker, delineating the management functions of planning, organizing, commanding, coordinating, and controlling. Henri Fayol (1841-1925), identified 14 principles of that include the following four.
  - a. *Unity of Command*. Each employee should have only one boss.
  - b. *Division of Work*. Specialized employees produce more with the same effort.
  - c. *Unity of Direction*. Similar activities should be grouped under one manager.

- d. *Scalar Chain*. A chain of authority, which extends from the top of an organization to the bottom.
2. Mary Parker Follett (1868-1933) stressed the importance of people rather than engineering techniques and addressed ethics, power, and empowerment. Her concepts included facilitating rather than controlling employees and allowing employees to act according to the situation.
3. Chester I. Barnard (1886-1961) contributed the concept of the *informal organization*, which occurs in all formal organizations and includes cliques and social groupings. Barnard argued that organizations were not machines and that informal relationships are powerful forces that can help the organization. Barnard also contributed the *acceptance theory of authority*—the notion that employees have free will and can choose whether to follow management orders. Acceptance of authority can be critical to success.

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Discussion Question #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.*

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## IV. HUMANISTIC PERSPECTIVE

Mary Parker Follett and Chester Barnard advocated a more **humanistic perspective** on management that emphasized the importance of understanding human behaviors, needs and attitudes in the workplace, and social interactions and group processes. Subfields within the humanistic perspective include the human relations movement, the human resources perspective, and the behavioral sciences approach.

### A. Human Relations Movement

1. The *human relations* school considers 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 **human relations movement** emphasized satisfaction of employees' basic needs as the key to increased worker productivity.



2. The **Hawthorne Studies** were a series of experiments on worker productivity started in 1924 at the Hawthorne plant of Western Electric Company. The tests were originally designed to investigate the effects of illumination on output; however, many of the tests pointed to the importance of factors other than illumination in affecting productivity.
3. Early interpretations agreed that human relations, not money, caused increased output. Workers performed better when managers treated them positively. New data showed that money mattered, but productivity increased because of increased feelings of importance and group pride employees felt when they were selected for the project.
4. One unintended contribution of the experiments was a rethinking of field research practices. Researchers realized that the researcher could influence the outcome of an experiment by being too involved with research subjects—a phenomenon now known as the *Hawthorne effect*.

Discussion Question #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.*

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#### B. Human Resources Perspective      Exhibit 2.4

1. The **human resources perspective** suggests jobs should be designed to meet higherlevel needs by allowing workers to use their full potential. This perspective combines prescriptions for design of job tasks with theories of motivation.
2. Abraham Maslow (1906-1970), a psychologist, suggested a hierarchy of needs because he observed that problems usually stemmed an inability to satisfy needs. This hierarchy started with physiological needs and progressed to safety, belongingness, esteem, and self-actualization. See Chapter 16 for more on Maslow.
3. Douglas McGregor (1906-1964) formulated his Theory X and Theory Y about workers, believing that the classical perspective was based on Theory X, a set of assumptions about workers that suggest workers:
  - a. dislike work and prefer to be directed;
  - b. must be coerced to work;
  - c. want to avoid responsibility and have little ambition; and
  - d. want security above everything.

4. Theory Y was proposed as a more realistic view of workers, consisting of assumptions that:
  - a. they do not inherently dislike work;
  - b. they will achieve objectives to which they are committed;
  - c. they will accept and seek responsibility;
  - d. they have intellect that could be applied to organizational goals; and
  - e. the intellectual potential of the average worker is only partially

used. C. Behavioral Sciences Approach

1. The **behavioral sciences approach** applies social science in organizational context, drawing from economics, psychology, sociology, and other disciplines. For example, when Circuit City electronics stores train new managers in employee motivation, the theories and findings are rooted in behavioral science research.
2. One set of management techniques based in the behavioral sciences approach is *organization development* (OD). The techniques and concepts of organization development have been broadened and expanded to cope with the increasing complexity of organizations.

3. Other concepts that grew out of the behavioral sciences approach include matrix organizations, self-managed teams, and ideas about corporate culture. In recent years, behavioral sciences and OD techniques have been applied to help managers build learning organizations. The rapid pace of change and the increased pressure of global competition have spurred even greater interest in improved behavioral approaches to management.

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## V. MANAGEMENT SCIENCE PERSPECTIVE

The **management science perspective** emerged after World War II. It applied math, statistics, and other quantitative techniques to managerial problems.

*Operations research* 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 and services using quantitative techniques to solve manufacturing problems. Some of the more 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, often reflected in management information systems. IT has evolved to include intranets and extranets, and software programs that help managers estimate costs, plan and track production, manage projects, and allocate resources. Most organizations have departments of information technology specialists to help them apply management science techniques to complex organizational problems.

Discussion Question #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?*

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## VI. RECENT HISTORICAL TRENDS

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Elements of each of the three previously discussed management perspectives are still in use today. The most prevalent of these is the human resources perspective. Major contemporary extensions of the human resource perspective include systems theory, the contingency view, and total quality management.

#### A. Systems Theory Exhibit 2.5

1. A **system** is a set of interrelated parts that function as a whole to achieve a common purpose. A system functions by taking inputs from the external environment, transforming them, and then discharging the transformed input back into the environment.
2. **Systems theory** describes organizations as open systems that are characterized by entropy, synergy, and subsystem interdependence. Components of systems theory include:
  - a. *Inputs*—the material, human, financial, or informational resources used to produce goods or services;
  - b. The *transformation process*—management’s use of production technology to change inputs into outputs.
  - c. *Outputs*—the goods or services produced.
  - d. *Feedback*—knowledge about the outputs that influences the selection of inputs during the next cycle of the process.
  - e. The *environment* surrounding the organization that includes the social, political, and economic forces noted earlier in this chapter.
3. Ideas in systems theory that have had a substantial influence on management thinking include:
  - a. **Open systems** must interact with the external environment to survive. **Closed systems** do not. All organizations are open systems and the cost of ignoring the environment may be failure.
  - b. **Entropy** is the tendency for a system to run down and die. Systems must receive inputs from the environment or they will cease to exist.
  - c. **Synergy** means that the whole is greater than the sum of its parts. Individuals, groups, and organizations can accomplish more working together than working alone.
  - d. **Subsystems** are parts of a system that depend on one another to function.

4. Changes in one part of an organization affect other parts as the organization must be managed as a coordinated whole.

Discussion Question #10: *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?*

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#### B. Contingency View Exhibit 2.6

1. The classical management perspective assumed a *universalist* view; concepts that would work in one organization would work in another. In business education, an alternative view exists, known as the *case* view, in which each situation is believed to be unique and there are no universal principles. One learns about management by experiencing a large number of case problem situations.
2. The **contingency view** states that the successful resolution of organizational problems depends on a manager’s identification of key variations in the situation. Management’s job is to search for important contingencies in their industry, technology, the environment, and international cultures.

Discussion Question #8: *Explain the basic idea underlying the contingency view. How would you go about identifying key contingencies facing an organization?*

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#### C. Total Quality Management (TQM)

1. **Total quality management** (TQM) focuses on managing the total organization to deliver quality to customers. The ideas of W. Edwards Deming, “father of the quality movement” were scoffed at in America but embraced in Japan, which then became an industrial world power.
2. Japanese management shifted from an inspection-oriented approach to quality control, emphasizing employee involvement in the prevention of quality problems. The preventive approach to quality control infuses quality values throughout every activity, with front-line workers intimately involved in the process. There are four significant elements:

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- a. *Employee involvement.* TQM requires company-wide participation in quality control.
  - b. *Focus on the customer.* TQM companies find out what the customer wants.
  - c. *Benchmarking.* A process whereby companies find out how others do something better and imitate or improve it.
  - d. *Continuous improvement.* The implementation of small, incremental improvements in all areas of the organization on an ongoing basis.

Discussion Question #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?*

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## VII. INNOVATIVE MANAGEMENT THINKING FOR TURBULENT TIMES

New ways of managing more adequately respond to the demands of today's environment and customers. Two current directions in management thinking include a shift to the learning organization and managing the technology-driven workplace.

### A. The Learning Organization

1. In a **learning organization**, everyone identifies and solves problems, enabling continuous experimentation, change, and improvement, thus increasing capability. The essential idea is problem solving, as opposed to efficiency; all employees look for problems, such as understanding special customer needs. To develop a learning organization, changes on all subsystems are made.
  - a. **Team-based structure.** Self-directed teams are the fundamental unit in a learning organization. People on the team are given the skills, information, tools, motivation, and authority central to the team's performance and to respond creatively.
  - b. **Employee Empowerment.** *Empowerment* means unleashing the power and creativity of employees by giving them freedom, resources, information and skills to make decisions and perform effectively. Empowerment may be reflected in self-directed work teams, quality circles, job enrichment, and employee participation groups. Empowerment means decision-making authority, training, and information so that people can perform jobs without close supervision. In a

learning organization, people a manager's primary source of strength, not a cost to be minimized.

- c. Open information. A learning organization is flooded with information. Formal data about budgets, profits, and departmental expenses are available to everyone.

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#### B. Managing the Technology-Driven Workplace Exhibit 2.7

1. The shift to the learning organization goes hand-in-hand with the current transition to
  - a. technology-driven workplace. Our lives and our organizations have been engulfed by information technology. Employees are being connected electronically, and may work in virtual teams. In many factories machines have taken over routine work, freeing workers to use their minds. Managers focus on opportunities rather than efficiencies, which requires that they be flexible, creative, and unconstrained by rigid rules and structured tasks.
2. Technology in the Workplace. Technology provides the architecture that supports and reinforces this new workplace.
  - a. **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. A supply chain is a network of multiple businesses and individuals that are connected through the flow of products or services.
  - b. **Customer relationship management (CRM)** involves collecting and managing large amounts of data about customers and making them available to employees, enabling better decision making and superior customer service.
  - c. **Outsourcing** means contracting out selected functions or activities of an organization to other organizations that can do the work more cost-efficiently.

Discussion Question #6: *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.*

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## Suggested Answers to End-Of-Chapter 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?*

Societal forces represent the values and social contracts that shape human affairs. During the Great Depression, when human needs were great, the human relations approach evolved almost as a response to needs in the workplace. The emphasis on engineering and the development of manufacturing organizations during the late 1800s and early 1900s were associated with the scientific management perspective. The administrative principles approach and bureaucratic organizations were in response to the need to find ways to manage the phenomenon of large organizations in Europe. Many of these were government organizations that were not managing society's resources efficiently, so the new management techniques helped meet a societal need. The current emphasis on Japanese management and excellence characteristics might also be in response to international pressures for better utilization of human resources in organizations.

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.*

The ideas of scientific management increased productivity across all industries and are still important today. However, the term bureaucracy has taken on a negative meaning in today's organizations and is associated with endless rules and red tape. Rules and other bureaucratic procedures provide a standard way of dealing with employees. The characteristics of scientific management and bureaucracy will continue to be a part of organizational life, since they have enabled organizations to become extremely efficient.

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?*

The management professor was arguing the opposite of what most managers and management professors believe is the greatest concern, namely the future. The professor's line of reasoning might go something like this: it is easier to predict the future and prepare for it when the environment is fairly stable, when changes occur in measurable, incremental amounts, and when you understand how changes have affected organizations in the past.

In a world of great uncertainty and turbulence, the future is hard to predict and impossible to control. Estimates that go beyond one year are often wrong. A better idea in this case is to concentrate first on the present. If a company can do really well at this moment in meeting customers' needs, for example, and can continue doing so, the future will take care of itself. Being able to adapt to changing environmental needs as they occur reduces the need to predict and control the future. Moreover, studying the past provides the best information for how to manage the present. The mistakes and successes of the past indicate lessons about how to organize and manage present relationships with customers or employees.



Given the above, focusing attention on doing the right thing in the present, followed by understanding the past, are the two most important sources of knowledge for success, especially in a turbulent environment. The emphasis on studying the future to the exclusion of the past and present often is misplaced.

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.*

Organizations will always need people to manage the technology. Managing the human element of the organization to make the best use of technology will be critical to increased productivity and performance.

5. *Why do you think Mary Parker Follet'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?*

Mary Parker Follet's ideas were probably popular with business people of her day because they recognized that they could reduce conflict and improve productivity by involving employees to a greater extent and showing concern for their needs. Management scholars at that time were still focused on work efficiency studies and had not yet begun to understand the importance of social factors and human relations in the workplace. That would not come until later, as a result of the Hawthorne studies.

Follet's ideas are appreciated today because her work provides insights that can help managers deal with the rapid changes in today's global environment. In addition, she emphasized issues such as ethics and power, issues that have become very important in recent years with the collapse of Enron and other corporate scandals.

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

The contingency view is an extension of the humanistic perspective in which the successful resolution of organizational problems is thought to depend on managers' identification of key variations in the situation at hand. Managers are encouraged to look for contingencies such as the nature of the environment, the size of the organization, the nature of the production technology, or corporate cultures, and to interpret problems based on these contingencies. Thus, the organization structure, motivation system, reward system, control system, and management style will be correct if they fit these contingencies. If other organizations have similar contingencies, then the structure and systems may be the same, but for organizations that have dramatically different contingencies, the organization structure, systems, and management style will be different. The point is to tailor organizational characteristics and problem solving to important contingencies.

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.*

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One point that could be made is that social science is not perfect. Another is that the findings from the Hawthorne studies had legitimacy because Harvard professors conducted them. Moreover, if findings meet a need for society—that is, if they seem like a good idea—they can be rapidly adopted and believed. In this case, the idea that treating people well will make more productive employees was important because employees had been treated as if they were machinery for many years. Interestingly, although the scientific studies did not necessarily prove the accuracy of the idea, it may still be valid. The idea was widely adopted, and many organizations came to believe that productivity was associated with employee treatment. Even the most recent thinking, as reflected in the Japanese management and achieving excellence perspectives, supports good treatment of employees as a way to assure a productive organization. Thus, the idea may have been correct and fit the needs of the time, and those things were more important than the scientific basis for the findings.

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?*

Systemic thinking refers to seeing both the distinct elements of a situation and the complex and changing interaction among those elements. The fundamental assumption of systemic thinking is that everything in the world affects and is affected by the things around it.

Applying systemic thinking to the problem of poor performance in academic studies might involve an analysis of one’s learning styles, study habits, time management practices, and activities that detract from studies, as well as the ways in which each of those things affects the others. For example, if one is a visual learner but studies by reading and spends too much time in recreational activities, that person is unlikely to perform well in academic studies.

Thinking systemically about problems with romantic partners or family members would involve considering the individual aspects of those relationships as well as how those factors interact with each other to impact the relationship itself.

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?*

It might be argued that management theory will ultimately be as precise as theory in other fields but that more time is needed. The argument is that, as the study of organizations and management matures and as more systematic and precise techniques are adopted, the theory will become very precise.

Conversely, one can argue that management theory will never be as precise as theories in other fields because the subject matter is different. Human organizations are inherently more elusive, ambiguous, and complex than are the numerical systems studied in finance or accounting, or the animal systems studied in experimental psychology. Earlier management perspectives that emphasized the logical, rational, systematic approach did not produce satisfactory results. As a consequence, more qualitative approaches, including Japanese management ideas, have assumed increasing importance. The management of organizations requires more than precise measurement. It is an art as well as a science, as discussed in Chapter 1. The human nature of organizations means that management theory will never be as precise as theories in other fields.

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?*

Corporate blogs may be becoming more popular as a means of communicating a variety of information to employees and obtaining feedback from them without the need for face-to-face meetings that take up valuable company time. Corporate blogs are unlikely to become as popular as customer relationship management systems because the blogs are more informal and less structured than CRM systems. CRM systems gather specific data and store it in large databases that can provide companies and managers with specific customer information in concise formats, whereas the information gathered through blogs is likely to be much less specific and less easily condensed into useful formats.

## Teaching Note for Experiential Exercise

### Best Manager – Worst Manager

This exercise helps students understand how different management styles affect their behavior and motivation, ultimately impacting performance.

## Management in Practice: Ethical Dilemma

### The Supervisor

1. *Ignore the test. Charlotte has proven herself and deserves the job.*

Option 1 is likely to cause hard feelings in the department. In addition, Option 1 places Karen in direct opposition to the Civil Service Board. Karen is, however, wise to consider that test scores may not be the best indicator of who can do 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.*

Options 1 and 2 are likely to cause hard feelings in the department.

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.*

Option 3 is probably the best choice, although Karen must be careful that she does not develop a set of criteria that is designed simply to justify giving the job to Charlotte, and she may want to

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involve others in helping devise selection criteria. The job still may go to someone besides Charlotte Hines, but this option takes into consideration her skills, knowledge, and experience. The selection criteria, in addition to the employment test, should include an application, structured interview, reference check, and physical.

## Case for Critical Analysis

### SIA Corporation

1. *What are some of the social, political, and economic forces that are influencing SIA's decision to become a learning organization?*

SIA is a company made up of 30 separate business units, with little coordination among them. It is trying to provide insurance products to clients throughout the world. This can only be done efficiently with effective knowledge sharing among the business units. Twenty-first century society is becoming more and more knowledge based, and the ability to transfer large volumes of knowledge is becoming cheaper, easier, and faster every day. Clients can get the information they need elsewhere if SIA doesn't provide it, so they must change if they want to maintain or increase their current level of business. Politically, SIA must transition to a learning organization simply to avoid being old-fashioned. Clients will want to work with a cutting-edge insurance provider, and despite their quality service, SIA will be pushed aside if they don't conform to the latest trends in business strategy and structure. It makes good economic sense for SIA to become a learning organization, too, because it will be much more efficient, and therefore cost effective, for them to share knowledge across the company. By doing so, clients' diverse needs can be addressed without the delays involved in being shuffled from one business unit to another to get answers to all their questions and problems.

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 knowledgesharing system in particular? How can he encourage SIA employees to share information?*

Initially, I would probably respond much like the majority of SIA employees have – with suspicion. I would be concerned that if I shared my specialized knowledge, the company would not need me any longer because someone else could handle the things I used to do. SIA's top management needs to make it very clear that they are not trying to cut jobs, but rather to expand current employees' skills and capacity to work with a broader client base. Jerry needs to do two primary things to increase employee utilization of the knowledge-sharing system. He needs to work very hard at communicating the true purpose of the system to employees at all levels in order to dispel some of the skepticism about it, and he needs to develop and implement a program that rewards employees for using the system effectively. It won't happen over night, but SIA will need to give its employees all the information it can about how and why the system came into being in order to dispel their fears, and demonstrate the benefits to the individual employee that come from sharing information. They will have to show the employees how sharing information will actually make them more valued by SIA rather than less valued.

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?*

The answer here is very similar to the answer to question #2. When people have specialized knowledge, they feel secure because they can do things their colleagues can't do. In their minds, that makes them valuable to the company. People in hierarchical, or bureaucratic, companies are often steeped in the belief that separateness of functions, skills, and/or knowledge is the best way to run an organization. They view knowledge sharing as synonymous with consolidation, and consolidation means fewer jobs. They typically do not understand the need to know what other people do.

Managers involved in transitioning from a hierarchical organization to a learning organization should involve as many employees as possible in developing their knowledge-sharing system.

That will give them ownership, which will give them an incentive to make it successful. Managers should, throughout the entire decision-making process including the decision to make the transition, involve employees in the process. The company should have frequent informational meetings for all employees to set the example of knowledge sharing by telling the employees everything they know about the transition before, during, and after the transition is made. Managers should implement a reward system that encourages knowledge sharing, being careful that they don't actually end up rewarding some completely different undesired behavior.

## Continuing Case

General Motors: Part One

### **General Motors Celebrates 100 Years of Change and Innovation**

1. *Which management functions and skills enabled GM's leaders to create a bold vision for reinventing the automobile around green technology?*

Of the four management functions, planning played the greatest role in defining a new direction for GM. Of the three categories of management skills, conceptual skills were the most important in helping CEO Rick Wagoner and other top managers assess opportunities and threats as well as conceive of a long-range plan for getting GM out of crisis. Conceptual skills allow managers to think strategically and see the big picture for their businesses.

2. *Identify social, political, and economic forces that affect the auto industry and the practice of management at GM.*

Social forces: the elevation of environmental "green" issues to the forefront of consumer concern and business decision making; work attitudes among Generation Y employees, including the desire for work-life balance and flexible work arrangements; the historic shift to the new workplace.

Political forces: international trade policy; environmental regulation such as CAFÉ fuel economy standards in the United States or the Kyoto protocol; the anti-globalization movement; lobbyists.

Economic forces: energy prices; international banking and credit crisis; growing demand for automobiles in India and China; securities markets; global competition from Toyota, Honda, and Tata Motors; global mergers; labor unions; competing economic systems (capitalism, socialism, mixed economies),

3. *Which historical management perspective fueled GM's transformation into a manufacturing powerhouse in the early twentieth century?*

The classical perspective played a pivotal role in making GM a manufacturing powerhouse in the early twentieth century. In particular, scientific management led to the development of mass production methods and the assembly line. In addition, the bureaucratic organization became a reality for GM when founder William Durant bought dozens of car companies and parts makers, including Oldsmobile, Cadillac, AC Spark Plug, Oakland Motor Co., and Rapid Motor Vehicle

Co. Alfred Sloan, GM's president from 1923 to 1956, is often identified as the grandfather of the U.S. corporate bureaucracy. Sloan established semi-autonomous divisions within GM, which, among other things, allowed Chevrolet to focus on low-to-middle income customers while Cadillac stayed focused on wealthy consumers.

