

Chapter Two

Traditional and Contemporary Issues and Challenges

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Learning Objectives

After studying this chapter, you should be able to:

1. Justify the importance of history and theory to management and discuss precursors to modern management theory.
2. Summarize and evaluate the classical perspective on management, including scientific and administrative management, and note its relevance to contemporary managers.
3. Summarize and evaluate the behavioral perspective on management, including the Hawthorne studies, human relations movement, and organizational behavior, and note its relevance to contemporary managers.
4. Summarize and evaluate the quantitative perspective on management, including management science and operations management, and note its relevance to contemporary managers.



Learning Objectives (cont'd)

After studying this chapter, you should be able to:

5. Discuss the systems and contingency approaches to management and explain their potential for integrating the other areas of management.
6. Identify and describe contemporary management issues and challenges.

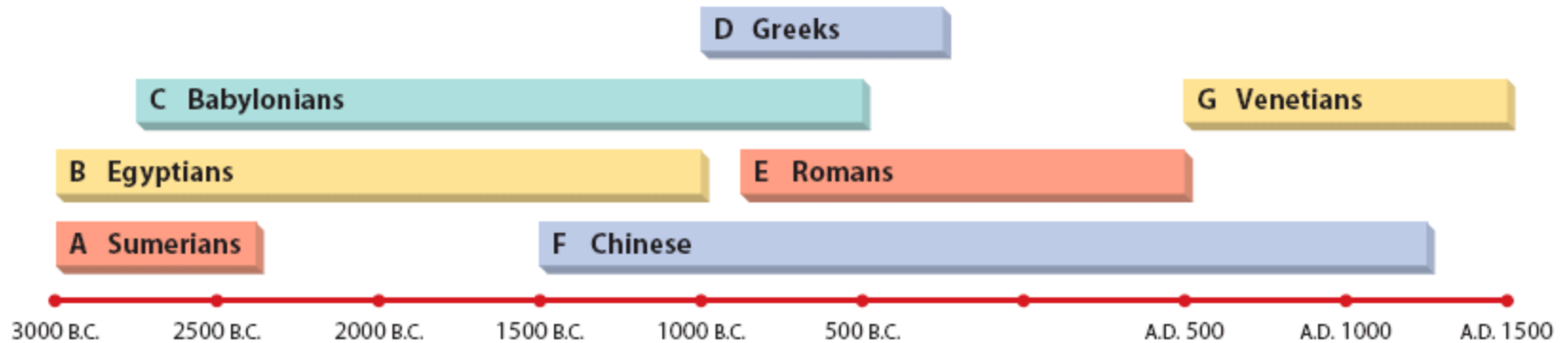


The Importance of Theory and History

- Why Theory?
 - **Theory:** a conceptual framework for organizing knowledge and providing a blueprint for action.
 - Management theories are grounded in reality.
 - Managers develop their own theories about how they should run their organizations.
- Why History?
 - Understanding historical developments in management aids managers in the development of management practices and in avoiding the mistakes of others.



Figure 2.1: Management in Antiquity



- A Used written rules and regulations for governance
- B Used management practices to construct pyramids
- C Used extensive set of laws and policies for governance
- D Used different governing systems for cities and state
- E Used organized structure for communication and control
- F Used extensive organization structure for government agencies and the arts
- G Used organization design and planning concepts to control the seas

Figure 2.1
MANAGEMENT IN ANTIQUITY

Management has been practiced for thousands of years. For example, the ancient Babylonians used management in governing their empire, and the ancient Romans used management to facilitate communication and control throughout their far-flung territories. The Egyptians used planning and controlling techniques in the construction of their pyramids.



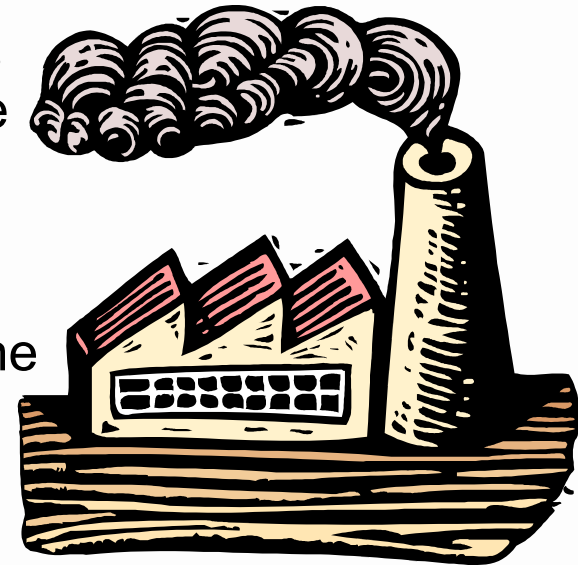
Early Management Pioneers

- Robert Owen (1771–1858)
 - British industrialist who recognized the importance of human resources and implemented better working conditions through reduced child labor, meals, and shorter hours.
- Charles Babbage (1792–1871)
 - English mathematician who focused on creating efficiencies of production through the division of labor, management and labor cooperation, and application of mathematics to management problems.
 - Wrote “*On the Economy of Machinery and Manufactures.*”



The Classical Management Perspective

- Consists of two different viewpoints:
 - Scientific Management
 - Concerned with improving the performance of individual workers (i.e., efficiency).
 - Grew out of the industrial revolution's labor shortage at the beginning of the twentieth century.
 - Administrative Management
 - A theory that focuses on managing the total organization.



Scientific Management

- Frederick Taylor (1856–1915)
 - “Father of Scientific Management.”
 - Replaced rule-of-thumb methods with scientifically-based work methods to eliminate “soldiering.”
 - Believed in selecting, training, teaching, and developing workers.
 - Used time studies, standards planning, exception rule, slide-rules, instruction cards, and piece-work pay systems to control and motivate employees.



Figure 2.2: Steps in Scientific Management

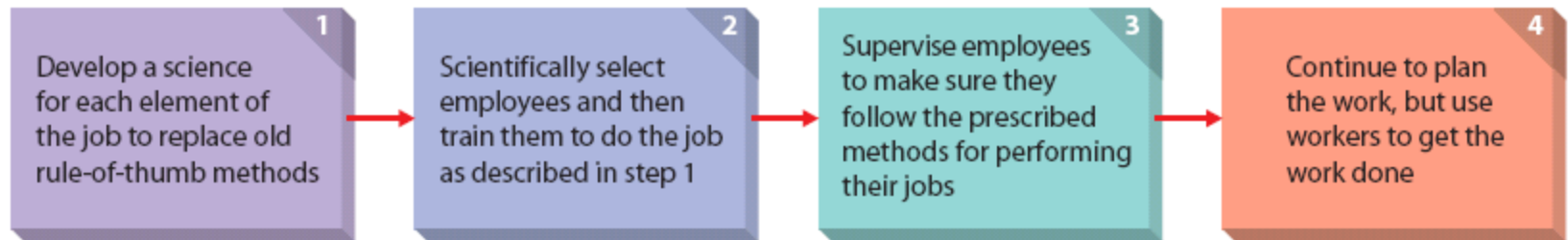


Figure 2.2

STEPS IN SCIENTIFIC MANAGEMENT

Frederick Taylor developed this system of scientific management, which he believed would lead to a more efficient and productive workforce. Bethlehem Steel was among the first organizations to profit from scientific management and still practices some parts of it today.



The Classical Management Perspective (cont'd)

- Other Scientific Management Pioneers
 - Frank and Lillian Gilbreth
 - Reduced the number of movements in bricklaying, resulting in increased output of 200%.
 - Henry Gantt
 - Was an early associate of Fredrick Taylor.
 - Developed other techniques, including the Gantt chart, to improve working efficiency through planning/scheduling.
 - Harrington Emerson
 - Advocated job specialization in both managerial and operating jobs.



The Classical Management Perspective (cont'd)

- Administrative Management Theory
 - Focuses on managing the total organization rather than individuals.
- Henri Fayol
 - Wrote “*General and Industrial Management.*”
 - Helped to systematize the practice of management.
 - Was first to identify the specific management functions of planning, organizing, leading, and controlling.



Classical Management Proponents

- Lyndall Urwick
 - Integrated the work of previous management theorists.
- Max Weber
 - His theory of bureaucracy is based on a rational set of guidelines for structuring organizations.
- Chester Barnard
 - Wrote *“The Functions of the Executive.”*
 - Proposed a theory of the acceptance of authority (by subordinates) as the source of power and influence for managers.



The Classical Management Perspective Today

- Contributions
 - Laid the foundation for later theoretical developments.
 - Identified management processes, functions, and skills.
 - Focused attention on management as a valid subject of scientific inquiry.
- Limitations
 - More appropriate approach for use in traditional, stable, simple organizations.
 - Prescribed universal procedures that are not appropriate in some settings.
 - Employees viewed as tools rather than as resources.



Table 2.1: The Classical Management Perspective

Table 2.1

THE CLASSICAL MANAGEMENT PERSPECTIVE

General Summary	The classical management perspective had two primary thrusts. Scientific management focused on employees within organizations and on ways to improve their productivity. Noted pioneers of scientific management were Frederick Taylor, Frank and Lillian Gilbreth, Henry Gantt, and Harrington Emerson. Administrative management focused on the total organization and on ways to make it more efficient and effective. Prominent administrative management theorists were Henri Fayol, Lyndall Urwick, Max Weber, and Chester Barnard.
Contributions	Laid the foundation for later developments in management theory. Identified important management processes, functions, and skills that are still recognized today. Focused attention on management as a valid subject of scientific inquiry.
Limitations	More appropriate for stable and simple organizations than for today's dynamic and complex organizations. Often prescribed universal procedures that are not appropriate in some settings. Even though some writers (such as Lillian Gilbreth and Chester Barnard) were concerned with the human element, many viewed employees as tools rather than resources.



The Behavioral Management Perspective

- Behavioral Management
 - Emphasized individual attitudes and behaviors, and group processes.
 - Recognized the importance of behavioral processes in the workplace.
- Hugo Munsterberg (1863–1916)
 - A German psychologist, considered the father of industrial psychology, wrote “ Psychology and Industrial Efficiency,” a pioneering work in the practice of applying psychological concepts to industrial settings.



The Hawthorne Studies

- Conducted by Elton Mayo and associates at Western Electric (1927–1935)
 - Illumination study of changes in workplace lighting unexpectedly affected both the control group and the experimental group of production employees.
 - Group study—the effects of a piecework incentive plan on production workers.
 - Workers established informal levels of acceptable individual output; over-producing workers (“rate busters”) and under-producing workers (“chiselers”).
 - Interview program
 - Confirmed the importance of human behavior in the workplace.



The Behavioral Management Perspective (cont'd)

- **The Human Relations Movement**
 - Grew out of the Hawthorne studies.
 - Proposed that workers respond primarily to the social context of work, including social conditioning, group norms, and interpersonal dynamics.
 - Assumed that the manager's concern for workers would lead to increased worker satisfaction and improved worker performance.



The Behavioral Management Perspective (cont'd)

- Human Relations Movement
 - Abraham Maslow
 - Advanced a theory that employees are motivated by a hierarchy of needs that they seek to satisfy.
 - Douglas McGregor
 - Proposed Theory X and Theory Y concepts of managerial beliefs about people and work.



Table 2.2: Theory X and Theory Y

Table 2.2

THEORY X AND THEORY Y

Douglas McGregor developed Theory X and Theory Y. He argued that Theory X best represented the views of scientific management and Theory Y represented the human relations approach. McGregor believed that Theory Y was the best philosophy for all managers.

Theory X Assumptions

1. People do not like work and try to avoid it.
2. People do not like work, so managers have to control, direct, coerce, and threaten employees to get them to work toward organizational goals.
3. People prefer to be directed, to avoid responsibility, and to want security; they have little ambition.

Theory Y Assumptions

1. People do not naturally dislike work; work is a natural part of their lives.
2. People are internally motivated to reach objectives to which they are committed.
3. People are committed to goals to the degree that they receive personal rewards when they reach their objectives.
4. People will both seek and accept responsibility under favorable conditions.
5. People have the capacity to be innovative in solving organizational problems.
6. People are bright, but under most organizational conditions their potential is underutilized.

Source: D. McGregor and W. Bennis, *The Human Side of Enterprise: 25th Anniversary Printing*, 1985, Copyright © 1985 The McGraw-Hill Companies, Inc. Reprinted with permission.



The Emergence of Organizational Behavior

- A contemporary field focusing on behavioral perspectives on management.
 - Draws on psychology, sociology, anthropology, economics, and medicine.
- Important organizational behavior topics:
 - Job satisfaction and job stress
 - Motivation and leadership
 - Group dynamics and organizational politics
 - Interpersonal conflict
 - The design of organizations



The Behavioral Management Perspective Today

- Contributions
 - Provided insights into motivation, group dynamics, and other interpersonal processes.
 - Focused managerial attention on these critical processes.
 - Challenged the view that employees are tools and furthered the belief that employees are valuable resources.
- Limitations
 - Complexity of individuals makes behavior difficult to predict.
 - Many concepts not put to use because managers are reluctant to adopt them.
 - Contemporary research findings are not often communicated to practicing managers in an understandable form.



Table 2.3: The Behavioral Management Perspective

Table 2.3

THE BEHAVIORAL MANAGEMENT PERSPECTIVE

General Summary	The behavioral management perspective focuses on employee behavior in an organizational context. Stimulated by the birth of industrial psychology, the human relations movement supplanted scientific management as the dominant approach to management in the 1930s and 1940s. Prominent contributors to this movement were Elton Mayo, Abraham Maslow, and Douglas McGregor. Organizational behavior, the contemporary outgrowth of the behavioral management perspective, draws from an interdisciplinary base and recognizes the complexities of human behavior in organizational settings.
Contributions	Provided important insights into motivation, group dynamics, and other interpersonal processes in organizations. Focused managerial attention on these same processes. Challenged the view that employees are tools and furthered the belief that employees are valuable resources.
Limitations	The complexity of individual behavior makes prediction of that behavior difficult. Many behavioral concepts have not yet been put to use because some managers are reluctant to adopt them. Contemporary research findings by behavioral scientists are often not communicated to practicing managers in an understandable form.



The Quantitative Management Perspective

- Quantitative Management
 - Helped the World War II Allied forces manage logistical problems.
 - Focuses on decision making, economic effectiveness, mathematical models, and the use of computers to solve quantitative problems.
- Management Science
 - Focuses on the development of representative mathematical models to assist with decisions.
- Operations Management
 - The practical application of management science to efficiently manage the production and distribution of products and services.



The Quantitative Management Perspective Today

- Contributions
 - Developed sophisticated quantitative techniques to assist in decision making.
 - Application of models has increased our awareness and understanding of complex processes and situations.
 - Has been useful in the planning and controlling processes.
- Limitations
 - Quantitative management cannot fully explain or predict the behavior of people in organizations.
 - Mathematical sophistication may come at the expense of other managerial skills.
 - Quantitative models may require unrealistic or unfounded assumptions, limiting their general applicability.



Table 2.4: The Quantitative Management Perspective

Table 2.4
THE QUANTITATIVE MANAGEMENT
PERSPECTIVE

General Summary	The quantitative management perspective focuses on applying mathematical models and processes to management situations. Management science deals specifically with the development of mathematical models to aid in decision making and problem solving. Operations management focuses more directly on the application of management science to organizations. Management information systems are developed to provide information to managers.
Contributions	Developed sophisticated quantitative techniques to assist in decision making. Application of models has increased our awareness and understanding of complex organizational processes and situations. Has been very useful in the planning and controlling processes.
Limitations	Cannot fully explain or predict the behavior of people in organizations. Mathematical sophistication may come at the expense of other important skills. Models may require unrealistic or unfounded assumptions.



Integrating Perspectives for Managers

- **Systems Perspective**
 - A system is an interrelated set of elements functioning as a whole.
- **Open system**
 - An organization that interacts with its external environment.
- **Closed system**
 - An organization that does not interact with its environment.
- **Subsystems**
 - The importance of subsystems is due to their interdependence on each other within the organization.



Figure 2.3: The Systems Perspective of Organizations

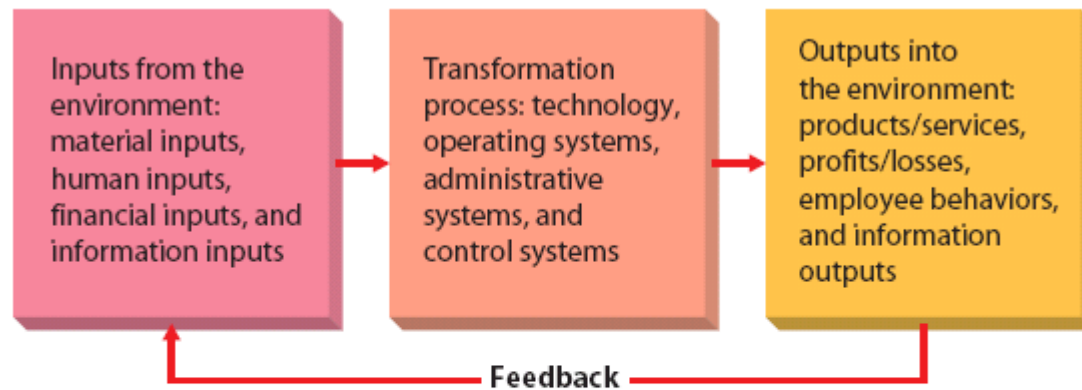


Figure 2.3

THE SYSTEMS PERSPECTIVE OF ORGANIZATIONS

By viewing organizations as systems, managers can better understand the importance of their environment and the level of interdependence among subsystems within the organization. Managers must also understand how their decisions affect and are affected by other subsystems within the organization.

Systems Perspective

- Synergy
 - Subsystems are more successful working together in a cooperative and coordinated fashion than working alone.
 - The whole system (subsystems working together as one system) is more productive and efficient than the sum of its parts.
- Entropy
 - A normal process in which an organizational system declines due to failing to adjust to change in its environment
 - Entropy can be avoided and the organization re-energized through organizational change and renewal.



The Contingency Perspective

- Universal Perspectives
 - Include the classical, behavioral, and quantitative approaches.
 - Attempt to identify the “one best way” to manage organizations.
- The Contingency Perspective
 - Suggests that each organization is unique.
 - The appropriate managerial behavior for managing an organization depends (is contingent) on the current situation in the organization.



The Contingency Perspective (cont'd)

- An Integrative Framework
 - Is a complementary way of thinking about theories of management.
 - Involves the recognition of current system and subsystem interdependencies, environmental influences, and the situational nature of management.



Figure 2.4: An Integrative Framework of Management Perspectives

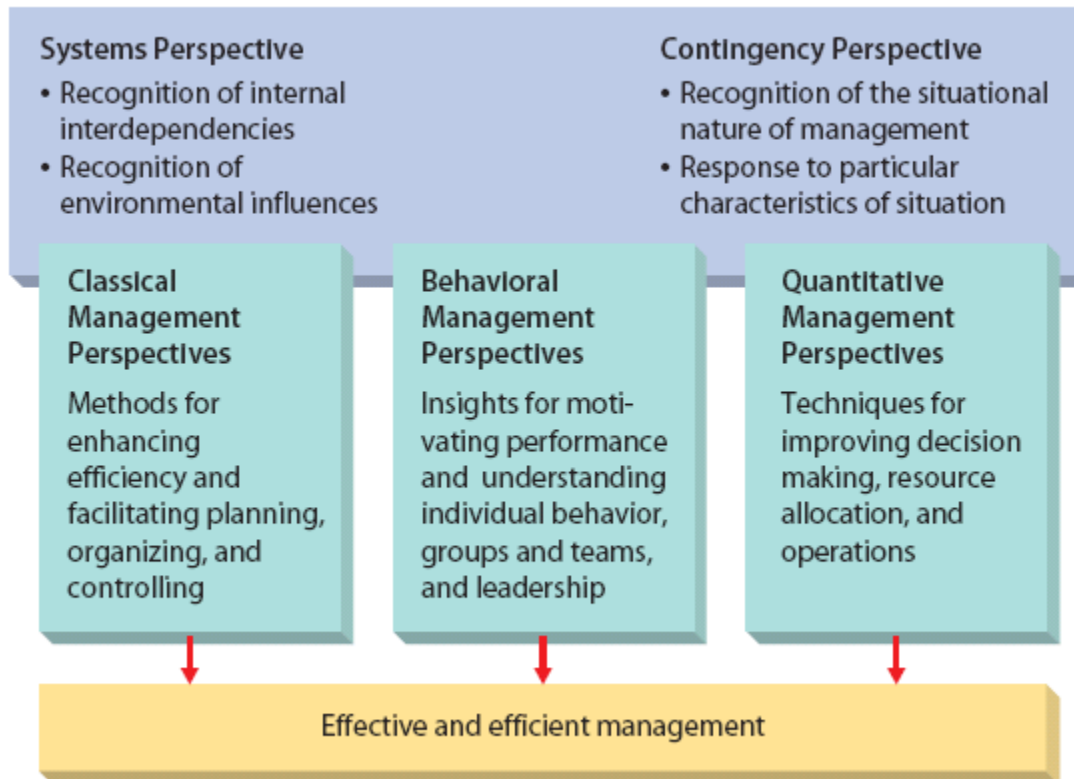


Figure 2.4

AN INTEGRATIVE FRAMEWORK OF MANAGEMENT PERSPECTIVES

Each of the major perspectives on management can be useful to modern managers. Before using any of them, however, managers should recognize the situational contexts within which they operate. The systems and contingency perspectives serve to integrate the classical, behavioral, and quantitative management perspectives.

Figure 2.5: The Emergence of Modern Management Perspectives

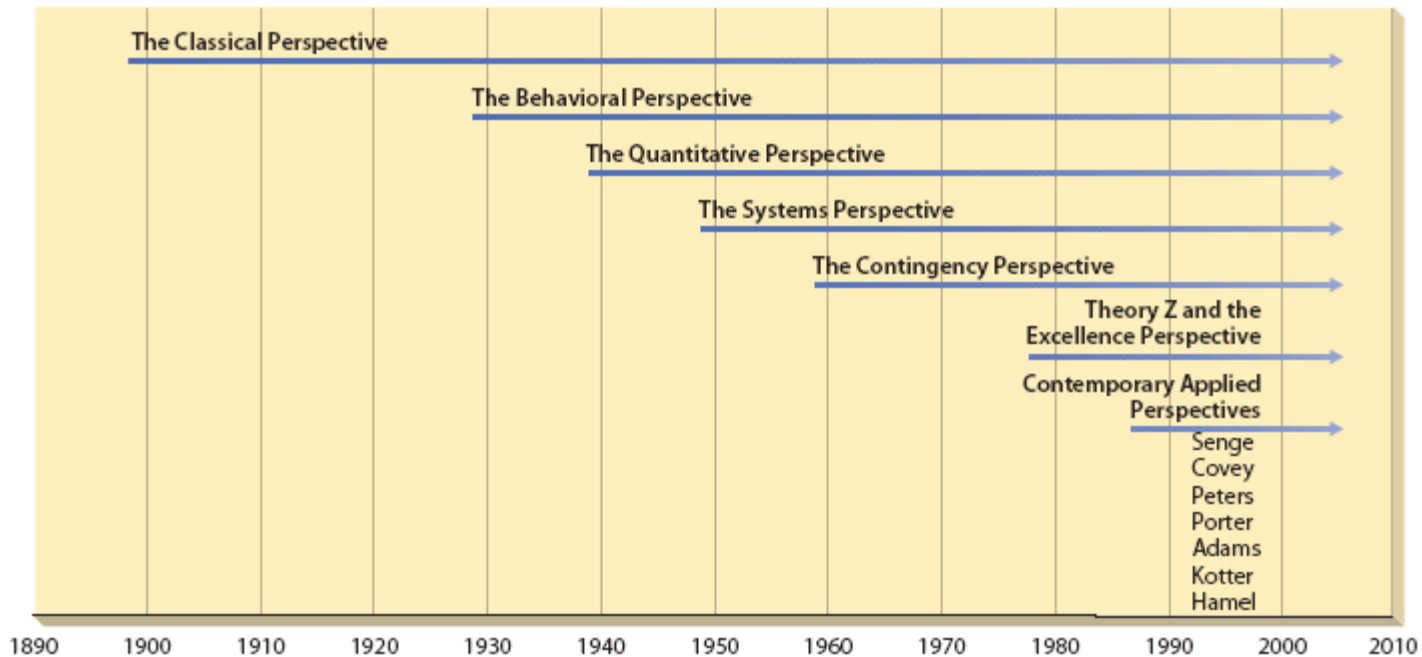


Figure 2.5

THE EMERGENCE OF MODERN MANAGEMENT PERSPECTIVES

Most contemporary management perspectives have emerged and evolved over the last hundred years or so. Beginning with the classical management perspective, first developed toward the end of the nineteenth century, and on through contemporary applied perspectives, managers have an array of useful techniques, methods, and approaches for solving problems and enhancing the effectiveness of their organizations. Of course, managers also need to recognize that not every idea set forth is valid, and that even those that are useful are not applicable in all settings. And new methods and approaches will continue to be developed in the future.

Contemporary Management Issues and Challenges (cont'd)

- Contemporary Applied Perspectives
 - William Ouchi's "Theory Z," Peters and Waterman's "In Search of Excellence", biographies—Iacocca, Trump, Welch
 - Authors: Senge, Covey, Peters, Collins, Porter, Kotter, and Hamel
- Contemporary Management Challenges
 - An erratic economy that limits growth
 - Management of an increasingly diverse workforce
 - Employee privacy
 - Technology that promotes telecommuting
 - The role of the Internet in business strategy
 - Operating and competing in diverse global markets
 - Ethics in corporate governance and social responsibility
 - Quality as the basis for competition
 - The shift toward a service economy



Key Terms

- theory
- classical management perspective
- scientific management
- soldiering
- administrative management
- behavioral management perspective
- Theory Y
- human relations movement
- organizational behavior
- quantitative management perspective
- management science
- operations management
- system
- closed system
- subsystem
- synergy
- entropy
- contingency perspective

