Chapter 2
MANAGEMENT YESTERDAY AND TODAY
Learning Objectives

You should learn to:

1. Discuss management’s relationship to other academic fields of study
2. Explain the value of studying management history
3. Identify some major pre-twentieth-century contributions to management
4. Summarize the contributions of the scientific management advocates
5. Describe the contributions of the general administrative theorists
Learning Objectives (cont.)

- You should learn to:
  1. Summarize the quantitative approach to management
  2. Describe the contributions of the early organizational behavior advocates
  3. Explain the importance of the Hawthorne Studies to management
  4. Describe the effects of: globalization, workforce diversity, entrepreneurship, e-business, flexibility and innovation, quality management, learning organizations, and workplace spirituality
Management’s Connection To Other Fields

Academic Disciplines that Affected Management

1. A. Anthropology—the study of societies, which helps us learn about humans, their activities, and differences in fundamental values, attitudes, and behavior between people in different countries and within different organizations.
2. B. Economics—concerned with the allocation, distribution of scarce resources, and understanding the changing economy, as well as the role of competition and free markets in a global context.
3. C. Philosophy—examines the nature of things, particularly values and ethics.
4. D. Political Science—studies the behavior of individuals and groups within a political environment, including structuring of conflict, allocating power in an economic system, and manipulating power for individual self-interest.
5. E. Psychology—science that seeks to measure, explain, and sometimes change the behavior of humans and other animals.
6. F. Sociology—the study of people in relation to their fellow human beings.
Development Of Major Management Theories

- Historical Background
  - Early Examples of Management
    - Adam Smith
    - Industrial Revolution
  - Scientific Management
  - General Administrative Theorists
  - Quantitative Approach
  - Organizational Behavior
    - Early Advocates
    - Hawthorne Studies
A. The Egyptian pyramids and the Great Wall of China are good examples of projects of tremendous scope and magnitude that employed tens of thousands of people. How was it possible for these projects to be completed? The answer is management.

B. Other examples of early management practices can be seen at the Arsenal of Venice. For instance, assembly lines, accounting systems, and personnel functions are just a few of the processes and activities in organizations at that time that are also common to today’s organizations.

C. Adam Smith, author of the classical economics doctrine, *The Wealth of Nations*, argued brilliantly about the economic advantages that *division of labor* (the breakdown of jobs into narrow, repetitive tasks) would bring to organizations and society.

D. The *Industrial Revolution* can be thought of as possibly the most important pre-twentieth-century influence on management. The introduction of machine powers, combined with the division of labor, made large, efficient factories possible. Planning, organizing, leading, and controlling became necessary.

E. The development of management theories has been characterized by differing beliefs about what managers do and how they should do it.
Scientific Management

- **Scientific management** is defined as the use of the scientific method to define the “one best way” for a job to be done.

- **A. Important Contributions**
  - 1. Frederick W. Taylor is known as the “father” of scientific management. Taylor’s work at the Midvale and Bethlehem Steel companies motivated his interest in improving efficiency.
    - a. Taylor sought to create a mental revolution among both workers and managers by defining clear guidelines for improving production efficiency. He defined four principles of management (Exhibit 2.2).
    - b. His “pig iron” experiment is probably the most widely cited example of scientific management.
    - c. Using his principles of scientific management, Taylor was able to define the one best way for doing each job.
    - d. Overall, Taylor achieved consistent improvements in productivity in the range of 200 percent. He affirmed the role of managers to plan and control and of workers to perform as they were instructed.
EXHIBIT 2.2: TAYLOR’S FOUR PRINCIPLES OF MANAGEMENT

1. Develop a science for each element of an individual’s work, which will replace the old rule-of-thumb method.

2. Scientifically select and train, teach, and develop the worker. (Previously, workers chose their own work and trained themselves as best they could.)

3. Heartily cooperate with the worker so as to ensure that all work is done in accordance with the principles of the science that has been developed.

4. Divide work and responsibility almost equally between management and workers. Management takes over all work for which it is better fitted than the workers. (Previously, almost all the work and the greater part of the responsibility were thrown on the workers.)
Scientific Management

- Frank and Lillian Gilbreth were inspired by Taylor’s work and went on to study and develop their own methods of scientific management.
  
a. Frank Gilbreth is probably best known for his experiments in reducing the number of motions in bricklaying.
  
b. The Gilbreths were among the first to use motion picture films to study hand and body motions in order to eliminate the wasteful ones.
  
c. They also devised a classification scheme to label 17 basic hand motions called **therbligs**.
General Administrative Theorists

- This group of writers focused on the entire organization.
- The two most prominent theorists behind the general administrative approach were Henri Fayol and Max Weber.
- **Henri Fayol**
  - concerned with making the overall organization more effective
  - developed theories of what constituted good management practice
    - proposed a universal set of management functions
    - published *principles of management*
      - fundamental, teachable rules of management
EXHIBIT 2.3: FAYOL’S 14 PRINCIPLES OF MANAGEMENT

1. Division of work. Specialization increases output by making employees more efficient.
2. Authority. Managers must be able to give orders. Authority gives them this right. Along with authority, however, goes responsibility.
3. Discipline. Employees must obey and respect the rules that govern the organization.
4. Unity of command. Every employee should receive orders from only one superior.
5. Unity of direction. The organization should have a single plan of action to guide managers and workers.
6. Subordination of individual interests to the general interest. The interests of any one employee or group of employees should not take precedence over the interests of the organization as a whole.
7. Remuneration. Workers must be paid a fair wage for their services.
8. Centralization. This term refers to the degree to which subordinates are involved in decision making.
9. Scalar chain. The line of authority from top management to the lowest ranks is the scalar chain.
10. Order. People and materials should be in the right place at the right time.
11. Equity. Managers should be kind and fair to their subordinates.
12. Stability of tenure of personnel. Management should provide orderly personnel planning and ensure that replacements are available to fill vacancies.
13. Initiative. Employees who are allowed to originate and carry out plans will exert high levels of effort.
14. Esprit de corps. Promoting team spirit will build harmony and unity within the organization.
Max Weber (pronounced VAY-ber) was a German sociologist who wrote in the early part of the 20th century.

a. He developed a theory of authority structures and described organizational activity based on authority relations.

b. He described the ideal form of organization—the **bureaucracy**, defined as a form of organization marked by:
   - division of labor,
   - a clearly defined hierarchy,
   - detailed rules and regulations,
   - impersonal relationships. (See Exhibit 2.4.)
EXHIBIT 2.4: WEBER’S IDEAL

A bureaucracy should have:

- Division of labor
- Authority hierarchy
- Formal Selection
- Formal Rules and Regulations
- Impersonality
- Career Orientation
- Jobs broken down into simple, routine, and well-defined tasks
- Positions organized in a hierarchy with a clear chain of command
- People selected for jobs based on technical qualifications
- Uniform application of rules and controls, not according to personalities
- Managers are career professionals, not owners of units they manage
Quantitative Approach To Management

- Operations Research (Management Science)
  - use of quantitative techniques to improve decision making
    - applications of statistics
    - optimization models
    - computer simulations of management activities
  - *Linear programming* - improves resource allocation decisions
  - *Critical-path scheduling analysis* - improves work scheduling
Toward Understanding Organizational Behavior

- Organizational Behavior
  - study of the actions of people at work
  - early advocates
    - late 1800s and early 1900s
    - believed that people were the most important asset of the organization
  - ideas provided the basis for a variety of human resource management programs
    - employee selection
    - employee motivation
    - Organizational behavior (OB) research has contributed much of what we know about human resources management, motivation, leadership, trust, teamwork, and conflict management.
Early Advocates of OB

- Four people stand out as early advocates of the OB approach. These include Robert Owen, Hugo Munsterberg, Mary Parker Follett, and Chester Barnard. (See Exhibit 2.5 for a summary of the most important ideas of these early advocates.)

1. Robert Owen, a successful Scottish businessman, proposed a utopian workplace.
2. Hugo Munsterberg created the field of industrial psychology—the scientific study of individuals at work to maximize their productivity and adjustment.
3. Mary Parker Follett was a social philosopher who thought the manager’s job was to harmonize and coordinate group efforts.
4. Chester Barnard, president of New Jersey Bell Telephone Company, saw organizations as social systems that required human cooperation.
   a. He believed that managers’ major roles were to communicate and stimulate subordinates to high levels of effort.
   b. He also introduced the idea that managers have to examine the environment and then adjust the organization to maintain a state of equilibrium.
EXHIBIT 2.5: EARLY ADVOCATES OF OB

- Actual manager who thought organizations were social systems that required cooperation
- Believed manager’s job was to communicate and stimulate employees’ high levels of effort
- First to argue that organizations were open systems

- Concerned about deplorable working conditions
- Proposed idealistic workplace
- Argued that money spent improving labor was smart investment

- Created field of industrial psychology—scientific study of people at work
- Suggested using psychological tests for employee selection, learning theory concepts for employee training, and study of human behavior for employee motivation

Robert Owen
Late 1700s

Chester Barnard
1930s

Mary Parker Follett
Early 1900s

Hugo Munsterburg
Early 1900s

Early Advocates of OB

- One of the first to recognize that organizations could be viewed from perspective of individual and group behavior
- Proposed more people-oriented ideas than scientific management followers
- Thought organizations should be based on group ethic
Organizational Behavior (cont.)

- **Hawthorne Studies**
  - started in 1924 at Western Electric Company
  - began with illumination studies
  - intensity of illumination not related to productivity

- **Elton Mayo** - studies of job design
  - revealed the importance of social norms as determinants of individual work behavior
  - changed the dominant view that employees were no different from any other machines
The **Hawthorne Studies** were, *the* most important contribution to the developing OB field.

1. These were a series of experiments conducted from 1924 to the early 1930s at Western Electric Company’s Hawthorne Works in Cicero, Illinois.

2. The studies were initially devised as a scientific management experiment to assess the impact of changes in various physical environment variables on employee productivity.

3. Other experiments looked at redesigning jobs, making changes in workday and workweek length, introducing rest periods, and introducing individual versus group wage plans.

4. The researchers concluded that social norms or group standards were the key determinants of individual work behavior.

5. Although not without critics (of procedures, analyses of findings, and the conclusions), the Hawthorne studies did stimulate an interest in human behavior in organizations.
CURRENT TRENDS AND ISSUES

- what current concepts and practices are shaping today’s management history and changing the way that managers do their jobs?
Current Trends And Issues

- Globalization
  - all organizations are faced with the opportunities and challenges of operating in a global market
    - no longer constrained by national borders

- Workforce Diversity
  - heterogeneous workforce in terms of gender, race, ethnicity, and age
    - workforce is getting older
    - Asians and Hispanics are an increasingly large percentage of workforce
  - “melting pot” approach versus celebration of differences
Current Trends And Issues (cont.)

- Entrepreneurship
  - three important themes
    - *pursuit of opportunities* - capitalizing on environmental change to create value
    - *innovation* - introducing new approaches to satisfy unfulfilled market needs
    - *growth* - not content to remain small
      - will continue to be important in all societies
      - will influence profit and not-for-profit organizations
Current Trends And Issues (cont.)

- Managing in an E-Business World
  - **E-commerce** - any form of business exchange or transaction in which parties interact electronically
  - **E-business** - comprehensive term describing the way an organization does its work by using electronic (Internet-based) linkages with key constituencies
    - may include e-commerce
    - three categories reflect different degrees of involvement in e-business
  - **intranet** - an internal organizational communication system that uses Internet technology and is accessible only by organizational employees
Types of E-Commerce Transactions

**Business-to-Business (B2B)**
All transactions between a company and its suppliers

**Government-to-Business (G2B)**
All transactions between companies and government agencies

**Consumer-to-Consumer (G2C)**
Electronic markets formed by Web-based auctions

**Business-to-Consumer (B2C)**
Electronic retailing
Categories of E-Business Involvement

E-business-enhanced Organization

- E-business units within traditional organization

E-business-enabled Organization

- E-business tools and applications used within traditional organization

Organization’s entire work processes revolve around e-business model
Current Trends And Issues (cont.)

- Need for Innovation and Flexibility
  - without a constant flow of new ideas, an organization is doomed to obsolescence or even worse
  - must be flexible to accommodate changing customers’ needs, appearance of new competitors, and shifting employees from project to project

- Quality Management
  - *Total Quality Management (TQM)* - philosophy of management based on continual improvement and responding to customer needs and expectations
  - *customer* - refers to internal and external entities that interact with the organization’s product or service
EXHIBIT 2.8: WHAT IS TQM?

1. Intense focus on the customer. The customer includes not only outsiders who buys the organization’s products or services but also internal customers (such as shipping or accounts payable personnel) who interact with and serve others in the organization.

2. Concern for continual improvement. TQM is a commitment to never being satisfied. “Very good” is not good enough. Quality can always be improved.

3. Process-focused. TQM focuses on work processes as the quality of goods and services is continually improved.

4. Improvement in the quality of everything the organization does. TQM uses a very broad definition of quality. It relates not only to the final product but also to how the organization handles deliveries, how rapidly it responds to complaints, how politely the phones are answered, and the like.

5. Accurate measurement. TQM uses statistical techniques to measure every critical variable in the organization’s operations. These are compared against standards or benchmarks to identify problems, trace them to their roots, and eliminate their causes.

6. Empowerment of employees. TQM involves the people on the line in the improvement process. Teams are widely used in TQM programs as empowerment vehicles for finding and solving problems.
Current Trends And Issues (cont.)

- Learning Organizations and Knowledge Management
  - *learning organization* - one that has developed the capacity to continuously learn, adapt, and change
  - create learning capabilities throughout the organization
    - understanding that knowledge is an important resource
  - *knowledge management* - involves cultivating a learning culture where organizational members systematically gather knowledge and share it with others in the organization so as to achieve better performance
  - managers must transform themselves from bosses to team leaders
    - learn to listen, motivate, coach, and nurture
EXHIBIT 2.9: LEARNING ORGANIZATION VERSUS TRADITIONAL ORGANIZATION

<table>
<thead>
<tr>
<th></th>
<th>Traditional Organization</th>
<th>Learning Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attitude toward change</td>
<td>If it’s working, don’t change it.</td>
<td>If you aren’t changing, it won’t be working for long.</td>
</tr>
<tr>
<td>Attitude toward new ideas</td>
<td>If it wasn’t invented here, reject it.</td>
<td>If it was invented or reinvented here, reject it.</td>
</tr>
<tr>
<td>Who’s responsible for innovation?</td>
<td>Traditional areas such as R and D.</td>
<td>Everyone in organization</td>
</tr>
<tr>
<td>Main Fear</td>
<td>Making mistakes</td>
<td>Not learning; not adapting</td>
</tr>
<tr>
<td>Competitive advantage</td>
<td>Products and service</td>
<td>Ability to learn, knowledge and expertise</td>
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<tr>
<td>Manager’s job</td>
<td>Control others</td>
<td>Enable others</td>
</tr>
</tbody>
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Current Trends And Issues (cont.)

- Workplace Spirituality
  - “a recognition of an inner\private life that nourishes\supports and is nourished\supported by meaningful work that takes place in the context of community”
  - growing interest in spirituality at work by workers at all levels and in all areas of organizations
    - employees looking for meaning, purpose, and a sense of connectedness or community from their work and their workplace
  - uncertainty in business environment contributes to interest in workplace spirituality