

Chapter 2

The Evolution of Management Thought

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LEARNING OBJECTIVES

- LO1.** *Describe how the need to increase organizational efficiency and effectiveness has guided the evolution of management theory.*
- LO2.** *Explain the principle of job specialization and division of labor, and tell why the study of person-task relationships is central to the pursuit of increased efficiency*
- LO3.** *Identify the principles of administration and organization that underlie effective organizations*
- LO4.** *Trace the changes in theories about how managers should behave to motivate and control employees*
- LO5.** *Explain the contribution of management science to the efficient use of organizational resources*
- LO6.** *Explain why the study of the external environment and its impact on an organization has become a central issue in management thought.*

KEY DEFINITIONS/TERMS

administrative management: The study of how to create an organizational structure and control system that leads to high efficiency and effectiveness

authority: The power to hold people accountable for their actions and to make decisions concerning the use of organizational resources

behavioral management: The study of how managers should behave to motivate employees and encourage them to perform at high levels and be committed to the achievement of organizational goals

bureaucracy : A formal system of organization and administration designed to ensure efficiency and effectiveness

centralization: The concentration of authority at the top of the managerial hierarchy

closed system: A system that is self-contained and thus not affected by changes occurring in its external environment

contingency theory: The idea that the organizational structures and control systems managers choose depend on—are contingent on—characteristics of the external environment in which the organization operates

discipline: Obedience, energy, application, and other outward marks of respect for a superior's authority

entropy: The tendency of a closed system to lose its ability to control itself and thus to dissolve and disintegrate

equity: The justice, impartiality, and fairness to which all organizational members are entitled

esprit de corps: Shared feelings of comradeship, enthusiasm, or devotion to a common cause among members of a group

Hawthorne effect: The finding that a manager's behavior or leadership approach can affect workers' level of performance

human relations movement: A management approach that advocates the idea that supervisors should receive behavioral training to manage subordinates in ways that elicit their cooperation and increase their productivity

informal organization: The system of behavioral rules and norms that emerge in a group

initiative: The ability to act on one's own, without direction from a superior affect workers' level of performance

job specialization: The process by which a division of labor occurs as different workers specialize in different tasks over time

line of authority: The chain of command extending from the top to the bottom of an organization

management science theory: An approach to management that uses rigorous quantitative techniques to help managers make maximum use of organizational resources

mechanistic structure: An organizational structure in which authority is centralized, tasks and rules are clearly specified, and employees are closely supervised

norms: Unwritten, informal codes of conduct that prescribe how people should act in particular situations

open system: A system that takes in resources from its external environment and converts them into goods and services that are then sent back to that environment for purchase by customers

order: The methodical arrangement of positions to provide the organization with the greatest benefit and to provide employees with career opportunities

organic structure: An organizational structure in which authority is decentralized to middle and first-line managers and tasks and roles are left ambiguous to encourage employees to cooperate and respond quickly to the unexpected

organizational behavior: The study of the factors that have an impact on how individuals and groups respond to and act in organizations

organizational environment: The set of forces and conditions that operate beyond an organization's boundaries but affect a manager's ability to acquire and utilize resources

rules: Formal written instructions that specify actions to be taken under different circumstances to achieve specific goals

scientific management: The systematic study of relationships between people and tasks for the purpose of redesigning the work process to increase efficiency

standard operating procedures (SOPs): Specific sets of written instructions about how to perform a certain aspect of a task

synergy: Performance gains that result when individuals and departments coordinate their actions

Theory X: A set of negative assumptions about workers that lead to the conclusion that a manager's task is to supervise workers closely and control their behavior

Theory Y: A set of positive assumptions about workers that lead to the conclusion that a manager's task is to create a work setting that encourages commitment to organizational goals and provides opportunities for workers to be imaginative and to exercise initiative and self-direction

unity of command: A reporting relationship in which an employee receives orders from, and reports to, only one superior

unity of direction: The singleness of purpose that makes possible the creation of one plan of action to guide managers and workers as they use organizational resources

CHAPTER OVERVIEW

In this chapter, how management thought has evolved in modern times and the central concerns that have guided ongoing advances in management theory are explored. First, the classical management theories that emerged around the turn of the twentieth century are examined. Next, behavioral management theories developed before and after World War II are examined, and then management science theory, which developed during the second World War. Finally, the theories developed to help explain how the external environment affects the way organizations and managers operate are examined.

NOTE ABOUT INSTRUCTOR POWERPOINT SLIDES

The Instructor PowerPoint Slides include most Student PowerPoint slides, along with additional material that can be used to expand the lecture. Images of the Instructor PowerPoint slides can be found at the end of this chapter on page 65.



Chapter One

Managers and Managing

**BASIC POWERPOINT SLIDE 1
(INSTRUCTOR'S POWERPOINT SLIDE 1)
Chapter Title**

A Manager's Challenge (pp. 39-41 of text)

Finding Better Ways to Make Cars

Car production has changed dramatically over the years as managers have applied different principles of management to organize and control work activities. Prior to 1900, *small batch production* was used, which was very expensive. In 1913, Henry Ford revolutionized the car industry by pioneering the development of *mass-production manufacturing*. {**Job specialization**}

The next change in management thinking occurred in Japan when a Toyota production engineer pioneered the development of *lean manufacturing* in the 1960s. By 1970, Japanese managers had applied the new lean production system so efficiently that they were producing higher quality cars at lower prices than their U.S. counterparts. {**Scientific Management**}

In the 1990s, global car companies increased the number of robots used on the production line and began using advanced IT to build and track the quality of cars being produced. In the 2000s, Toyota has continued to pioneer new ways to increase its assembly line efficiency, and other manufacturers are attempting to catch up.

Evolution of current management thinking suggests that changes in management practices occur as managers search for ways to increase both efficiency and effectiveness (Chapter 1).

I. EVOLUTION of MANAGEMENT THEORY

A. Scientific Management Theory:

In the closing decades of the 19th century Managers were searching to find better ways to satisfy customers needs.

1. Hand manufactured versus sophisticated machines
2. Managers/Bosses had a technical orientation and were under prepared for the social problems that occur with large groups

II. JOB SPECIALIZATION AND THE DIVISION OF LABOR

A. Adam Smith identified two different types of manufacturing

1. One method was similar to crafts-style production, production, with each worker responsible for ALL of the tasks required in production
2. The second method had each worker perform only one or a few of the tasks required in production
3. Smith concluded that increasing the level of **Job Specialization—the process by which a division of labor occurs as different workers specialize in different tasks over time** increases efficiency.

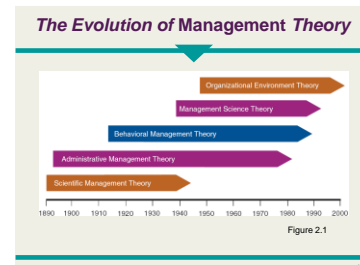
B. Frederick. W. Taylor and Scientific Management

1. Frederick W. Taylor defined the techniques of **Scientific Management is the systematic study of relationships between people and tasks for the purpose of redesigning the work process to increase efficiency.**

He developed **four principles** to increase efficiency in the workplace efficiency.

- b. **Standard Operating Procedures:** Codify the new methods of performing tasks into written work

LO1: *Describe how the need to increase organizational efficiency and effectiveness has guided the evolution of management theory.*



STUDENT POWERPOINT SLIDE 2
(INSTRUCTOR'S POWERPOINT SLIDE 4)

The Evolution of Management Theory
Figure 2.1

LO2: *Explain the principle of job specialization and division of labor, and tell why the study of person-task relationships is central to the pursuit of increased efficiency*



STUDENT POWERPOINT SLIDE 3
(INSTRUCTOR'S POWERPOINT SLIDE 6)

Job Specialization...

rules.

c. Match workers skills and abilities to needs and tasks: Carefully select workers and train them to perform the tasks according to the rules and procedures established in step two.

d. Pay and performance: Establish a fair or acceptable level of performance for a task and then develop a pay system that provides a higher reward for performance above the acceptable level.

2. Per Taylor the most efficient division of labor could best be determined by scientific management

3. Impact of Taylor/Scientific Management

. Time and motion studies: Study the way workers perform their tasks, gather all of the informal knowledge possessed by workers, and experiment with ways of improving task performance to increase

a. Some managers obtained increases in performance but did not share gains with workers through bonuses.

b. Workers learned that increases in performance often meant fewer jobs and a threat of layoffs.

c. The more specialized jobs became more monotonous and repetitive, causing dissatisfaction.
i. Some organizations responded to worker resistance by increasing the mechanization of the work process.

d. Achieving the right mix of worker-task specialization produced huge cost savings and output increases.

e. Scientific management practices cause many ethical concerns

C. The Gilbreths

1. Frank and Lillian Gilbreth refined Taylor's analysis of work movements and made many contributions to time-and-motion study.

a. they used film to analyze worker movements to:
1) break down and analyze every individual action into each of its component actions, 2) find better ways to perform each component action, and 3) reorganize each of the component actions

F.W. Taylor and Scientific Management

Scientific Management

- The systematic study of the relationships between people and tasks for the purpose of redesigning the work process to increase efficiency.

STUDENT POWERPOINT SLIDE 4 (INSTRUCTOR'S POWERPOINT SLIDE 7)

F.W. Taylor and Scientific Management

TEXT REFERENCE

ETHICS IN ACTION:

Fordism in Practice

Ford's development of the moving conveyor belt changed manufacturing practices forever. Although the move to mass production was a financial success for Ford, there were many human and social consequences for his workers. The simplifications of the work process were monotonous, resulting in large amounts of employee turnover, absenteeism, and general discontent. To address these problems, Ford doubled wages and reduced the length of the workday by one day. This response to employee discontent was coined "Fordism". (Box in text on p.45-46)

TEXT REFERENCE

MANAGER AS A PERSON:

Carnegie Creates the New Industrial Economy

Andrew Carnegie's family immigrated to the United States in the mid 1800's, and unlike many citizens of the time Andrew Carnegie was able to read and write and as such was identified as worker with potential.

Throughout his early career with the

2. The Gilbreths became focused on the study of fatigue and how physical characteristics of the work place contribute to job stress and poor performance.

a. Jobs were more repetitive, boring, and monotonous as a result of the application of scientific management principles, leading to worker dissatisfaction.

b. Studies led to a “game” between workers, who tried to hide the potential for efficiency and managers, who tried to initiate work practices to increase performance.

III. ADMINISTRATIVE MANAGEMENT THEORY

A. Administrative management is the study of how to create an organizational structure and control systems (measurement) that leads to high efficiency and effectiveness.

1. **Organizational structure** is the system of tasks and authority relationships that

B. The Principles of Bureaucracy: Max Weber developed the principles of bureaucracy as a formal system of organization and administration designed to try to ensure efficiency and effectiveness.

1. A bureaucratic system of administration is based on five principles:

a. a manager’s formal authority derives from the position he or she holds in an organization.

i. **Authority** is the legitimate power to hold people accountable for their actions and gives managers the legal right to direct and control their subordinates’ behavior.

b. In a bureaucracy, people should occupy positions based on their performance rather than on social

railroad, Carnegie made a name for himself by continually finding ways to use resources more productively, specifically to reduce costs and increase profitability. While leading a division, the company’s stock price shot upward and Andrew became a very wealthy man.

Carnegie subsequently sold all of his railroad stock and used the proceeds to open Carnegie Steel, the first low cost steel manufacturer in the United States

While in Britain, Carnegie saw a demonstration of a manufacturing process that allowed large quantities of high quality steel to be produced continuously.

His new production methods reduced the price of U.S. steel from \$135 to \$12 per ton. By 1900, most of his competitors were out of business, his company became the leading U.S. steel maker, and Carnegie was one of the richest men in the nation.

Although lauded for implementing management techniques that created the modern industrial company, Carnegie’s critics accused him of increasing profitability on the backs of his employees. He paid them the lowest wage possible and squashed any attempt they made to unionize (Box in text on p. 47-48)

LO3: Identify the principles of administration and organization that underlie effective organizations



STUDENT POWERPOINT SLIDE 5 (INSTRUCTOR’S POWERPOINT SLIDE 10)

Administrative Management

level or contacts.

c: The extent of each position's formal authority and task responsibilities, and its relationship to other positions in an organization, should be clearly specified.

d: To exercise authority effectively in an organization, positions should be arranged hierarchically so that employees know who to report to and who reports to them.

e. Managers create a well-defined system of **rules, standard operating procedures, and norms** so that they can effectively control behavior within an organization.

i. **Rules** are formal written instructions that specify actions that should be taken under different circumstances to achieve specific goals

ii. **Standard operating procedures (SOPs)** are very specific sets of written instructions about how to perform a certain aspect of a task.

iii. **Norms** are unwritten, informal codes of conduct that govern how people should act.

C. Issues/Concerns with Bureaucracy:

Weber believed that the use of these five principles would improve organizational performance, if properly managed. However, if bureaucracies are not managed well, problems can result.

1. Rules may become so cumbersome that decision-making becomes slow and inefficient.
2. Managers often rely too much on rules to solve problems and not enough on their own skills and judgment.

D. Fayol's Principles of Management: Henri Fayol identified 14 principles that he believed to be essential to increasing the efficiency of the management process. **See Figure 2.1**

1. *Division of Labor:* Fayol advocated allowing workers to taken on more job duties to perform and assume more responsibility for work outcomes.
2. *Authority and Responsibility:* Fayol went beyond Weber's formal authority to include the informal authority derived from personal expertise, knowledge,

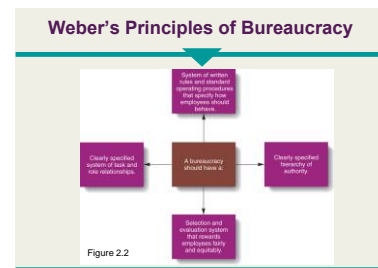


Figure 2.2

**STUDENT POWERPOINT SLIDE 6
(INSTRUCTOR'S POWERPOINT
SLIDE 13)**

**Weber's Principles of Bureaucracy
Figure 2.2.**

and ability to lead.

3. *Unity of Command*: The principle of **unity of command** specifies that an employee should receive orders from only one superior.

4. *Line of Authority*: The **line of authority** is the chain of managers in an organization from the top to the bottom. It is important to allow managers at middle interact with managers at similar levels in other departments to speed decision making.

5. *Centralization*: **Centralization** refers to the degree that authority is located at the top of the organizational hierarchy.

6. *Unity of Direction*: There is also a need for **unity of direction**, which involves the formation of one plan of action to guide managers and workers as they use organizational resources. An organization without a single overall plan becomes inefficient and ineffective.

7. *Equity*: A central principle is the need to treat employees with **equity**. Fayol felt equity resulted from the combination of respect and justice.

8. *Order*: **Order** meant ensuring that every Employee finds a position in the organization that provides the organization with the greatest benefit while providing employees with the greatest career opportunities to satisfy their own needs.

9 *Initiative*: Fayol also believed managers Must encourage employees to exercise **initiative**. Initiative can be a major source of strength because it leads to progress

10. *Discipline*: **Discipline** is the need for obedience, energy, application, and outward marks of respect for a superior's authority

11 *Remuneration of Personnel*: Fayol proposed reward systems including bonuses and profit sharing plans.

12. *Stability of Tenure of Personnel*: When employees stay with an organization for extended periods of time, they develop skills that improve the organization's ability to utilize its resources efficiently.

13. *Subordination of Individual Interest to General Interest*: The interests of the organization as a whole must take precedence over the interests of any one individual or group, if the organization is to survive.

TEXT REFERENCE

MANAGEMENT INSIGHT:

Peters and Waterman's Excellent Companies

In the early 1980s, Peters and Waterman identified 62 organizations that they considered to be the *best performing organizations* in the U.S. By investigating why these 62 companies perform better than their rivals, they uncovered *three sets* of related principles. First, they found that top managers of *successful companies* create principles and guidelines that emphasize managerial autonomy and entrepreneurship, encourage initiative, and stimulate risk taking. Second, they found that *managers of excellent organizations* create one central plan that puts organizational goals at center stage. Third, *excellent companies* establish a division of work and a division of authority and responsibility that will motivate employees to subordinate their individual interests to common interest.

(Box in text on page 55-56.)

14. *Esprit de Corps*: **Esprit de corps** is a French expression that refers to a shared feeling of comradeship, enthusiasm, or devotion to a common cause by members of a group.

IV. BEHAVIORAL MANAGEMENT THEORY

A. Behavioral Management is the study of the ways managers should behave to motivate employees to encourage them to perform at high levels, and become committed to their organizations

1. **Mary Parker Follett** wrote in response to her concern that Taylor was ignoring the human side of the organization. She felt that management often overlooked the ways that employees can contribute. She argued that if workers have the relevant knowledge, then workers, rather than managers, should be in control of the work process.

a. Follett anticipated the current interest in self-managed teams and empowerment. She also advocated “cross-functioning” in which members of different departments to work together in cross-departmental teams accomplish tasks.

b. Follett proposed that knowledge and expertise, and not managers’ formal authority, should decide who would lead at any moment and advocated a horizontal view of power and authority.

2. **The Hawthorne Studies and Human Relations:** Most managers ignored Follett’s work and continued to follow Taylor. One such series of studies Hawthorne Works of the Western Electric Company.

a. This research began as an attempt to investigate how the characteristics of the work setting, specifically the level of lighting, affected worker fatigue and performance.

b. The Relay Assembly Test Experiments were designed to investigate various aspects of the work environment, such as number and length of rest periods, on job performance. The researchers again found productivity increased, but the increases could not be solely attributed to changes in the work setting.

c. The researchers discovered that the presence of the researchers affected the results because workers

LO4 Trace the changes in theories about how managers should behave to motivate and control employees

Behavioral Management Theory

➤ Behavioral Management

- ▣ The study of how managers should personally behave to motivate employees and encourage them to perform at high levels and be committed to the achievement of organizational goals.

2-18

**STUDENT POWERPOINT SLIDE 7
(INSTRUCTOR’S POWERPOINT
SLIDE 18)**

Behavioral Management

Behavioral Management

➤ Mary Parker Follett

- ▣ Concerned that Taylor ignored the human side of the organization
 - Suggested workers help in analyzing their jobs
 - If workers have relevant knowledge of the task, then they should control the task

2-19

**STUDENT POWERPOINT SLIDE 8
(INSTRUCTOR’S POWERPOINT
SLIDE 19)**

Mary Parker Follett

enjoyed receiving attention. This became known as the “**Hawthorne Effect.**”

d. Since manager’s behavior could affect worker performance, researchers turned to managerial behavior and leadership approach. The **human relations movement**, advocates that supervisors be trained behaviorally to manage subordinates in ways that elicit their cooperation and increase their productivity.

e. Managers must understand the workings of the **informal organization**, the system of behavioral rules and norms that emerge in a group when trying to manage or change behavior in organizations.

f. **Organizational Behavior** is the study of the many factors that have an impact on how individuals and groups respond to and act in organizations.

3. **Theory X and Theory Y:** Douglas McGregor proposed that two different sets of assumptions about how work attitudes and behaviors govern the way managers think and behave in organizations. He named them Theory X and Theory Y.

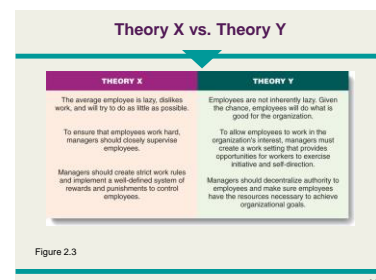
a. Theory X: **Theory X**, managers believe the average worker is lazy, dislikes work, and will try to do as little as possible. Because workers have little ambition and wish to avoid responsibility, managers should closely supervise and control workers.

b. Theory Y: **Theory Y**, workers do not naturally dislike work; the work setting itself determines whether or not work is seen as a source of satisfaction or punishment. Given the chance or opportunity, workers will do what is good for the organization.

V. MANAGEMENT SCIENCE THEORY

A. **Management science theory** focuses on the use of rigorous quantitative techniques to help managers make maximum use of organizational resources to produce goods and services

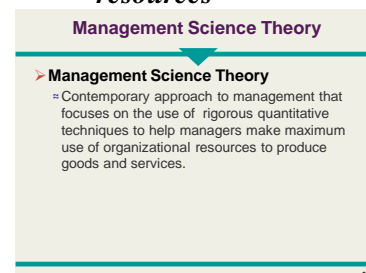
1. **Quantitative management** utilizes mathematical techniques such as linear and non-linear programming, modeling, simulation, queuing theory, and chaos theory



STUDENT POWERPOINT SLIDE 9
(INSTRUCTOR'S POWERPOINT SLIDE 25)

Theory X vs. Theory Y

LO 5: *Explain the contribution of management science to the efficient use of organizational resources*



STUDENT POWERPOINT SLIDE 10

to help managers make better decisions.

2. **Operations management** (or operations research) provides managers with a set of techniques that can be used to analyze any aspect of an organization's production system to increase efficiency.

3. **Total quality management (TQM)** focuses on analyzing an organization's input, conversion, and output activities to increase product quality.

4. **Management information systems (MIS)** help managers design information systems that provide them with information about events occurring inside the organization as well as in its external environment.

VI. ORGANIZATIONAL ENVIRONMENT THEORY

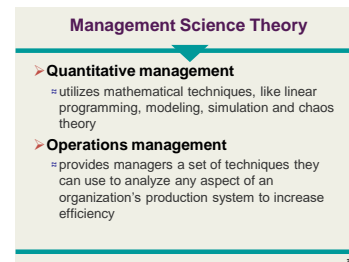
A. The **organizational environment** consists of the set of forces, conditions, and influences outside organization's boundaries that affect a manager's ability to acquire and utilize resources efficiently and effectively.

B. An **Open system** takes in resources from its environment and changes or transforms them into goods and services that are then sent back to the environment where customers buy them.

1. **input stage**: an organization acquires resources from the environment.

(INSTRUCTOR'S POWERPOINT SLIDE 26)

Management Science Theory

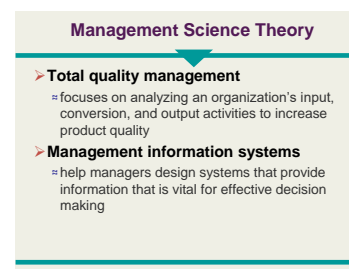


Management Science Theory

- **Quantitative management**
 - utilizes mathematical techniques, like linear programming, modeling, simulation and chaos theory
- **Operations management**
 - provides managers a set of techniques they can use to analyze any aspect of an organization's production system to increase efficiency

STUDENT POWERPOINT SLIDE 11 (INSTRUCTOR'S POWERPOINT SLIDE 27)

Quantitative, Operations Management



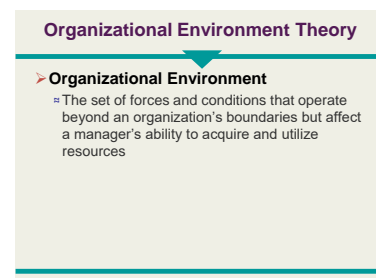
Management Science Theory

- **Total quality management**
 - focuses on analyzing an organization's input, conversion, and output activities to increase product quality
- **Management information systems**
 - help managers design systems that provide information that is vital for effective decision making

STUDENT POWERPOINT SLIDE 12 (INSTRUCTOR'S POWERPOINT SLIDE 28)

Total Quality Management, Management Information Systems

LO 6: Explain why the study of the external environment and its impact on an organization has become a central issue in management thought.



Organizational Environment Theory

- **Organizational Environment**
 - The set of forces and conditions that operate beyond an organization's boundaries but affect a manager's ability to acquire and utilize resources

STUDENT POWERPOINT SLIDE 13 (INSTRUCTOR'S POWERPOINT SLIDE 29)

Organizational Environment

2. **conversion stage:** an organization's work force using appropriate tools, techniques, and machinery, transforms inputs into outputs of finished products.

3. **output stage:** the release of the finished goods and services to its environment where they are purchased.

C. A Closed system is self-contained so that it is not affected by changes that occur in its external environment. Organizations that operate as closed systems ignore the external environment and fail to acquire input.

1. Closed systems are likely to experience **entropy**, the process by which a system loses its ability to control itself, and so dissolves and disintegrates.

VII. External Environment

A. Contingency Theory: The idea that organizational structures and control systems managers choose are contingent on the characteristics of the external environment.

1. Mechanistic and Organic Structures

Burns and Stalker proposed that there are two basic ways that managers can organize and control an organization's activities: a mechanistic structure or an organic structure.

a. **mechanistic structure** in which authority is centralized at the top of the organizational hierarchy and the vertical hierarchy of authority is the primary means of controlling subordinates' behavior.

i. A mechanistic structure is the most efficient way to operate in a stable environment of resources.

b. **organic structure**, in which authority is decentralized to middle and first line managers to encourage them to take responsibility and act quickly to pursue scarce resources.

i. Organic structure is most effective when the environment is changing rapidly, and it is difficult to obtain resources

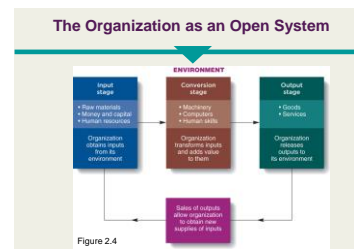


Figure 2.4

**STUDENT POWERPOINT SLIDE 14
(INSTRUCTOR'S POWERPOINT
SLIDE 31)**

The Organization as an Open System

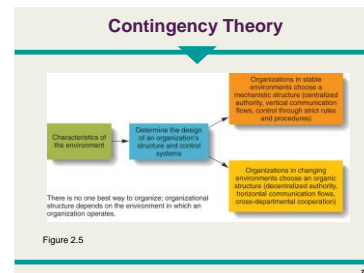


Figure 2.5

**STUDENT POWERPOINT SLIDE 15
(INSTRUCTOR'S POWERPOINT
SLIDE 36)**

Contingency Theory

TEXT REFERENCE

MANAGING GLOBALLY:

Teams, Teams and More Teams at Nokia

Nokia Corporation, the world leader in the global wireless communications industry, employs an organic structure which results from its heavy reliance upon teamwork. It has been said that any project of significance at Nokia is assigned to a team, and the company attributes its success and competitive advantage to its effective use of teams throughout the organization. This commitment to teams starts at the top, where managers work together as a team to make all of Nokia's important business decisions. (Box in text on page 64.)

LECTURE ENHANCERS

Lecture Enhancer 2-1 **MANAGEMENT IN EARLY CIVILIZATIONS**

Although text discussion concentrates on the evolution of management since the nineteenth century, many management practices were developed much earlier.

The great civilizations of Sumeria, Babylon, Egypt, Assyria, and Persia had expert managers, as seen by achievements such as the Great Pyramids of Egypt and the Hanging Gardens of Babylon. Sumerian builders relied on the use of merit wages to build the walled cities and canals of Sumeria. The highway and library systems of Assyria and the great cities of Persia required organization and managerial genius to achieve. The Code of Hammurabi included incentive and minimum wages as early as 1800 B.C.

Greek achievements in architecture, literature, and civil government required the application of complex management knowledge. The citizens of Greek city states worked under the piecework system on government contracts.

Rome once controlled the world from England to Asia and is still known for its systems of roads, construction of public buildings, and civil government. These were developed and maintained by a military system that is still a model for modern armies. These accomplishments required the application of highly developed management knowledge. As early as 300 B.C., Rome used maximum wage laws to try to compensate for a shortage of labor.

China's Great Wall, complex road system, and silk trade required extensive management expertise. The principle of specialization was used as early as 1650 B.C., and labor turnover was understood as early as 400 B.C.

More than 400 years ago, a diplomat and civil servant in the city-state of Florence named Niccolo Machiavelli wrote a book called *The Prince*. Machiavelli was an experienced observer of the intrigues of state. His book was a how-to-do-it manual for a ruler. *The Prince* focused on how to rule: not how to be good or wise, but how to rule successfully. Machiavelli's beliefs about the nature of people were illustrated by his famous statement, "Whoever desires to found a state and give it laws, must start with the assumption that all men are bad and ever ready to display their vicious nature whenever they may find occasion for it." He believed that a leader is justified in using any leadership style or tactic to cope with these types of people. That is, the end justifies the means. If a leader had to choose between being feared and loved, she or he should choose fear, since he can control fear but not love.

The Roman Catholic Church has contributed greatly to the evolution of management thought. As Christianity spread and different sects emerged, the church needed to define more clearly its mission, purpose, objectives, policies, rules, and organizational hierarchy. It developed a strong centralized authority-responsibility relationship. This centralization and the Church's extensive enforcement or doctrines and rules was one of the major factors leading to the Reformation.

Lecture Enhancer 2.2 **GILBRETH'S MOTION STUDIES**

Frank Gilbreth began his career as an apprentice bricklayer. He watched other bricklayers and saw that some were slow and inefficient while some were very productive. He discovered that each used a different set of motions to lay bricks. From his observations, he isolated the basic movements necessary to do the job and eliminated wasted ones. His revised method reduced unnecessary motions by 70 percent and tripled bricklayers' productivity.

This was the first “motion study,” designed to isolate the best possible method of performing a given job. Later Gilbreth and his wife, Lillian, studied job motions using a motion picture camera and split-second clock. The isolated individual motions they called “therbligs,” which is “Gilbreth” spelled backwards with the “th” reversed.

One of Gilbreth’s clients in the 1920s was James E. Casey, the founder of UPS. Mr. Casey turned to Gilbreth to develop techniques to measure the time consumed each day by each UPS driver. Later, UPS engineers cut away the sides of a UPS delivery truck and used Gilbreth’s techniques to study a driver at work. The changes in package loading that resulted increased efficiency by 30 percent.

Lecture Enhancer 2.3

ATTRIBUTES OF EXCELLENT COMPANIES

In their book *In Search of Excellence*, Thomas J. Peters and Robert Waterman identified the characteristics that distinguish the excellent and innovative companies in America. These are:

A bias for action: These companies “got on with it.” They didn’t let bureaucracy keep them from making decisions.

Closeness to the customer: They loved their customers and learned from the people they serve.

Autonomy and entrepreneurship: They had “product champions” who generated new products or services. They encouraged these people to make sure they generated “a reasonable number of mistakes.”

Productivity through people: They treated the rank and file as the source of quality and productivity gain. They loved their people and respected the individual.

Hands-on, value-driven: Company values and philosophy were more important than organizational structure.

“Stick to the knitting”: They never acquired a business they didn’t know how to run.

Lean staff, simple form: They had simple organizational structures and lean to- level staffs.

Simultaneous loose-tight properties. They were both centralized (about the few core values) and decentralized (product development and “product champions.”)

MANAGEMENT IN ACTION

Notes for Topics for Discussion and Action

Discussion

1. Choose a fast food restaurant, a department store, or some other organization with which you are familiar and describe the division of labor and specialization it uses to produce its goods and services. How might this division of labor be improved?

Students should cite instances in which employees specialize in only one or a few tasks of a process, rather than one in which employees perform all tasks. Burger King is a good example, with employees handling specific tasks in filling a customer’s order, such as taking the order, making the sandwiches and french fries, bagging the order, and ringing up the sale. Workers who specialize become much more skilled at their specific tasks and are able to fill an order faster. In addition, all employees are responsible for keeping the restaurant clean and supplying the condiment stations. This kind of job specialization, where different workers specialize in different tasks over time, increases efficiency and leads to higher performance. It also allows Burger King to keep prices competitive.

There are some issues of performance improvement that need to be addressed. The responsibilities for keeping the restaurant clean should perhaps be assigned to a specific person, since cleanliness is something that patrons value in an eating establishment. Instead of having everyone responsible, or perhaps in addition to this, there should be a person who is responsible for checking the stations and restrooms every hour or so to make sure that the jobs are being completed.

2. *Apply Taylor's principles of scientific management to improve the performance of the organization you chose in Question 1.*

Burger King has in place an efficient system for filling orders, though some benefit may be gained from gathering more information on task performance and experimenting with ways of improving the way tasks are performed to increase efficiency (Taylor's Principle #1.)

A record of procedures is kept that codifies methods of performing tasks into written work rules and standard operating procedures. New employees are given this record when they begin training, and these rules are used to further standardize and simplify jobs (Taylor's Principle #2.)

Employees are carefully selected so that they possess the skills and abilities that match the needs of the task and are trained to perform the task according to the rules and procedures established in Principle 2 (Taylor's Principle #3.) Employees receive a training manual and begin with simplified jobs, earning advancement to more complex positions as they increase their performance.

Employees are given an acceptable level of performance that they must meet, though their pay system does not seem to provide higher rewards for performance above the acceptable level (Taylor's Principle #4.) A pay system that ties performance to bonuses or time off might provide workers with incentive to sell more food and improve their customer service.

3. *In what ways are Weber's and Fayol's ideas about bureaucracy and administration similar? In what ways do they differ?*

Weber developed a system of bureaucracy—a formal system of organization and administration designed to ensure efficiency and effectiveness. It is a system based on five principles. Fayol identified 14 principles that he believed to be essential to increasing the efficiency of the management process.

Both management theorists emphasized the following principles for successful management:

- (1) *Authority:* This is the power to hold people accountable for their actions and to make decisions concerning the use of organizational resources. According to Weber, formal authority derives from the position a manager holds in the organization. Fayol went beyond formal authority to include the informal authority derived from personal expertise, technical knowledge, moral worth, and ability to lead and to generate commitment from subordinates.
- (2) *Line and unity of command:* Weber argued that the extent of each position's formal authority and task responsibilities, and its relationship to other positions in an organization, should be clearly specified. Fayol echoes this idea when he speaks of unity of command—an employee should receive orders from only one superior. Both ideas emphasize specification of responsibility and seek to avoid confusion and overlap of authority that may decrease efficiency and/or effectiveness.
- (3) *Authority organization:* Both Weber and Fayol suggest a chain of managers in an organization be arranged from top to bottom. While Weber was more adherent to a hierarchical strategy, Fayol emphasized also the importance of cross-departmental integration and teams, and communication at the lower levels of management in an organization. Fayol also stressed the importance of limiting the number of levels in the hierarchy to reduce communication problems.

(4) *Centralization:* Weber and Fayol argue for a strong concentration of authority at the top of the organizational hierarchy. Fayol was more flexible, though, in allowing for initiative and innovation at lower levels in an organization.

(5) *Established rules:* Weber argued for a well-defined system of rules, standard operating procedures, and norms so that behavior within an organization could be effectively controlled. These standards provide guidelines that increase performance because they specify the best ways to accomplish organizational tasks. Fayol also stressed order and discipline, which echo the tenets of Weber's principle, but Fayol also stressed equity and esprit de corps, principles that emphasize the need to treat employees fairly and to create a positive work environment.

4. *Which of Weber's and Fayol's principles seem most relevant to the creation of an ethical organization?*

Ethical behavior in organizations can be difficult to define, but it is crucial for organizational success and employee well being. Weber's focus on performance and ability rather than social status or wealth as determinants of authority are relevant to ethical considerations. Weber also emphasizes specificity in authority hierarchy, task requirements, and chains of command. By communicating to employees the organization's expectations for responsible behavior, management acts ethically and fairly. The fairness and equity of the selection and promotion systems that Weber advocates encourages organizational members to act ethically and further promote the interests of the organization as well.

Fayol's principles also exemplify ethical considerations. By recognizing the downside of specialization and countering them with expanded employee duties and responsibilities, Fayol avoids unethical treatment of employees. The need to treat employees in a just and respectful manner is central to Fayol's principle of equity. Further emphasized is the respect for employees' sense of integrity. This is crucial for creating an ethical organization. A fair and well-designed pay system is also necessary, as discussed in the principle of "Remuneration of Personnel." Good performance should be rewarded, and the system needs to be uniformly applied to employees to ensure equitable and ethical treatment.

5. *Why was the work of Mary Parker Follett ahead of its time? To what degree do you think it is appropriate today?*

Mary Parker Follett wrote mainly as a response to other management theorists and practitioners and their lack of concern for the human side of the organization. She pointed out that management often overlooks the many contributions that employees can make to organizations when managers allow them to participate and exercise initiative. Her work was important because she called for employee involvement in analyzing their jobs and participating in the work development process. Follett was ahead of her time because she anticipated the current interest in self-managed teams and empowerment, in which workers manage many of their own activities. Her focus on "cross-functioning," in which different departments work together in cross-departmental teams to accomplish projects, was an approach that was ahead of its time, but is increasingly utilized today. Follett advocated a horizontal view of power and authority. She suggested that those with the knowledge to help the organization achieve its goals should have more authority, and authority should be flexible to meet the needs of organization at different times. This approach was very radical for its time, and directly contrasted the work of Fayol and Weber.

Follett's approach is appropriate in today's ever-changing business environment. New issues constantly arise, and organizations need to be able to adapt and change in order to survive. An organization that has an archaic management structure that impedes communication and thwarts efforts to respond to changing needs will not survive global and domestic competition. Organizations also need to respond to the advances of technology that may make some organizations obsolete. Follett's emphasis on flexibility and the human side of organizations make her approach very relevant for organizations struggling to survive an ever-changing business environment.

6. *What is contingency theory? What kinds of organizations you are familiar with have been successful or unsuccessful in dealing with contingencies from the external environment?*

The crucial message of contingency theory is that there is no one best way to manage. If an organization is to succeed, managers must look to the environment in which the organization operates to determine the kind of structure and control systems to implement. The ability of an organization to obtain resources depends on the nature and characteristics of the environment. Managers cannot choose one inflexible management strategy. The strategy will need to adapt to changing characteristics of the environment. Managers must be allowed to organize and control activities in ways that best allow them to obtain resources, given the limitations sometimes imposed by the environment. This strategy will maximize an organization's chances of obtaining access to resources by allowing it to respond to the organizational environment characteristics. The ultimate goal is to be able to respond to a changing environment quickly and effectively.

Examples of organizations that were unable to deal with contingencies from the environment include those that have become obsolete due to changes in technology, the entry of new competitors in the environment, and changes in economic conditions. Intel is successful because it developed new computer technology that surpassed existing technology. McDonald's has expanded their customer base by developing new products to appeal to health conscious adults, an increasingly popular trend in the fast-food industry. Donna Karan, a high-end clothing manufacturer, has been unsuccessful in controlling costs that its sales cannot support. People are now spending less money on clothing than during previous decades and Donna Karan has not responded to this environmental contingency shift. America Online experienced difficulties when it was unable to manage the volume of callers for its Internet service. They did not anticipate the problems this caused their company and were unable to deal with the lack of resources they experienced.

7. *Why are mechanistic and organic structures suited to different types of organizational environment?*

There are two basic ways that managers can organize and control an organization's activities to respond to the nature of its environment. A mechanistic structure is chosen when the environment surrounding an organization is stable. This would be the case for an organization that has steady supply and demand in the environment, and is somewhat immune to the fluctuations of the economy. A mechanistic structure is characterized by a "top-down" hierarchy and the vertical hierarchy of authority is the main means used to control subordinates' behavior. Management closely supervises subordinates, and the emphasis is on strict discipline and order. An environment that supports this structure benefits because a mechanistic structure allows inputs to be obtained at the lowest cost, giving an organization the most control over its conversion processes and enabling the most efficient production of goods and services. The stable environment is such that lower level employees do not need to make management decisions or respond to changing environment characteristics.

An organic structure is chosen when the environment surrounding an organization is changing rapidly, and it is more difficult to obtain access to resources. In this kind of environment, managers need to be able to respond quickly to seize resources, free from the difficulties associated with a vertical hierarchy that exists in a mechanistic structure. Instead of vertical authority, authority is more decentralized to people lower in the organization. Departments are encouraged to take a cross-departmental or functional perspective, which makes authority more horizontal than vertical. An organic structure allows managers to react more quickly to a changing environment than a mechanistic structure. There is looser control than in a mechanistic structure, and the reliance is on shared norms, rather than rules and SOP's, to guide organizational activities. An advantage is that authority rests with the people who are in the best positions to control and address the current problems the organization is facing.

Action

8. *Question a manager about his or her views of the relative importance of Fayol's fourteen principles of management.*

The following is a brief overview of Fayol's 14 principles of management.

- (1) *Division of Labor:* Workers should be specialized, but should also be given more job duties to perform or should assume more responsibility for work outcomes.
- (2) *Authority and Responsibility:* Beyond formal authority, this includes informal authority derived from personal expertise, knowledge, and morals.
- (3) *Unity of Command:* An employee should receive orders from only one superior, rather than from two or more, which safeguards against inefficiency and overlap.
- (4) *Line of Authority:* The line of authority is the chain of managers in an organization from the top to the bottom. The number of levels should be limited to help ensure timely and flexible reactions to problems, and to facilitate communication.
- (5) *Centralization:* This is the degree that authority is located at the top of the organizational hierarchy.
- (6) *Unity of direction:* Management should have one plan of action to guide managers and workers as they use organizational resources—a single overall guiding plan and organizational strategy.
- (7) *Equity:* Equity is a combination of justice and respect toward employees. This is a primary concern for many managers who work with diverse workforces.
- (8) *Order:* Managers achieve order by ensuring that every employee finds a position in the organization that provides the organization with the greatest benefit while providing employees with the greatest career opportunities to satisfy their own needs. Order also addresses the need for organizational charts to clarify employee position and promotion opportunities, and career planning
- (9) *Initiative:* This principle involves encouraging employees to be creative and innovative in their work, which leads to progress and innovation.
- (10) *Discipline:* This is the need for obedience, energy, application, and outward marks of respect for a superior's authority from employees. Discipline results in respectful relations between organizational members and reflects the quality of an organization's leadership.
- (11) *Remuneration of Personnel:* This refers to the reward systems, which should be equitable for employees and the organization. The system should encourage productivity by rewarding well-directed effort, and it should be resistant to abuse. It should be uniformly applied to all employees.
- (12) *Stability of tenure of personnel:* This is the concept of long-term, but not necessarily lifetime, employment.
- (13) *Subordination of individual interest to general interest:* The interests of the organization as a whole must take precedence over the interests of any one individual or group.
- (14) *Esprit de corps:* A shared feeling of comradeship, enthusiasm, or devotion to a common cause, such as the organization, is important for a successful management effort.

9. *Visit various local organizations in your community and identify those that seem to operate with a Theory X or a Theory Y approach to management.*

(Note to the instructor: Student answers will vary. The following is a brief overview of the Theory X and Theory Y approach to management.)

Theory X management: According to this theory, managers believe the average worker is lazy, dislikes work, and will try to do as little as possible. These managers believe that it is their job to counteract the natural tendencies of workers to avoid work by closely supervising and controlling them. Control is exercised through a system of rewards and punishments. This theory asserts that managers need to maximize control and minimize employee autonomy over their work and work pace. Cooperation is neither expected nor desired by the workforce. Managers see their role as to closely monitor workers to ensure they contribute to the production process and follow the rules and standard operating procedures of the organization, and do not threaten product quality.

Theory Y management:

According to Theory Y, workers do not naturally dislike work; the work setting itself determines whether or not work is seen as a source of satisfaction or punishment. Given the chance or opportunity, workers will do what is good for the organization. It is the manager's task to create a work setting that encourages commitment to organizational objectives. If managers believe that workers are motivated, they can decentralize authority and give more control over the job to workers. A manager's role is not to control employees, but to provide support and advice.

AACSB standards: 1, 3, 6, 10

BUILDING MANAGEMENT SKILLS

Managing Your Own Business

1. *Use the principles of Weber and Fayol to decide on the system of organization and management that you think will be most effective for your growing organization. How many levels will the hierarchy of your organization have? How much authority will you decentralize to your subordinates? How will you establish the division of labor between subordinates? Will your subordinates work alone reporting to you or in teams?*

(Note to the instructor: Due to the nature of the question, individual answers will vary. The following points should be addressed in each answer:)

The system of organization and management: Weber developed his five principles of bureaucracy that utilize a formal system of organization and administration to ensure efficiency and effectiveness. The clear specification of positions within the organization's hierarchy and the use of rules and standard operating procedures (SOP's) to regulate how tasks are performed make it easier for managers to organize and control the work of subordinates. Bureaucracies tend to have more levels of hierarchy than do other systems. Authority derives from position in the hierarchy and decisions are made at the top and "trickle down" to lower levels in the organization. Subordinates tend to work independently and are typically not given much authority. Labor tends to be very specialized and divided among many subordinates. Problems can arise within a bureaucratic system when the number of rules and SOP's make decision making slow and inefficient, and restrict the flexibility of the managers to solve problems efficiently and effectively.

Chapter 02 - The Evolution of Management Thought

Fayol identified fourteen principles of management that he believed to be essential to increasing the efficiency of the management process. Several of these are relevant when deciding which system of organization and management should be implemented. Division of labor was suggested, but Fayol also advocated that workers should be given more responsibility and authority. Fayol went beyond formal authority to include informal authority, such as expertise or knowledge, as well. He also stressed the importance of limiting the number of levels of management, suggesting that subordinates report to one manager only. This reduces communication problems so that an organization can act quickly and flexibly. Fayol also advocated teams and cross-departmental integration, as opposed to individuals working alone. Decentralization of authority is also part of Fayol's principles, allowing authority to be diffused throughout an organization, rather than centralized at the top of the hierarchy.

Students should use the principles of Weber and Fayol to design a system that allows for control within an organization, while at the same time allowing for the flexibility and creativity that is crucial at all levels of a software company.

2. *What management approach (for example, Theory X or Y) do you propose to develop to run your organization? In 50 words or less, write a statement of the management approach you propose to use to motivate and coordinate your subordinates, and tell why you think this style would be best.*

(Note to the instructor: Student answers will vary. The following is an overview of Theory X and Y.)

Management approaches are typically developed from either Theory: X or Y. Theory X managers closely supervise and control workers' behavior by a system of rewards and punishments. They maximize management control and minimize control workers have over the pace of work. Management sees its task as counteracting worker's natural tendencies to avoid work. Theory Y managers do not need to closely control workers' behaviors because they believe that workers, when given the chance, will do what is good for the organization. Management views its task as creating a work setting that encourages commitment to organizational goals, with the assumption that workers will exercise self-control when they are committed to these goals. Commitment also provides opportunities for workers to be imaginative, and to exercise initiative and self-direction.

AACSB standards: 1, 3, 9, 10

MANAGING ETHICALLY



1. Which of the management theories described in the chapter does Ron Edens make the most use of?

Mr. Edens uses the Theory X management approach. This theory rests on the assumptions that the average worker is lazy, dislikes work, and will try to do as little work as possible. Mr. Edens believes that workers cannot be trusted to do their work without constant surveillance by computers or human supervisors. Quotas are imposed to ensure high productivity levels. The central principal of Theory X is that managers should closely supervise and control workers, and this is precisely the atmosphere at Electronic Banking System, Inc. The work setting has been designed to minimize the control that employees have over their own behavior and the pace of work. Workers do not have to think or make decisions. Their work is very specialized and almost robotic. There are many rules and standard operating procedures in Mr. Edens' organization, and cooperation is neither expected nor desired by the workforce. Supervisors watch closely to see that employees do not make mistakes or slow the work process.

2. What do you think are the effects of this approach on (a) workers and (b) supervisors?

Because of the monotony of the work, many workers feel lonely and trapped. The dissatisfaction has been expressed through their efforts to circumvent one of Eden's rule by talking out of the sides of their mouths. Studies of workplace monitoring suggests that it creates a hostile workplace environment in which workers feel pressured, paranoid, and are prone to stress-related illness, all of which impacts supervisors as well as workers.

3. Do you regard Ron Eden's approach to management ethical and acceptable or unethical and unacceptable in the 2000s? Why?

Companies have an obligation to treat employees with dignity, respect, and consideration. Eden makes little attempt to do so, which in the opinion of many, makes his approach to management ethically unacceptable.

AACSB standards: 1, 2, 3, 7, 9, 10

SMALL GROUP BREAKOUT EXERCISE

Modeling an Open System

Think of an organization with which you are all familiar with such as a local restaurant, store, bank, etc. Once you have chosen an organization, model it from an open systems perspective. For example, identify its input, conversion, and output processes; and identify forces in the environment that help or hurt the organization's ability to obtain resources and dispose of its goods and services.

An open system is one that takes in resources from the environment, changes or transforms them into goods and services, and sends them back into the environment where they are bought by customers. Students should identify all three parts of the open system process. The term "open system" is used because the organization must draw from and interact with the environment to survive; therefore, it must be open to its environment.

Input stage: An organization acquires resources from the environment that it needs to produce goods and services.

Conversion stage: An organization's workforce, using appropriate tools, techniques, and machinery, transforms the inputs into outputs of finished goods and services.

Output stage: An organization releases its output of finished goods and services to its environment where they are purchased and used by the organization's customers to satisfy their needs.

Forces in the environment that can affect the ability of an organization to obtain resources or dispose of its goods and services may include such factors as natural disasters, lack of available labor, instability of the economy, fluctuations in consumer demand, and advances in technology.

AACSB standards: 1, 3, 6, 9, 10

EXPLORING THE WORLD WIDE WEB

Significant Milestones

Ford Motor Company entered the business world on June 16, 1903, when Henry Ford and eleven business associates signed the company's articles of incorporation and funded the start-up with \$28,000 in cash. The earliest record of a shipment is July 20, 1903, approximately one month after incorporation, to a Detroit physician. Perhaps Ford Motor Company's single greatest contribution to automotive manufacturing was the moving assembly line. First implemented at the Highland Park plant in 1913, the new technique allowed individual workers to stay in one place and perform the same task repeatedly on multiple vehicles that passed by them. The line proved tremendously efficient, helping the company far surpass the production levels of their competitors and making the vehicles more affordable. In the 1950's, the company went public for the second time, and the company began its global expansion of in the 1960's.

Past Challenges

Henry Ford's insistence that the company's future lay in the production of affordable cars for a mass market caused increasing friction between him and the other investors. As some left, Ford acquired enough stock to increase his own holdings to 58.5 percent and replace John S. Gray, a Detroit banker, as the company's president. In 1919 a conflict with stockholders over the millions to be spent building the giant Rouge manufacturing complex in Dearborn, Michigan led to the company becoming wholly owned by Henry Ford and his son, Edsel, who then succeeded his father as president. After Edsel Ford passed away in 1943, a saddened Henry Ford resumed the presidency. In the 1930's came the rise of organized labor. The relationship between management and the unions got off to a rocky start, since Henry Ford believed that his company already had its workers' best interests in mind.

Current Challenges

In the 2000s, Ford, like other global car companies, is hustling to catch up to the manufacturing efficiencies of Toyota and Nissan. Although Ford made significant advances in the 1990s, GM and Chrysler recently surpassed it.

AACSB standards: 1, 3, 4, 9, 10, 13

BE THE MANAGER

1. *How do the various theories of management discussed in this chapter offer clues for organizing and controlling hotel employees?*

Mary Parker Follett's theories give much insight concerning the empowerment of employees. In this elite hotel, employees must be allowed to service customers' needs without always checking with a supervisor first.

2. *Which parts would be the most important for an effective system to organize and control employees?*

Mary Parker Follett pointed out that management often overlooks the many contributions that employees can make to organizations when managers allow them to participate and exercise initiative. She calls for employee involvement in analyzing their responsibilities and participating in the work development process. She also advocates self-managed teams and empowerment, in which workers manage many of their own activities. Her ideas concerning "cross-functioning," in which different departments work together in cross-departmental teams to ensure that a goal, such as exemplary customer service, is achieved seems relevant here.

AACSB standards: 1, 3, 9, 10

BUSINESSWEEK CASES IN THE NEWS

Case Synopsis: Netflix: Flex to the Max

This case highlights the motivational techniques utilized by the founder of Netflix, Reed Hastings. In his previous experiences, prior to Netflix, Hastings witnessed companies go from truly exciting and innovative organizations to "dronish" places where people simply work because they have to. With Netflix, Hastings has gone against the traditional concept of a bureaucracy by paying lavishly, allowing his employees to structure their own compensation packages; and providing unlimited vacation leave. The idea being, that the best worker will act with "freedom and responsibility" and thus the need for the archetypal bureaucracy is not necessary.

Employees, who are recruited to work at the company, are often acquainted with the current employees and all are expected to perform superbly. If a worker does not, they are fired with a lucrative severance package to ensure the firing manager does not "feel guilty" for letting someone go. The expectation is that because these employees are the experts in their respected disciplines, they will have the self motivation to ensure the job gets done.

Questions:

1. *What are the main principles behind Reed Hastings approach to managing? How do they affect it's organizational culture?*

The main principle behind Hastings approach is "freedom and responsibility" with a "fully formed adult" culture. This means that Hastings believes his workers are self motivated, willing to take initiative and willing to be held accountable for the business results of Netflix. This affects the culture by creating a pride in affiliation through the high level of compensation which demonstrates "A" list employees.

2. *Compare these principles to those developed by Henry Fayol. In what ways are they*

similar or different? And what different effects do they have on employee motivation and Netflix's culture and "esprit de corps"?

Some of the principles embraced by Fayol, such as remuneration of personnel, initiative and the unity of direction are executed and clearly supported by Reed Hastings. Some of the more traditionally bureaucratic tenets, such as order, unity of command and centralization are circumscribed. The authority and responsibility, as well as self discipline and strong initiative held by the employees leads to an outstanding and strong esprit de corps. The maintenance of this spirit was the priority of Hastings when founding Netflix.

AACSB standards: 3, 6, 9, 10,13

Case Synopsis: No-Cubicle Culture

The case speaks of a Danish company which created a completely structure-less company. The visionary, Lars Kolind felt that a workplace could become a free marketplace of ideas, and named it a spaghetti organization. Once the company went public, many old, traditional structures resurfaced. It was stated that workers crave leadership and want to be led.

Questions:

1. How and why did Lars Kolind change the way Oticon organized and controlled its employees?

Lars Kolind wanted to shave up the stodgy culture of the hearing company and believed that a free marketplace atmosphere would enhance ideas and creativity

2. What new kinds of skill and ways of working are managers and employees having to learn to perform will in Oticon's new culture?

Without a designated leader or authority it would be imperative for each and every employee to have a lot initiative as well as the ability to see the interest of the organization.

3. How do these new ways of working relate to those talked about in the chapter such as Fayol and Follett?

The Oticon experience highlights an ultimate Follett experience. With behavioral management the ideas of self managed team and employee empowerment are imperative. Interestingly, once the visionary left, the organization crept closer to a traditional structure.

AACSB standards: 3, 10

SUPPLEMENTAL FEATURES

Please see the following collections on the Asset Gallery at www.mhhe.com/assetgallery/

VIDEO CASE

The Assembly Line

In 1907, Henry Ford announced a specific and lofty goal for his company, to “build a motor car for the multitudes.” His engineers designed the Model T, which was simple, sturdy, always black, and less expensive than other cars, but it was still not affordable to average people. To produce the Model T as cheaply as he wanted, Ford knew he had to change the way cars were built.

Studying other industries for ideas, Ford observed a grain mill conveyor and moving lines at Chicago meat packing plants and saw division of labor as each worker cut one cut of meat. Ford and his team realized that car production could be revolutionized by four principles: interchangeable parts, continuous flow, division of labor, and reducing wasted effort. Ford hired Frederick Taylor as a consultant to introduce scientific management into the Ford Motor Company.

Taylor performed time and motion studies by observing every movement workers made and timing them with a stopwatch. He divided the assembly of the Model T into 84 simple, repetitive steps, with each worker trained to do only one of these steps. The cutting tools and machinery were improved so that individual pieces of the car were made the same way each time. Interchangeable parts meant, for instance, that any valve would fit any engine. Once the machines were adjusted, a laborer with low skills could operate them. There would be no more need for skilled craftsmen with years of apprenticeship. Men could learn to do any job quickly. Wheel making, for example, no longer required a trained wheelwright; instead, the process was broken down into nearly 100 stages, done by different men at different machines. Making a car became much faster, but workers still could only complete 20 in a day.

The most dramatic change came when Ford decided to try an idea: Instead of moving the men past the cars, why not move the cars past the men? A simple experiment, in which a strong young worker pulled a car through the factory as others fastened on parts, led to the installation in 1913 of conveyor belts to deliver parts to workers. It was the first moving assembly line used in large-scale manufacturing and allowed Ford to produce cars at a record-breaking rate. The time it took to build a Model T dropped to 93 minutes. Management set the speed of the assembly line and workers were unable to stop or slow it. Few could stand the relentless pace and noise for more than a few weeks before they quit. In 1914 Ford shortened the work day from nine hours to eight in order to run three shifts and doubled wages to \$5 a day to keep men on the line. While other manufacturers considered this wage extravagant, Ford believed that well-paid workers would not only endure the dull work but also buy his cars.

More than 15 million Americans bought a Model T during the 19 years it was produced. The price went down from \$980 when it was introduced in 1908 to as low as \$280. Ford’s mass production techniques eventually allowed for the manufacture of a Model T every 24 seconds.

Questions

1. *What downside do you think workers experienced after Taylor helped Ford introduce job specialization in his factory? Think of an example from the video.*

2. *How does a moving assembly line fit into the beliefs of a Theory X manager, a designation given to Henry Ford?*
3. *How did Taylor recommend that workers should benefit from their increased performance? Did Henry Ford follow that recommendation?*

Sources: John Crandall, "Henry Ford's Assembly Line," http://automotive-history.suite101.com/article.cfm/henry_fords_assembly_line, accessed August 4, 2008; "Ford Installs First Moving Assembly Line, 1913," <http://www.pbs.org/wgbh/aso/databank/entries/dt13as.html>, accessed August 4, 2008; and Mary Bellis, "Henry Ford," <http://inventors.about.com/library/inventors/blford.htm?p=1>, accessed August 4, 2008..

Video Case Teaching Notes: Ford's Assembly Line

Teaching Objective: To explain how the first assembly line used in auto production changed the workplace and the industry

Summary: After Henry Ford developed the Model T, he sought a way to produce the car faster and more cheaply. Frederick Taylor helped Ford speed up production through job specialization. Then Ford introduced an assembly line that brought cars to workers and set the pace of their work, with the result that a car could be made in 93 minutes. To keep men on the stressful, repetitive, fast-paced job, Ford doubled their pay to \$5 a day.

Questions:

1. *What downside do you think workers experienced after Taylor helped Ford introduce job specialization in his factory? Think of an example from the video.*

Since specialization divides jobs into miniscule steps performed by different workers, they can easily become bored by the routine, repetitive tasks that result. Job satisfaction can plunge as individuals feel less significant, like a part of the machinery. In Ford's factory, for example, a skilled wheelwright no longer made entire wheels but only a small part of each one. He would not feel the satisfaction of crafting a complete product or the pride in doing it well. In fact, skilled craftsmen were not needed as anyone could be trained to do the simple tasks.

2. *How does a moving assembly line fit into the beliefs of a Theory X manager, a designation given to Henry Ford?*

A moving assembly line brings the work to the workers and determines the pace of work. They must keep up or the entire system gets backed up; it is obvious if a worker is too slow or slacking off. For Theory X managers, who believe most workers will do as little as possible, relying on machines to keep workers performing at a high level is an effective way to control employees.

3. *How did Taylor recommend that workers should benefit from their increased performance? Did Henry Ford follow that recommendation?*

Taylor said workers should be rewarded with bonuses for gains in their performance. Workers benefited when Ford reduced the work day from nine hours to eight hours in order to have three shifts and when he doubled their pay to \$5 a day, although he may have been more motivated to keep workers in his factory and enable them to buy a Model T rather than to share his profits with them.

MANAGEMENT IN THE MOVIES

- **Hoosiers – “Warm Welcome”**

MANAGER’S HOT SEAT (MHS)

- **Cultural Differences: Let’s Break a Deal**

{Note: Also recommended with chapter 6}

SELF-ASSESSMENT(S)

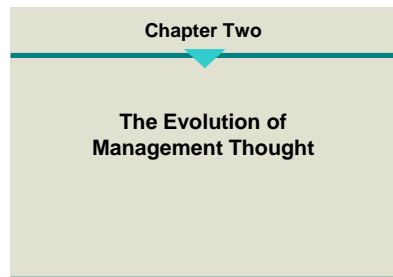
- **Culture (#3 online)**

TEST YOUR KNOWLEDGE

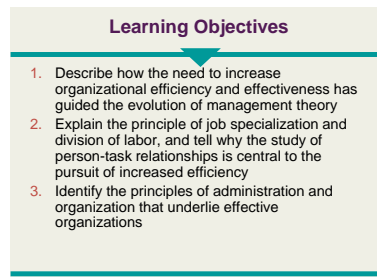
- **Historical Perspective to Strategic Management Function (#18 online)**

INSTRUCTOR'S POWERPOINT SLIDES

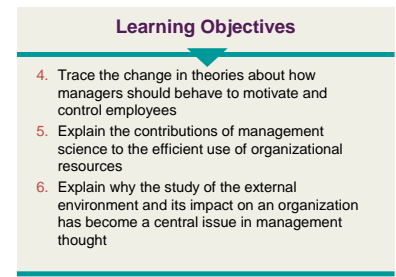
These Instructor's PowerPoint slides can be used to supplement the lecture material.



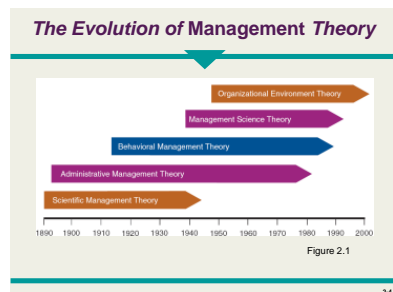
INSTRUCTOR'S POWERPOINT
SLIDE 1
Chapter Title



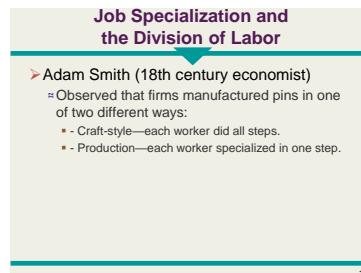
INSTRUCTOR'S POWERPOINT
SLIDE 2
Learning Objectives



INSTRUCTOR'S POWERPOINT
SLIDE 3
Learning Objectives



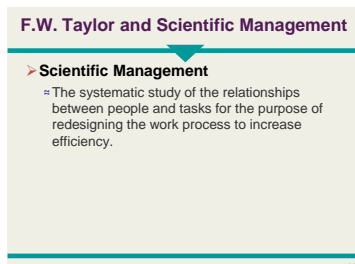
INSTRUCTOR'S POWERPOINT
SLIDE 4
The Evolution of Management
Theory



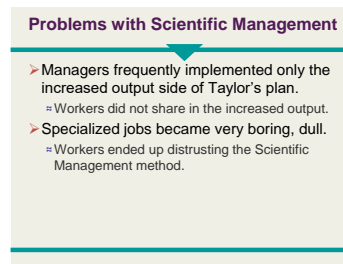
INSTRUCTOR'S POWERPOINT
SLIDE 5
Job Specialization and the Division
of Labor



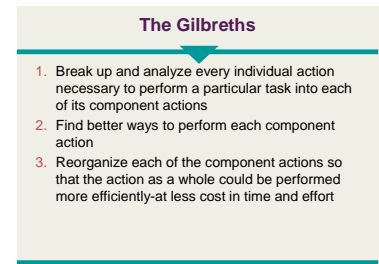
INSTRUCTOR'S POWERPOINT
SLIDE 6
Job Specialization...



INSTRUCTOR'S POWERPOINT
SLIDE 7
Scientific Management...



INSTRUCTOR'S POWERPOINT
SLIDE 8
Problems with Scientific
Management



INSTRUCTOR'S POWERPOINT
SLIDE 9
The Gilbreths

Administrative Management Theory



➤ **Administrative Management**

- The study of how to create an organizational structure that leads to high efficiency and effectiveness.

2-10

**INSTRUCTOR'S POWERPOINT
SLIDE 10**
Administrative Management Theory

Administrative Management Theory

➤ **Max Weber**

- Developed the principles of bureaucracy as a formal system of organization and administration designed to ensure efficiency and effectiveness.

2-11

**INSTRUCTOR'S POWERPOINT
SLIDE 11**
Max Weber...

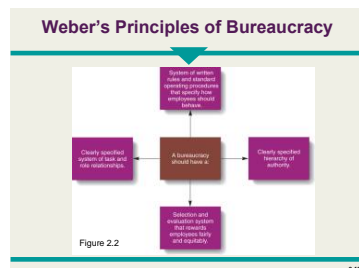
Question?

When a factory has a standard practice that each machine operator should leave his or her work station in a clean condition and ready for the next shift of workers, this is an example of:

A. An SOP.
B. Bureaucracy.
C. Job specialization.
D. A rule.

2-12

**INSTRUCTOR'S POWERPOINT
SLIDE 12**
Question



**INSTRUCTOR'S POWERPOINT
SLIDE 13**
Weber's Principles of Bureaucracy
Figure 2.2

Rules, SOPs and Norms

➤ **Rules**

- formal written instructions that specify actions to be taken under different circumstances to achieve specific goals

➤ **Standard Operating Procedures (SOPs)**

- specific sets of written instructions about how to perform a certain aspect of a task

➤ **Norms**

- unwritten, informal codes of conduct that prescribe how people should act in particular situations

2-14

**INSTRUCTOR'S POWERPOINT
SLIDE 14**
Rules, SOPs and Norms

Fayol's Principles of Management

➤ Division of Labor: allows for job specialization.

➤ Authority and Responsibility

➤ Unity of Command

➤ Line of Authority

➤ Centralization

➤ Unity of Direction

➤ Equity

➤ Order

2-15

**INSTRUCTOR'S POWERPOINT
SLIDE 15**
Fayol's Principles of Management

Fayol's Principles of Management

➤ Initiative

➤ Discipline

➤ Remuneration of Personnel

➤ Stability of Tenure of Personnel

➤ Subordination of Individual Interest to the Common Interest

➤ Esprit de corps

2-16

**INSTRUCTOR'S POWERPOINT
SLIDE 16**
Fayol's Principles of Management

Discussion Question?

Which of the following is the most important aspect of Fayol's principles of management?

A. Division of Labor
B. Unity of Command
C. Remuneration of Personnel
D. Esprit de corps

2-17

**INSTRUCTOR'S POWERPOINT
SLIDE 17**
Question

Behavioral Management Theory

➤ **Behavioral Management**

- The study of how managers should personally behave to motivate employees and encourage them to perform at high levels and be committed to the achievement of organizational goals.

2-18

**INSTRUCTOR'S POWERPOINT
SLIDE 18**
Behavioral Management Theory

Behavioral Management

➤ **Mary Parker Follett**

- Concerned that Taylor ignored the human side of the organization
- Suggested workers help in analyzing their jobs
- If workers have relevant knowledge of the task, then they should control the task

2-19

**INSTRUCTOR'S POWERPOINT
SLIDE 19**
Mary Parker Follett

The Hawthorne Studies

➤ Studies of how characteristics of the work setting affected worker fatigue and performance at the Hawthorne Works of the Western Electric Company from 1924-1932.

▫ Worker productivity was measured at various levels of light illumination.


2-20

**INSTRUCTOR'S POWERPOINT
SLIDE 20**
The Hawthorne Studies

The Hawthorne Studies

➤ **Human Relations Implications**

- **Hawthorne effect** — workers' attitudes toward their managers affect the level of workers' performance



2-21

**INSTRUCTOR'S POWERPOINT
SLIDE 21**
The Hawthorne Studies, cont.

The Hawthorne Studies

➤ **Human relations movement**

- advocates that supervisors be behaviorally trained to manage subordinates in ways that elicit their cooperation and increase their productivity

2-22

**INSTRUCTOR'S POWERPOINT
SLIDE 22**
The Hawthorne Studies, cont.

Implications of the Hawthorne Studies

➤ Behavior of managers and workers in the work setting is as important in explaining the level of performance as the technical aspects of the task

➤ Demonstrated the importance of understanding how the feelings, thoughts, and behavior of work-group members and managers affect performance

2-23

**INSTRUCTOR'S POWERPOINT
SLIDE 23**
Implications of the Hawthorne
Studies

Question?

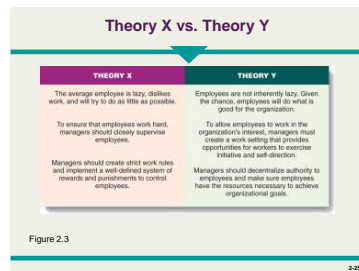
If a manager feels that his major job responsibility is "to counteract the natural tendencies of subordinates to avoid working hard," this manager is acting consistently with the principles of:

- A. Contingency theory.
- B. Theory X.
- C. Theory Y.
- D. Theory Z.

2-24

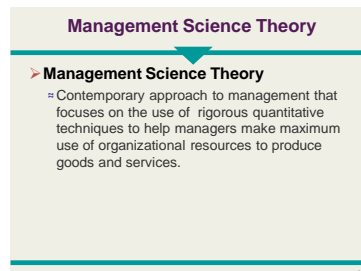
**INSTRUCTOR'S POWERPOINT
SLIDE 24**
Question

Chapter 02 - The Evolution of Management Thought



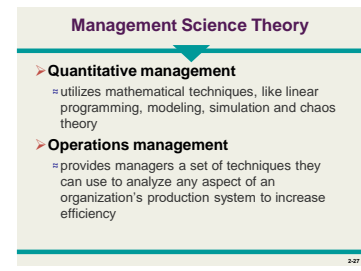
INSTRUCTOR'S POWERPOINT SLIDE 25

Theory X vs. Theory Y
Figure 2.3



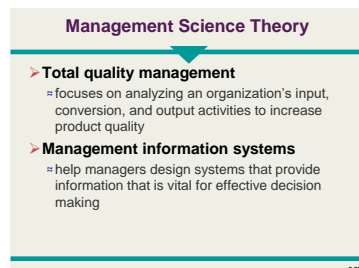
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Management Science Theory



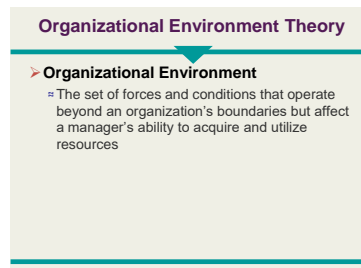
INSTRUCTOR'S POWERPOINT SLIDE 27

Quantitative, Qualitative
Management....



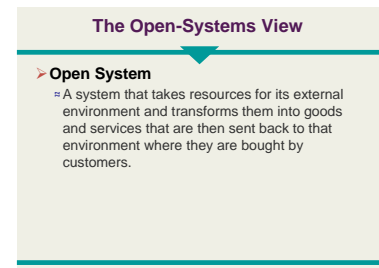
INSTRUCTOR'S POWERPOINT SLIDE 28

Management Science Theory, cont.



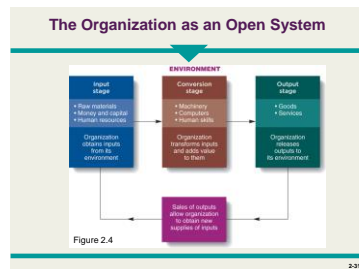
INSTRUCTOR'S POWERPOINT SLIDE 29

Organizational Environment
Theory

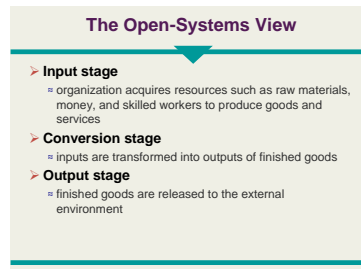


INSTRUCTOR'S POWERPOINT SLIDE 30

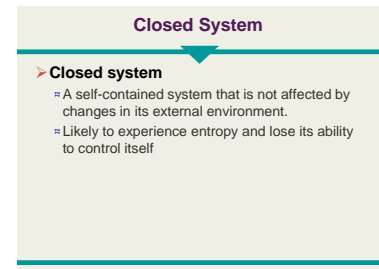
Open Systems View



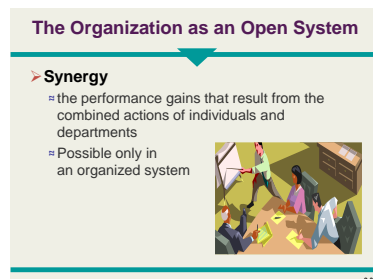
**INSTRUCTOR'S POWERPOINT
SLIDE 31**
The Organization as an Open System: Figure 2.4



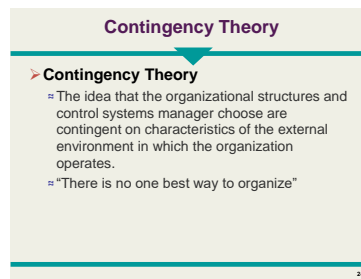
**INSTRUCTOR'S POWERPOINT
SLIDE 32**
The Open-Systems View



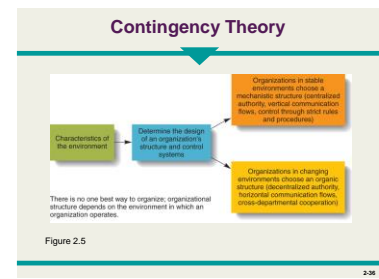
**INSTRUCTOR'S POWERPOINT
SLIDE 33**
Closed System



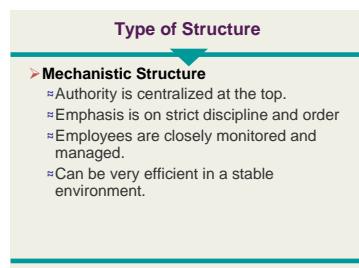
**INSTRUCTOR'S POWERPOINT
SLIDE 34**
The Organization as an Open System



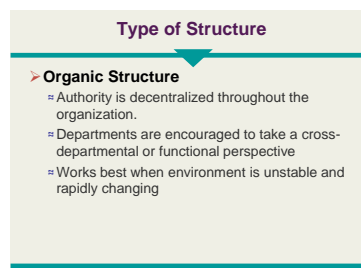
**INSTRUCTOR'S POWERPOINT
SLIDE 35**
Contingency Theory



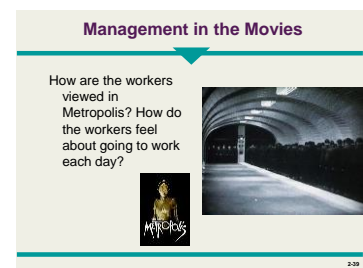
**INSTRUCTOR'S POWERPOINT
SLIDE 36**
Contingency Theory
Figure 2.5



**INSTRUCTOR'S POWERPOINT
SLIDE 37**
Type of Structure: Mechanistic



**INSTRUCTOR'S POWERPOINT
SLIDE 38**
Type of Structure: Organic




**INSTRUCTOR'S POWERPOINT
SLIDE 39**
Management in the Movies:
Metropolis

Video Case: The Assembly Line

➤ What downside do you think workers experienced after Taylor helped Ford introduce job specialization in his factory? Think of an example from the video.

➤ How does a moving assembly line fit into the beliefs of a Theory X manager, a designation given to Henry Ford?



2-48

**INSTRUCTOR'S POWERPOINT
SLIDE 40**

The Assembly Line