Learning Outcomes

After reading this chapter, I will be able to:

1. Describe the difference between managers and operative employees.
2. Explain what is meant by the term management.
3. Differentiate between efficiency and effectiveness.
4. Describe the four primary processes of management.
5. Classify the three levels of managers and identify the primary responsibility of each group.
6. Summarize the essential roles performed by managers.
7. Discuss whether the manager’s job is generic.
8. Describe the four general skills necessary for becoming a successful manager.
9. Describe the value of studying management.
10. Identify the relevance of popular humanities and social science courses to management practices.
What would you think of a job in which you were responsible for more than 1.3 million employees and had to hire more than 40,000 managers and 2 million employees in the next five years? And what if, while actively pursuing that goal, you also had to deal with thousands of lawsuits each year? Sound enticing? Coleman H. Peterson is thrilled by this opportunity. As the chief human resource manager and executive vice president of Wal-Mart’s People Division, Peterson is at the forefront of all the company’s human resource matters.¹

Coleman Peterson began his career in retail sales with the Jewel Company shortly after graduating from Loyola University in Chicago. Soon after being hired, Peterson was asked if he would participate in college recruiting, visiting college campuses with company officials and encouraging other graduates to join the company. It was during these trips that Peterson found his niche. He fell in love with the idea of finding the right employees to meet the needs of the organization and developing them for positions of added responsibility. Peterson realized that he was good with people and that he really enjoyed getting things done through others. He learned that he didn’t have to have all the answers, but he could be successful by drawing on the talent of those around him.

Peterson recognized that to be a good manager he had to add value to the organization. His work had to be linked to the overall goals of the company. For Peterson, adding that value at Wal-Mart meant finding qualified talent and developing better-trained employees. He needs to ensure employees are available when new stores open, as well as having the skills, abilities, and competencies to handle activities in a rapidly changing work environment. Peterson feels that this is critical for Wal-Mart to continue to grow. He also believes there’s value in consistency, wanting policies and practices to be the same for Wal-Mart employees whether they are working in Germany, Canada, Mexico, or the United States.

Peterson believes that to keep employees motivated they need to understand that the company respects them by showing that the company cares about its employees’ well-being, by defining how employees can advance their careers in the organization, and by giving employees an opportunity for providing feedback—whether that feedback is a suggestion or a complaint. That understanding begins by effectively communicating with individuals about the culture of the organization and what it’s like to be in the Wal-Mart family.

Has Coleman Peterson been successful? Considering the success Wal-Mart has had over the past decade under Peterson’s leadership, you can make a strong case that he has. He oversees all employee matters in the largest organization in the world and does so with the respect of his bosses, his peers, and most importantly, the employees of the organization. Any manager would be proud to have that said about him or her. ■
Coleman Peterson provides a good example of what a successful manager does. The key word, however, is example. There is no universally accepted model of what a successful manager looks like. Managers today can be under age 18 or over 80. Nowadays, they are as likely to be women as they are to be men. They manage large corporations, small businesses, government agencies, hospitals, museums, schools, and such non-traditional organizations as cooperatives. Some hold positions at the top of their organizations, some are middle managers, and others are first-line supervisors who directly oversee employees. And today's managers can be found in every country on the globe.

This book is about the work activities of Coleman Peterson and the tens of millions of other managers like him. In this chapter, we introduce you to managers and management by answering, or at least beginning to answer, these questions: Who are managers, and where do they work? What is management, and what do managers do? And why should you spend your time studying management?

**WHO ARE MANAGERS AND WHERE DO THEY WORK?**

Managers work in organizations. Therefore, before we identify who managers are and what they do, we must clarify what we mean by the term *organization*.

An *organization* is a systematic arrangement of people brought together to accomplish some specific purpose. Your college or university is an organization. So are sororities, the United Way, churches, your neighborhood convenience store, the New England Patriots football team, the Sprint Corporation, as well as the globally based Sony and Unilever corporations. These are all organizations because each has three common characteristics.

How does an organization like the New England Patriots become successful? By having in place a systematic arrangement of quality people—both on and off the field—focusing their efforts on achieving some goal. For them, that's winning football's coveted honor, the Super Bowl.
What Three Common Characteristics Do All Organizations Share?

Every organization has a purpose and is made up of people who are grouped in some fashion (see Exhibit 1–1). The distinct purpose of an organization is typically expressed in terms of a goal or set of goals. For example, the president of 7-Eleven stores has set his sights on “reinvigorating the merchandise mix by aggressively branding fresh foods.” Second, no purpose or goal can be achieved without people making decisions to establish the purpose and performing a variety of activities to make the goal a reality. Third, all organizations develop a systematic structure that defines and limits the behavior of its members. Developing structure may include, for example, creating rules and regulations, giving some members supervisory control over other members, forming work teams, or writing job descriptions so that organizational members know what they are supposed to do. The term organization, therefore, refers to an entity that has a distinct purpose, has people or members, and has a systematic structure.

How Are Managers Different From Operative Employees?

Managers work in organizations, but not everyone who works in an organization is a manager. For simplicity’s sake, we can divide organizational members into two categories: operatives and managers. Operatives are people who work directly on a job or task and have no responsibility for overseeing the work of others. The people at Covisint who operate the information system for Ford, those who ring up your sale at Office Depot, or individuals who process your course registration in your college’s registrar’s office are all operatives. In contrast, managers direct the activities of other people in the organization. Customarily classified as top, middle, or first-line managers, these individuals supervise both operative employees and lower-level managers (see Exhibit 1–2). That does not mean, however, that managers don’t work directly on tasks. Some managers also have operative responsibilities themselves. For example, regional sales managers for the Moen Corporation also have basic responsibilities of servicing some accounts, in addition to overseeing the activities of the other sales associates in their territories. The distinction, then, between the two groups—operatives and managers—is that managers have employees who report directly to them.

What Titles Do Managers Have in Organizations?

Identifying exactly who managers are in an organization is often not a difficult task, although you should be aware that management positions come with a variety of titles. First-line managers are usually called supervisors. They may also be called team leaders, coaches, or unit coordinators. They are responsible for directing the day-to-day activities of operative employees. In your college,
example, the department chair would be a first-line supervisor overseeing the activities of the departmental faculty (the operatives). Middle managers represent levels of management between the first-line manager (the supervisor) and top management. These individuals manage other managers—and possibly some operative employees—and are typically responsible for translating the goals set by top management into specific details that lower-level managers can perform. In organizations, middle managers may have such titles as department or agency head, project leader, unit chief, district manager, dean, bishop, or division manager.

At or near the top of an organization are top managers. These individuals, like FedEx’s Fred Smith, Xerox’s Anne Mulcahy, and Cisco’s John Chambers, are responsible for making decisions about the direction of the organization and establishing policies that affect all organizational members. Top managers typically have titles such as vice president, president, chancellor, managing director, chief operating officer, chief executive officer, or chairperson of the board.

Not all organizational members have management responsibilities. Some are operative employees—responsible for working directly on a job or providing direct service to customers like this salesman at Office Depot. Although there are specific job responsibilities, this Office Depot employee does not oversee the work of others.
An organization is defined as a systematic arrangement of people brought together to accomplish some specific purpose. That definition applies to all organizations—for-profit as well as not-for-profit organizations like the American Red Cross.

WHAT IS MANAGEMENT AND WHAT DO MANAGERS DO?

Just as organizations have common characteristics, so, too, do managers. Despite the fact that their titles vary widely, there are several common elements to their jobs—regardless of whether the manager is a head nurse in the cardiac surgery unit of Sinai Hospital who oversees a staff of critical care specialists, or the president of the 325,000-plus-member General Motors Corporation. In this section we will look at these commonalities as we define management, present the classical management functions, review recent research on managerial roles, and consider the universal applicability of managerial concepts.

How Do We Define Management?

The term management refers to the process of getting things done, effectively and efficiently, through and with other people. Several components in this definition warrant discussion. These are the terms process, effectively, and efficiently.

The term process in the definition of management represents the primary activities managers perform. We explore these in the next section.

Effectiveness and efficiency deal with what we are doing and how we are doing it. Efficiency means doing the task correctly and refers to the relationship between inputs and outputs. For instance, if you get more output for a given input, you have increased efficiency. So, too, do you increase efficiency when you get the same output with fewer resources. Since managers deal with input resources that are scarce—money, people, equipment—they are concerned with the efficient use of those resources. Management, therefore, is concerned with minimizing resource costs.

Although minimizing resource costs is important, it is not enough simply to be efficient. Management is also concerned with completing activities. In management terms, we call this ability effectiveness. Effectiveness means doing the right task. In an organization, that translates into goal attainment (see Exhibit 1–3).

Although efficiency and effectiveness are different terms, they are interrelated; for instance, it’s easier to be effective if one ignores efficiency. Hewlett-Packard, for example, could produce more sophisticated and longer-lasting toner cartridges for...
Exhibit 1–3
Efficiency and Effectiveness

Good management is concerned with both attaining goals and doing so as efficiently as possible.

Can organizations be efficient and yet not be effective? Yes, by doing the wrong things well! A number of colleges have become highly efficient in processing students. Through the use of computer-assisted learning, distance-learning programs, or a heavy reliance on part-time faculty, administrators may have significantly cut the cost of educating each student. Yet some of these colleges have been criticized by students, alumni, and accrediting agencies for failing to educate students properly. Of course, high efficiency is associated more typically with high effectiveness. And poor management is most often due to both inefficiency and ineffectiveness or to effectiveness achieved through inefficiency.

What Are the Management Processes?

In the early part of the twentieth century, the French industrialist Henri Fayol wrote that all managers perform five management activities referred to as the “management process.” They plan, organize, command, coordinate, and control. In the mid-1950s, two professors at UCLA used the terms planning, organizing, staffing, directing, and controlling as the framework for a textbook on management that for 20 years was unquestionably the most widely sold text on the subject. The most popular textbooks still continue to be organized around the management processes, though these have generally been condensed to the basic four: planning, organizing, leading, and controlling (see Exhibit 1–4). Let us briefly define what each of these encompasses. Keep in mind before we begin, however, that, although we will look at each as an independent task, managers must be able to perform all four activities simultaneously and realize that each has an effect on the others; that is, these processes are interrelated and interdependent. “If you don’t much care where you want to get to, then it doesn’t matter which way you go,” the Cheshire cat said in Alice in Wonderland. Since organizations exist to achieve some purpose, someone has to define that purpose and the means for its achievement. A manager is that someone. The planning component encompasses defining an organization’s goals,
establishing an overall strategy for achieving those goals, and developing a comprehensive hierarchy of plans to integrate and coordinate activities. Setting goals keeps the work to be done in its proper focus and helps organizational members keep their attention on what is most important.

Top managers are also responsible for designing an organization's structure. We call this management activity organizing. Organizing includes determining what tasks are to be done, who is to do them, how the tasks are to be grouped, who reports to whom, and where decisions are to be made.

We know that every organization contains people. And it is part of a manager's job to direct and coordinate those people. Performing this activity is the leading component of management. When managers motivate employees, direct the activities of others, select the most effective communication channel, or resolve conflicts among members, they are leading.

The final activity managers perform is controlling. After the goals are set, the plans formulated, the structural arrangements determined, and the people hired, trained, and motivated, something may still go amiss. To ensure that things are going as they should, a manager must monitor the organization's performance. Actual performance must be compared with the previously set goals. If there are any significant deviations, it is the manager's responsibility to get the organization back on track. This method of monitoring, comparing, and correcting is what we mean when we refer to the controlling process.

The continued popularity of the process approach is a tribute to its clarity and simplicity. But is it an accurate description of what managers actually do? Do they...
actually plan, organize, lead, and control? Fayol’s original analysis was not derived from
careful survey of thousands of managers in hundreds of organizations. Rather, it merely
represented observations from his experience in the French mining industry. In the late
1960s, Henry Mintzberg provided empirical insights into the manager’s job.⁸

What Are Management Roles?

Henry Mintzberg undertook a careful study of five chief executives at work. What
he discovered challenged several long-held notions about the manager’s job. For
instance, in contrast to the predominant views at the time that managers were
reflective thinkers who carefully and systematically processed information before
making decisions, Mintzberg found that the managers he studied engaged in a
large number of varied, unpatterned, and short-duration activities. There was little
time for reflective thinking because the managers encountered constant interrup-
tions. Half of these managers’ activities lasted less than nine minutes. But in addi-
tion to these insights, Mintzberg provided a categorization scheme for defining
what managers do on the basis of actual managers on the job. These are com-
monly referred to as Mintzberg’s managerial roles.

Mintzberg concluded that managers perform 10 different but highly interre-
lated roles. The term managerial roles refers to specific categories of managerial
behavior. These 10 roles, as shown in Exhibit 1–5, can be grouped under three pri-
mary headings—interpersonal relationships, the transfer of information, and deci-
sion making.

Is the Manager’s Job Universal?

Previously, we mentioned the universal applicability of management activities. So
far, we have discussed management as if it were a generic activity. That is, a man-
ger is a manager regardless of where he or she manages. If management is truly a
generic discipline, then what a manager does should be essentially the same
regardless of whether he or she is a top-level executive or a first-line supervisor; in a
business firm or a government agency; in a large corporation or a small business; or
located in Berlin, Maryland, or Berlin, Germany. Let’s take a closer look at the
generic issue.

Whenever a manager like Ronald A.
Williams, president of Aetna, Inc.,
represents his organization to the
community at large, he is performing
the management role of
spokesperson.
**Exhibit 1–5  Mintzberg's Managerial Roles**

<table>
<thead>
<tr>
<th>ROLE</th>
<th>DESCRIPTION</th>
<th>IDENTIFIABLE ACTIVITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interpersonal</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Figurehead</td>
<td>Symbolic head; obliged to perform a number of routine duties of a legal or</td>
<td>Greeting visitors; signing legal documents</td>
</tr>
<tr>
<td></td>
<td>social nature</td>
<td></td>
</tr>
<tr>
<td>Leader</td>
<td>Responsible for the motivation and activation of employees; responsible for</td>
<td>Performing virtually all activities that involve employees</td>
</tr>
<tr>
<td></td>
<td>staffing, training, and associated duties</td>
<td></td>
</tr>
<tr>
<td>Liaison</td>
<td>Maintains self-developed network of outside contacts and informers who</td>
<td>Acknowledging mail; doing external board work; performing other activities that involve</td>
</tr>
<tr>
<td></td>
<td>provide favors and information</td>
<td>outsiders</td>
</tr>
<tr>
<td><strong>Informational</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monitor</td>
<td>Seeks and receives wide variety of special information (much of it current)</td>
<td>Reading periodicals and reports; maintaining personal contacts</td>
</tr>
<tr>
<td></td>
<td>to develop thorough understanding of organization and environment; emerges</td>
<td></td>
</tr>
<tr>
<td></td>
<td>as nerve center of internal and external information about the organization</td>
<td></td>
</tr>
<tr>
<td>Disseminator</td>
<td>Transmits information received from other employees to members of the</td>
<td>Holding informational meetings; making phone calls to relay information</td>
</tr>
<tr>
<td></td>
<td>organization—some information is factual, some involves interpretation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>and integration of diverse value positions of organizational influences</td>
<td></td>
</tr>
<tr>
<td>Spokesperson</td>
<td>Transmits information to outsiders on organization's plans, policies, actions,</td>
<td>Holding board meetings; giving information to the media</td>
</tr>
<tr>
<td></td>
<td>results, etc.; serves as expert on organization's industry</td>
<td></td>
</tr>
<tr>
<td><strong>Decisional</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entrepreneur</td>
<td>Searches organization and its environment for opportunities and initiates</td>
<td>Organizing strategy and review sessions to develop new programs</td>
</tr>
<tr>
<td></td>
<td>“improvement projects” to bring about change; supervises design of certain</td>
<td></td>
</tr>
<tr>
<td></td>
<td>projects as well</td>
<td></td>
</tr>
<tr>
<td>Disturbance</td>
<td>Responsible for corrective action when organization faces important</td>
<td>Organizing strategy and review sessions that involve disturbances and crises</td>
</tr>
<tr>
<td>handler</td>
<td>disturbances</td>
<td></td>
</tr>
<tr>
<td>Resource allocator</td>
<td>Responsible for the allocation of organizational resources of all kinds—</td>
<td>Scheduling; requesting authorization; performing any activity that involves budgeting and</td>
</tr>
<tr>
<td></td>
<td>in effect, the making or approval of all significant organizational decisions</td>
<td>the programming of employees' work</td>
</tr>
<tr>
<td>Negotiator</td>
<td>Responsible for representing the organization at major negotiations</td>
<td>Participating in union contract negotiations or in those with suppliers</td>
</tr>
</tbody>
</table>


**Level in the organization.** We have already acknowledged that the importance of managerial roles varies depending on the manager's level in the organization. But the fact that a supervisor in a claims department at Aetna doesn’t do exactly the same things that the president of Aetna does should not be interpreted to mean that their jobs are inherently different. The differences are of degree and emphasis but not of activity.

As managers move up in the organization, they do more planning and less direct overseeing of others. This distinction is visually depicted in Exhibit 1–6. All managers, regardless of level, make decisions. They perform planning, organizing, leading, and controlling activities, but the amount of time they give to each activity is not necessarily constant. In addition, the content of the managerial activities changes with the manager's level. For example, as we will demonstrate in Chapter 5, top managers are concerned with designing the overall organization's structure, whereas lower-level managers focus on designing the jobs of individuals and work groups.
Profit versus not-for-profit. Does a manager who works for the U.S. Department of Energy, the Scotland Yard Police, or the Red Cross do the same things that a manager in a business firm does? Put another way, is the manager's job the same in both profit and not-for-profit organizations? The answer is, for the most part, yes. Regardless of the type of organization a manager works in, the job has commonalities with all other managerial positions. All managers make decisions, set objectives, create workable organization structures, hire and motivate employees, secure legitimacy for their organization's existence, and develop internal political support in order to implement programs. Of course, there are some noteworthy differences. The most important is measuring performance. Profit, or the “bottom line,” acts as an unambiguous measure of the effectiveness of a business organization. There is no such universal measure in not-for-profit organizations. Measuring the performance of schools, museums, government agencies, or charitable organizations, therefore, is more difficult. But don't interpret this difference to mean that managers in those organizations can ignore the financial side of their operations. Even not-for-profit organizations need to make money to survive. It's just that making a profit for the “owners” of not-for-profit organizations is not the primary focus. Consequently, managers in these organizations generally do not face a profit-maximizing market test for performance.

Our conclusion is that, although there are distinctions between the management of profit and not-for-profit organizations, the two are far more alike than they are different. Managers in both are similarly concerned with planning, organizing, leading, and controlling.

Size of organization. Would you expect the job of a manager in a print shop that employs 12 people to be different from that of a manager who runs a 1,200-person printing plant for USA Today? This question is best answered by looking at the jobs of managers in small business firms and comparing them with our previous discussion of managerial roles. First, however, let's define small business and the part it plays in our society.

There is no commonly agreed upon definition of a small business because of different criteria used to define small. For example, an organization can be classified as a small business using such criteria as number of employees, annual sales, or total assets. For our purposes, we will call a small business any independently owned and operated profit-seeking enterprise that has fewer than 500 employees. Small businesses may be little in size, but they have a major effect on the world economy. Small Business Administration statistics tell us that small businesses account for about 98 percent of all nonfarm businesses in the United States; they employ over 60 percent of the private workforce; they dominate such industries as retailing and construction; and they will generate
half of all new jobs during the next decade. Moreover, small businesses are where the job growth has been in recent years. Between 1980 and 2003, for example, Fortune 1000 companies eliminated millions of jobs. Yet, companies with fewer than 500 employees have created more than 2 million jobs annually. This phenomenon is not confined solely to the United States. Similar small business start-ups have been witnessed in such countries as China, Japan, Korea, Taiwan, and Great Britain.

Now to the question at hand: Is the job of managing a small business different from that of managing a large one? Some differences appear to exist. For example, as illustrated in Exhibit 1–7, the small business manager’s most important role is that of spokesperson. The small business manager spends a large amount of time performing outwardly directed actions such as meeting with customers, arranging financing with bankers, searching for new opportunities, and stimulating change. In contrast, the most important concerns of a manager in a large organization are directed internally—deciding which organizational units get what available resources and how much of them. Accordingly, the entrepreneurial role—looking for business opportunities and planning activities for performance improvement—appears to be least important to managers in large firms, especially among first-level and middle managers.

Compared with a manager in a large organization, a small business manager is more likely to be a generalist. His or her job will combine the activities of a large corporation’s chief executive with many of the day-to-day activities undertaken by a first-line supervisor. Moreover, the structure and formality that characterize a manager’s job in a large organization tend to give way to informality in small firms. Planning is less likely to be a carefully orchestrated ritual. The organization’s design will be less complex and structured, and control in the small business will rely more on direct observation than on sophisticated, computerized monitoring systems. Again, as with organizational level, we see differences in degree and emphasis but not in activities. Managers in both small and large organizations perform essentially the same activities; only how they go about them and the proportion of time they spend on each are different.

Exhibit 1–7
Importance of Managerial Roles in Small and Large Businesses

Management concepts and national borders. The last generic issue concerns whether management concepts are transferable across national borders. If managerial concepts were completely generic, they would also apply universally in any country in the world, regardless of economic, social, political, or cultural differences. Studies that have compared managerial practices between countries have not generally supported the universality of management concepts. In Chapter 2, we will examine some specific differences between countries and describe their effect on managing. At this point, it is sufficient to say that most of the concepts we will be discussing in future chapters primarily apply to the United States, Canada, Great Britain, Australia, and other English-speaking countries. We should be prepared to modify these concepts if we want to apply them in India, China, Chile, or other countries whose economic, political, social, or cultural environments differ greatly from that of the so-called free-market democracies.

Making decisions and dealing with change. Two final points of view need to be considered regarding what managers do. Managers make decisions, and managers are agents of change. Almost everything managers do requires them to make decisions. Whether it involves setting goals in the organization, deciding how to structure jobs, determining how to motivate and reward employees, or determining where significant performance variances exist, a manager must make a decision. The best managers, then, are the ones who can identify critical problems, assimilate the appropriate data, make sense of the information, and choose the best course of action to take for resolving the problem. We’ll address the proper way to make decisions in Chapter 4.

Organizations today also operate in a world of dynamic change. Managing in chaos has become the rule, not the exception. Successful managers acknowledge the rapid changes around them and are flexible in adapting their practices to deal with those changes. For instance, successful managers recognize the potential effect of technological improvements on a work unit’s performance, but they also realize that people often resist change. Accordingly, managers need to be in a position to “sell” the benefits of the change while simultaneously helping their employees deal with the uncertainty and anxiety that the change may bring. This example illustrates how managers act as agents of change. We’ll look at this change phenomenon in greater detail in Chapter 7.
What Skills and Competencies Do Successful Managers Possess?

In addition to recognizing that all managers—regardless of level, organization size, profit or not-for-profit enterprise—perform the four basic activities of management, we also need to determine what the critical skills are that are related to managerial competence. In the 1970s, management researcher Robert L. Katz attempted to answer that question. What Katz and others have found is that managers must possess four critical management skills. Management skills identify those abilities or behaviors that are crucial to success in a managerial position. These skills can be viewed on two levels—general skills a manager must possess, and the specific skills that are related to managerial success. Let's look at these two categories.

**General skills.** There seems to be overall agreement that effective managers must be proficient in four general skill areas. These are conceptual, interpersonal, technical, and political skills.

- **Conceptual skills** refer to the mental ability to analyze and diagnose complex situations. They help managers see how things fit together and facilitate making good decisions.
- **Interpersonal skills** encompass the ability to work with, understand, mentor, and motivate other people, both individually and in groups (see Developing Your Mentoring Skill on p. 26). Since managers get things done through other people, they must have good interpersonal skills to communicate, motivate, and delegate.
- Additionally, all managers need **technical skills**. These are abilities to apply specialized knowledge or expertise. For top-level managers, these abilities tend to be related to knowledge of the industry and a general understanding of the organization’s processes and products. For middle- and lower-level managers, they are related to the specialized knowledge required in the areas with which they work—finance, human resources, information technology, manufacturing, computer systems, law, marketing, and the like. Finally, managers need **political skills**. This area is related to the ability to enhance one’s position, build a power base, and establish the right connections. Organizations are political arenas in which people compete for resources. Managers with good political skills tend to be better at getting resources for their groups than are managers with poor political skills, and they also appear to receive higher evaluations and get more promotions.

**Specific skills.** Research has also identified six sets of behaviors that explain a little bit more than 50 percent of a manager’s effectiveness.15

- **Controlling the organization’s environment and its resources.** This includes demonstrating, in planning and allocation meetings as well as in on-the-spot decision making, the ability to be proactive and stay ahead of environmental changes. It also involves basing resource decisions on clear, up-to-date, accurate knowledge of the organization’s objectives.
- **Organizing and coordinating.** In this skill, managers organize around tasks and then coordinate interdependent relationships among tasks wherever they exist.
- **Handling information.** This set of behaviors comprises using information and communication channels for identifying problems, understanding a changing environment, and making effective decisions.
- **Providing for growth and development.** Managers provide for their own personal growth and development, as well as for the personal growth and development of their employees, through continual learning on the job.
- **Motivating employees and handling conflicts.** Managers enhance the positive aspects of motivation so that employees feel impelled to perform their work and eliminate those conflicts that may inhibit employees’ motivation.
- **Strategic problem solving.** Managers take responsibility for their own decisions and ensure that subordinates effectively use their decision-making skills.
Chrissy Azzaro (on right in photo), founder of My-Tee in Los Angeles, California, is the epitome of today’s small business manager. She spends a considerable amount of time as spokesperson and entrepreneur for her company, which she finds helpful in aiding her company’s business growth.

Management competencies. The most recent approach to defining the manager’s job focuses on management competencies. These are defined as a cluster of knowledge, skills, and attitudes related to effective managerial performance. One of the most comprehensive competency studies has come out of the United Kingdom. It’s called the management charter initiative (MCI). Based on an analysis of management activities and focusing on what effective managers should be able to do rather than on what they know, the MCI sets generic standards of management competence. Currently, there are several sets of standards for first-line supervisors, middle managers, and top management.

Exhibit 1–8 lists standards for middle management. For each area of competence there is a set of specific related elements that defines effectiveness in that area. For instance, one area of competence is recruiting and selecting personnel. Successful development of this competency area requires that managers be able to define future personnel requirements, determine specifications to secure quality people, and assess and select candidates against team and organizational requirements.

The MCI standards are attracting global interest. The Australian Institute of Management, for example, has already started using the standards, and the Management Development Center of Hong Kong is considering introducing them to help managers become more mobile after China’s recent takeover of Hong Kong.

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HOW MUCH IMPORTANCE DOES THE MARKETPLACE PUT ON MANAGERS?

Good managers can turn straw into gold. Poor managers can do the reverse. This realization has not been lost on those who design compensation systems for organizations. Managers tend to be more highly paid than operatives. As a manager’s authority and responsibility expand, so typically does his or her pay. Moreover, many organizations willingly offer extremely lucrative compensation packages to get and keep good managers.
If you were privy to the compensation paid to employees at large retailing firms such as Best Buy and Bed, Bath and Beyond, you would discover an interesting fact. Their best sales associates rarely earn more than $95,000 a year. In contrast, the annual income of their most senior managers is typically in excess of $600,000, and, in some cases, it can exceed $1 million. The fact that these firms pay managers considerably more than nonmanagers is a measure of the importance placed on effective management skills. What is true at these retailers is true in most organizations. Good managerial skills are a scarce commodity, and compensation packages are one measure of the value that organizations place on them.

However, realize that not all managers make six-figure incomes. Such salaries are usually reserved for senior executives. What, then, could you expect to earn as a manager? The answer depends on your level in the organization, your education and experience, the type of business the organization is in, comparable pay standards in the community, and how effective a manager you are. Most first-line supervisors earn between $30,000 and $55,000 a year. Middle managers often start near $45,000 and top out at around $120,000. Senior managers in large corporations can earn $1 million a year or more. In 2003, for instance, the average cash compensation (salary plus annual bonus) for executives at the largest U.S. corporations was well over $30 million. The top 15 of these individuals (CEOs from Colgate Palmolive, Apple Computer, Wells Fargo, and Forest Laboratories) averaged more than $51 million in total compensation (including their stock options). Management compensation reflects the market forces of supply and demand. Management superstars, like superstar athletes in professional sports, are wooed with signing bonuses, performance incentive packages, and guaranteed contracts. Of course, as in the case of athletes, some controversy surrounds the large dollar amounts paid to these executives (see Ethical Dilemma in Management).
WHY STUDY MANAGEMENT?

Management as an academic field of study offers a number of insights into many organizational aspects of our daily lives. Consequently, there are several reasons why we may want to study this topic.

The first reason for studying management is that we all have a vested interest in improving the way organizations are managed. Why? Because we interact with them every day of our lives. Does it frustrate you when you have to spend a couple of hours in a Department of Motor Vehicles office to get your driver’s license renewed? Are you perplexed when none of the salespeople in a department store seem interested in helping you? Does it surprise you when a major corporation that everyone thought was thriving suddenly declares bankruptcy? Are you angered when you call an airline three times and its representatives quote you three different prices for the same trip? As a taxpayer, doesn’t it seem as if something is wrong when you read about companies that have overbilled the federal government for defense-related equipment? These are all examples of problems that can largely be attributed to poor management. Organizations that are well managed—such as Wal-Mart, General Electric, Siemens, Southwest Airlines, Merck Pharmaceuticals, and SsangYong Investment and Securities Company—develop a loyal constituency, grow, and prosper. Those that are poorly managed often find themselves with a declining customer base and reduced revenues. Eventually, the survival of poorly managed organizations becomes threatened. For instance, Gimbel’s, W.T. Grant, Smith Corona, Eastern Airlines, and Enron were once thriving corporations. They employed tens of thousands of people and provided goods and services on a daily basis to hundreds of thou-
sands of customers. But weak management did them in. Today those companies no longer exist.

The second reason for studying management is that once you graduate from college and begin your career, you will either manage or be managed. For those who plan on careers in management, an understanding of the management process forms the foundation upon which to build their management skills, but it would be naive to assume that everyone who studies management is planning a career in management. A course in management may only be a requirement for a desired degree, but that needn’t make the study of management irrelevant. Assuming that you will have to work for a living and that you will almost certainly work in an organization, you will be a manager or work for a manager. You can gain a great deal of insight into the way your boss behaves and the internal workings of organizations by studying management. The point is that you needn’t aspire to be a manager to gain something valuable from a course in management.

Before we leave this chapter, it’s important to put this whole topic of studying management into a proper perspective. That’s because management as a field does not exist in isolation. Rather, it embodies the work and practices of individuals from a wide variety of disciplines. In the next section, we’ll look at some of these linkages.

### Understanding Yourself

#### The Self-Assessment Library (S.A.L.)

### 47. How Motivated Am I to Manage?

**Instrument**

Complete this instrument by identifying your degree of agreement or disagreement. Use the following rating scale:

1 = Strongly disagree  
2 = Moderately disagree  
3 = Slightly disagree  
4 = Neither agree nor disagree  
5 = Slightly agree  
6 = Moderately agree  
7 = Strongly agree

1. I have a generally positive attitude toward those holding positions of authority over me.  
2. I enjoy competition and striving to win for myself and my work group.  
3. I like to tell others what to do and have no problem with imposing sanctions to enforce my directives.  
4. I like being active, assertive, and protective of the members of my work group.  
5. I enjoy the idea of standing out from the group, behaving in a unique manner, and being highly visible.  
6. I am willing to perform routine, day-to-day administrative tasks and duties.

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**Analysis and Interpretation**

See Appendix A, p. 000.
College courses frequently appear to be independent bodies of knowledge. Too often, little of what is taught in one course is linked to past or future courses. As a result, many students don’t believe that they should retain what they’ve previously learned. This has been especially true in most business curriculums. There is typically a lack of connectedness between core business courses and between courses in business and the liberal arts. Accounting classes, for instance, make little reference to marketing; and marketing classes typically make little reference to courses in economics or political science. College curriculums often resemble a group of silos, with each silo representing a separate and distinct discipline.

A number of management educators have begun to recognize the need to build bridges between these silos by integrating courses across the college curriculum. Toward this end, we offer the following interdisciplinary overview.

We’ve integrated topics around some of the humanities and social science courses you may have taken as part of your general education requirements. This is designed to help you see how courses in disciplines such as economics, psychology, sociology, political science, and philosophy relate to topics in management.

The big picture is often lost when management concepts are studied in isolation. By adding this cross-disciplinary perspective, you’ll gain a greater appreciation of how general education courses are useful to students of management. This, in turn, can help you to be a more effective manager.

What Can Students of Management Gain from Humanities and Social Science Courses?

Let’s briefly look at the disciplines in popular humanities and social science courses that directly affect management practices.

**Anthropology.** Anthropology is the study of societies, which helps us learn about human beings and their activities. Anthropologists’ work on cultures and environments, for instance, has helped managers to better understand differences in fundamental values, attitudes, and behavior between people in different countries and within different organizations.

**Economics.** Economics is concerned with the allocation and distribution of scarce resources. It provides us with an understanding of the changing economy as well as the role of competition and free markets in a global context. For example, why are most athletic shoes made in Asia? Or why does Mexico now have more automobile plants than Detroit? Economists provide the answer to these questions when they discuss comparative advantage. Similarly, an understanding of free trade and protectionist policies is absolutely essential to any manager operating in the global marketplace, and these topics are addressed by economists.

**Philosophy.** Philosophy courses inquire into the nature of things, particularly values and ethics. Ethics are standards that govern human conduct. Ethical concerns go directly to the existence of organizations and what constitutes proper behavior within them. For instance, the liberty ethic (John Locke) proposes that freedom, equality, justice, and private property are legal rights; the Protestant ethic (John Calvin) encourages individuals to be frugal, work hard, and attain success;
and the market ethic (Adam Smith) argues that the market and competition, not government, should be the sole regulators of economic activity. These ethics have shaped today's organizations by providing a basis for legitimate authority, linking rewards to performance, and justifying the existence of business and the corporate form.

**Political Science.** Political science is the study of the behavior of individuals and groups within a political environment. Specific topics of concern to political scientists include structuring of conflict, allocating power, and manipulating power for individual self-interest.

Capitalism is just one economic system. The economies of the former Soviet Union and much of Eastern Europe, for example, were based on socialist concepts. Planned economies were not free markets; rather, governments owned most of the goods-producing businesses. And organizational decision makers essentially carried out the dictates of government policies. Efficiency had little meaning in such economies, and there was no competition in most of the basic industries because they were government controlled. In many cases, effectiveness was defined by how many people a plant employed rather than by basic financial criteria.

Management is affected by a nation's form of government—by whether it allows its citizens to hold property, by its citizens' ability to engage in and enforce contracts, and by the appeal mechanisms available to redress grievances. In a democracy, for instance, people typically have the right to private property, the freedom to enter or not enter into contracts, and an appeal system for justice. A nation's stand on property, contracts, and justice, in turn, shapes the type, form, and policies of its organizations.

**Psychology.** Psychology is the science that seeks to measure, explain, and sometimes change the behavior of humans and other animals. Psychologists concern themselves with studying and attempting to understand individual behavior. The field of psychology is leading the way in providing managers with insights into human diversity. Today's managers confront both a diverse customer base and a diverse set of employees. Psychologists' efforts to understand gender and cultural diversity provide managers with a better perception of the needs of their changing customer and employee populations. Psychology courses are also relevant to managers in terms of gaining a better understanding of motivation, leadership, trust, employee selection, performance appraisals, and training techniques.

**Sociology.** Sociology is the study of people in relation to their fellow human beings. What are some of the sociological issues that have relevance to managers? Here are a few. How are societal changes such as globalization, increasing cultural diversity, changing gender roles, and varying forms of family life affecting organizational practices? What are the implications of schooling practices and education trends on future employees' skills and abilities? How are changing demographics altering customer and employment markets? What will the information age society look like 10 years from now? Answers to questions such as these have a major effect on how managers operate their businesses.

**A Concluding Remark**

We've attempted to provide some insight into the need to integrate the college courses you have taken. That's because what you learn in humanities and social science courses can assist you in becoming better prepared to manage in today's dynamic marketplace.
Part I

Introduction

How will you know if you fulfilled the Learning Outcomes on page 2? You will have fulfilled the Learning Outcomes if you are able to:

1. **Describe the difference between managers and operative employees.** Managers direct the activities of others in an organization. They have titles such as supervisor, department head, dean, division manager, vice president, president, and chief executive officer. Operatives are nonmanagerial personnel. They work directly on a job or task and have no responsibility for overseeing the work of others.

2. **Explain what is meant by the term management.** Management refers to the process of getting activities completed efficiently with and through other people. The process represents the primary activities of planning, organizing, leading, and controlling.

3. **Differentiate between efficiency and effectiveness.** Efficiency is concerned with minimizing resource costs in the completion of activities. Effectiveness is concerned with getting activities successfully completed—that is, goal attainment.

4. **Describe the four primary processes of management.** The four primary processes of management are planning (setting goals), organizing (determining how to achieve the goals), leading (motivating employees), and controlling (monitoring activities).

5. **Classify the three levels of managers and identify the primary responsibility of each group.** The three levels of management are first-line supervisors, middle managers, and top managers. First-line supervisors are the lowest level of management and are typically responsible for directing the day-to-day activities of operative employees. Middle managers represent the levels of management between the first-line supervisor and top management. These individuals—who manage other managers and possibly some operative employees—are primarily responsible for translating the goals set by top management into specific details that lower-level managers can perform. Top managers, at or near the pinnacle of the organization, are responsible for making decisions about the direction of the organization and establishing policies that affect all organizational members.

6. **Summarize the essential roles performed by managers.** Henry Mintzberg concluded that managers perform 10 different roles or behaviors. He classified them into three sets. One set is concerned with interpersonal relationships (figurehead, leader, liaison). The second set is related to the transfer of information (monitor, disseminator, spokesperson). The third set deals with decision making (entrepreneur, disturbance handler, resource allocator, negotiator).

7. **Discuss whether the manager’s job is generic.** Management has several generic properties. Regardless of level in an organization, all managers perform the same four activities; however, the emphasis given to each function varies with the manager’s position in the hierarchy. Similarly, for the most part, the manager’s job is the same regardless of the type of organization he or she is in. The generic properties of management are found mainly in the world’s democracies. One should be careful in assuming that management practices are universally transferable outside so-called free-market democracies.

8. **Describe the four general skills necessary for becoming a successful manager.** The four critical types of skills necessary for becoming a successful manager are conceptual (the ability to analyze and diagnose complex situations); interpersonal (the ability to work with and understand others); technical (applying specialized knowledge); and political (enhancing one’s position and building a power base).

9. **Describe the value of studying management.** People in all walks of life have come to recognize the important role that good management plays in our society. For those who aspire to managerial positions, the study of management provides the body of knowledge that will help them to be effective managers. For those who do not plan on careers as managers, the study of management can give them considerable insight into the way their bosses behave and into the internal activities of organizations.

10. **Identify the relevance of popular humanities and social science courses to management practices.** Management does not exist in isolation. Rather, management practices are directly influenced by research and practices in such fields as anthropology (learning about indi-
Chapter 1
Managers and Management

1. What is an organization? Why are managers important to an organization’s success?
2. What four common activities compose the process approach to management? Briefly describe each of them.
3. What are the four general skills and the six specific skills that affect managerial effectiveness?
4. How does a manager’s job change with his or her level in the organization?
5. What value do courses in anthropology, economics, philosophy, political science, psychology, and sociology have for managers? Give an example of one application to management practice from each of these disciplines.

Companion Web Site

Visit the Robbins/DeCenzo companion Web site at www.prenhall.com/robbins for this chapter’s Internet resources, including chapter quiz and student PowerPoints.

Reading for Comprehension

1. What is an organization? Why are managers important to an organization’s success?
2. What four common activities compose the process approach to management? Briefly describe each of them.
3. What are the four general skills and the six specific skills that affect managerial effectiveness?
4. How does a manager’s job change with his or her level in the organization?
5. What value do courses in anthropology, economics, philosophy, political science, psychology, and sociology have for managers? Give an example of one application to management practice from each of these disciplines.

Linking Concepts to Practice

1. Are all effective organizations also efficient? Discuss. If you had to choose between being effective or being efficient, which one would you say is more important? Why?
2. Contrast planning, organizing, leading, and controlling with Henry Mintzberg’s 10 roles.
3. Is your college instructor a manager? Discuss in terms of planning, organizing, leading, and controlling, and of Mintzberg’s managerial roles.
4. In what ways would the job activities of an owner of an automotive repair shop that employs two people and the president of the Ford Motor Company be similar? In what ways would they be different?
5. Some individuals today have the title of project leader. They manage projects of various sizes and durations and must coordinate the talents of many people to accomplish their goals, but none of the workers on their projects report directly to them. Can these project leaders really be considered managers if they have no employees over whom they have direct authority? Discuss.

Video Case Application

Doing Business Privately: Amy’s Ice Cream

Amy’s Ice Cream, based in Austin, Texas, is a privately held corporation formed in 1984 with 22 family members and friends as shareholders. To achieve success, Amy Miller planned her business carefully, incorporated with her partners, and differentiated her product from the competition. In Austin, Miller’s nine ice cream shops sell superpremium flavors worth more than $3.9 million each year.
Everything in the stores is designed to provide a memorable and fun experience. Amy Miller, CEO, wants her customers to enjoy their contact with the people in her shops while stopping in for ice cream and to come away with a good sense of community, warmth, and humanity. The video describes how Amy Miller first worked at Steve's Ice Cream while in college. As Miller prepared to open her first store, she quickly had to make decisions that would affect the future of the business. She and a partner from Steve's first had to decide where to locate. They decided on Austin because of the young population and the likelihood that this population would support an eclectic ice cream shop. Then, they had to decide how to structure the initial offering. A decision also had to be made regarding how much money was needed to start the business and how they were going to raise these funds.

Choosing the corporate form of ownership was advantageous for several reasons. With this form of ownership, liability is limited to the investors' personal investments. If the business should fail, investors stand to lose only the money they have invested. In addition, corporations have a legal life separate from their founders and owners. Therefore, corporations can, at least theoretically, go on indefinitely. Shares can be sold and passed on from generation to generation. Corporations also have advantages in raising capital. For example, Amy's Ice Cream could sell more stock to expand the amount of available funds. The funds could be used to buy more equipment or open more stores. Lenders are also more willing to grant loans to corporations because of their legal status and continuity.

There are a few disadvantages of corporate ownership. Profits are taxed twice. A corporation must pay taxes on its income and investors must pay taxes on their individual shares of the profit. One way around this issue is to form a subchapter S corporation. Under this form, companies such as Amy's Ice Cream pass their net income on to shareholders who bear the responsibility for taxes. Dividends cover investors' tax liability. Compared to forming a sole proprietorship, forming a corporation is relatively expensive. Furthermore, corporations can make it unattractive for others to take them over by adopting financial policies such as paying large dividends to stockholders if the company is bought out. Upon such action, the value of the company would be greatly diminished.

As Miller and her team have grown the business, they have developed innovative ways to attract both customers and new employees. Store theme nights, guerrilla marketing promotions for charity, and paper bag job applications are just a few of the approaches used at Amy's. Miller's skill is allowing the creative employees freedom to put to work their ideas to make the company magical.

Miller feels that allowing customers to taste the product, getting a feel for the culture of the company, and seeing the people help to bring customers to the ice cream shops. Amy's Ice Cream invests the advertising budget in doing charitable events. Miller believes this works better than direct advertising because it represents a symbolic relationship to the community at large.

Applying for a job is an adventure in creativity, and Miller welcomes employees' suggestions for new flavors and new promotions to keep sales growing. Miller's goal of helping people create happy ice cream memories is met every day.

Questions

1. How does Amy's Ice Cream differ from a publicly held corporation?
2. What are some of the particular advantages of corporate ownership for a firm such as Amy's Ice Cream?
3. How well do you think Amy's is working to ensure its continued survival and success? Looking ahead to future growth, what marketing, financial, or other suggestions would you make?
4. What are some of the issues that Amy Miller may have to confront because her 22 investors are family members and friends?
5. Should Amy's Ice Cream become a publicly held corporation? Support your chosen position.
Crossword Comprehension

ACROSS
1. grouping of managerial behaviors such as interpersonal, informational, and decisional
4. individuals responsible for directing the day-to-day activities of operatives
11. a cluster of knowledge, skills, and attitudes related to effective performance
14. determining what tasks are to be done
15. systematic arrangement of people
16. manager’s ability to build a power base
17. an independently owned and operated enterprise with fewer than 500 employees
18. directing the activities of others, motivating employees

DOWN
2. manager’s ability to work with and understand others
3. defining goals
5. doing the right tasks
6. process of getting things done effectively and efficiently through and with people
7. planning, organizing, leading, controlling
8. manager’s ability to coordinate all of the organization’s activities and interests
9. people who direct work of others
10. people who do not oversee the work of others
12. doing the task correctly
13. monitoring activities

See Appendix B, p. 000 for puzzle solution.
Management Workshop

Team Skill-Building Exercise
A New Beginning

One of the more unnerving aspects of beginning a new semester is gaining an understanding of what is expected in each class. By now, your instructor has probably provided you with a course syllabus, which gives you some necessary information about how the class will function. Understandably, this information is important to you. But your instructor would also value learning what you want from the class. This information can be useful for providing insight into this class. To collect these data, you will need to answer some questions. First, take out a piece of paper and place your name at the top; then respond to the following:

1. What do I want from this course?
2. Why is this class important to me?
3. How does this course fit into my career plans?
4. How do I like an instructor to “run” the class?
5. What do I think is my greatest challenge in taking this class?

When you have finished answering these questions, pair up with another class member (preferably someone you do not already know) and exchange papers. Get to know one another (using the information on these sheets as a starting point). Prepare an introduction of your partner, and share your partner’s responses to the five questions with the class and your instructor.

Understanding Yourself

Before you can develop other people, you need to understand your present strengths. To assist in this learning process, we encourage you to complete the following self-assessments from the Prentice-Hall Self-Assessment Library 3.0:

- How Motivated Am I to Manage? (#47) [Also Available in this chapter, p. 19]
- Am I Well Suited for a Career as a Global Manager? (#48)

After you complete these assessments, we suggest that you print out the results and store them as part of your “portfolio of learning.”

Developing Your Mentoring Skill
Guidelines for Mentoring Others

About the Skill

A mentor is usually someone in the organization who is more experienced and in a higher-level position and sponsors or supports another employee (frequently called a protégé). A mentor can teach, guide, and encourage. Some organizations have formal mentoring programs, but even if your organization does not, mentoring should be an important skill for you to develop.

Steps in Practicing the Skill

1. Communicate honestly and openly with your protégé. If that person is going to learn from you and benefit from your experience, you’re going to have to be open and honest as you talk about what you’ve done. Bring up the failures as well as the successes. Remember that mentoring is a learning process and, in order for learning to take place, you’re going to have to “tell it like it is.”
2. Encourage honest and open communication from your protégé. You need to know what that person hopes to gain from this relationship. You should encourage the protégé to ask for information and to be specific about what he or she wants to gain.
3. Treat the relationship with the protégé as a learning opportunity. Don’t pretend to have all the answers and all the knowledge, but do share what you’ve learned through your experiences. And in
your conversations and interactions with your protégé, you may be able to learn as much from that person as he or she does from you. So listen to what your protégé is saying.

4 Take the time to get to know your protégé. As a mentor, you should be willing to take the time to get to learn about his or her interests. If you’re not willing to spend extra time, you should probably not embark on a mentoring relationship.

**Practicing the Skill**

Select a relative, neighbor, or friend and spend an hour teaching that individual a new skill that you’ve mastered—such as playing a musical instrument, rollerblading, cooking a meal, playing a video game, singing a song in a foreign language, or balancing a checkbook.

Write a brief set of notes about each mentoring experience. Be sure to record what you learned from your protégé and how you might have improved your own learning opportunity. Could you have prepared ahead of time? How would that have helped you learn better? In assessing your performance as a mentor, evaluate your skill in organizing and presenting the necessary information. Did your protégé ask questions you could not immediately answer? How did you handle these? How do you think you could have done better?

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**Developing Your Diagnostic Skills**

**You’re Fired!**

You’re fired! These are two words that no one ever wants to hear. But they are quickly becoming the rage in 2004 with the television show *The Apprentice*, starring CEO extraordinaire, Donald Trump. The premise of the show is simple. Sixteen contestants begin a 15-week journey of difficult tasks, requiring them to demonstrate their intelligence, competency, and competitive edge. Working in a team, contestants are required to deal with business issues in such areas as sales, marketing, finance, and facilities management—concerns that executives face every day in their work. For instance, on a recent show, teams were required to launch a new product called Trump Ice.25

Contestants play with real money and real business situations with teams winning and losing based on their performance. The winning team receives a reward from “The Donald,” while the losing team sees one of their team members fired by Mr. Trump. Why do contestants put themselves through this potentially humiliating process? The answer is simple: The winner is awarded an executive position in the Trump organization, with a starting salary of $250,000 a year.

The show is a success. Ratings are considerably higher than expected. But Trump, who has made a career of taking risks, put his reputation and assets on the line for *The Apprentice*. Some critics felt that the show would put the Trump organization in a poor light, especially given the backlash that the public has had toward “greed” in corporate America and Trump’s image as a publicity seeker. Others felt that the premise of the show could also reveal a cutthroat, status-ridden aspect of business that doesn’t offer a very favorable image for a U.S. company.

Some, too, felt that the show’s emphasis on contestants striving to succeed at all costs was in poor taste and might demoralize many of Trump’s current employees, causing them to lose respect and trust for the company’s leaders. Trump’s response; “I don’t worry about them. I pay them a lot of money.”

Like so many ventures before, Trump has proven the naysayers wrong. What he has accomplished is something that one may not be able to put a value on—an hourlong, prime-time commercial for Trump himself and the Trump organization. For instance, Trump Ice had the luxury of having nearly an hourlong exposure on national television at no cost to the company. In fact, other companies are paying upwards of a million dollars just to advertise on the show.

Is Donald Trump a genius? Has he been successful by doing things “outside the box”? Once again it appears so. And both Donald Trump and the Trump organization are winning.

**Questions**

1 What management roles does Donald Trump demonstrate in leading his company and in dealing with employees? Cite examples.

2 How does Donald Trump use technical, human, and conceptual skills to encourage his organization to be innovative and creative? Discuss.

3 Do you believe Trump’s risk-taking emphasis would work in other organizations? If yes, what type of organization? If no, why not?

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**Enhancing Your Communication Skills**

1 Develop a response to the following question: “Are U.S. executives overpaid?” Present both sides of the argument and include supporting data. Conclude your discussion by defending and supporting one of the two arguments you’ve presented.

2 Describe how the president of your college fulfills the 10 managerial roles identified by Henry Mintzberg (refer to Exhibit 1–5). In your discussion, provide specific references to actual activities by the president of your college—not just the “identifiable activities” we’ve listed in the exhibit.

3 Schedule a meeting with three faculty members—one who teaches economics, one who teaches psychology, and one who teaches political science. Ask each of them how their respective courses relate to today’s business environment, and what are the most critical elements from their courses that a business student should understand. Present your findings.
Many people believe that the way to deal with diversity in the workplace is to treat coworkers, employees, and customers just as they would like to be treated themselves. This attitude is based on the assumption that the workforce is homogeneous and that people’s differences are not important to them. Diversity Perspectives are scenarios designed to help students to understand the multiple perspectives involved in situations with diverse individuals and the challenges of implementing diversity initiatives in organizations. When managers fail to learn how to manage diverse workers, neither efficient nor effective management results. Some scenarios will involve social identity groups such as race, ethnicity, sexual orientation, or age. Other scenarios will deal with organizational issues related to the implementation of diversity into organizational life such as training programs, affinity groups, and supplier diversity programs.

Chapter 1 at www.prenhall.com/onekey features a short assessment of your initial perspectives on diversity and its impact on the work of managers today.
History Module

THE HISTORICAL ROOTS OF CONTEMPORARY MANAGEMENT PRACTICES

This module will demonstrate that a knowledge of management history can help you understand contemporary management theory and practice. We'll introduce you to the origins of many contemporary management concepts and show how they evolved to reflect the changing needs of organizations and society as a whole.

THE PRE-MODERN ERA

Organized activities and management have existed for thousands of years. The Egyptian pyramids and the Great Wall of China are evidence that projects of tremendous scope, employing tens of thousands of people, were undertaken well before modern times. The pyramids are a particularly interesting example. The construction of a single pyramid occupied thousands of people for several decades. Who told each worker what he or she was supposed to do? Who ensured that there would be enough stones at the site to keep workers busy? The answer to such questions is management. Regardless of what managers were called at the time, someone had to plan what was to be done, organize people and materials to do it, and provide direction for the workers.

When you hear the name Michelangelo, what comes to your mind? Renaissance artist? Genius? How about manager? Recent evidence tells us that the traditional image of Michelangelo—the lonely genius trapped between agony and ecstasy, isolated on his back on a scaffold, single-handedly painting the ceiling of the Sistine Chapel—is a myth. Some 480 years ago, Michelangelo was actually running a medium-sized business. Thirteen people helped him paint the Sistine Chapel ceiling, about 20 helped carve the marble tombs in the Medici Chapel in Florence, and at least 200 men, under his supervision, built the Laurentian Library in Florence. Michelangelo personally selected his workers, trained them, assigned them to one or more teams, and kept detailed employment records. For example, he recorded the names, days worked, and wages of every employee, every week. Meanwhile, Michelangelo played the role of the troubleshooting manager. Each day he would dart in and out of the various work areas under his supervision, check on workers' progress, and handle any problems that arose.

These historical examples demonstrate that organized activities and managers have been with us since before the Industrial Revolution. However, it has been only in the past several hundred years, particularly in the twentieth century, that management has undergone systematic investigation, acquired a common body of knowledge, and become a formal discipline.

What Was Adam Smith's Contribution to the Field of Management?

Adam Smith's name is typically cited in economics courses for his contributions to classical economic doctrine, but his discussion in *Wealth of Nations* (1776)
included a brilliant argument on the economic advantages that organizations and society would reap from the **division of labor**.\(^2\) He used the pin manufacturing industry for his examples. Smith noted that 10 individuals, each doing a specialized task, could produce about 48,000 pins a day. However, if each worked separately and independently, those 10 workers would be lucky to make 200—or even 10—pins in one day.

Smith concluded that division of labor increased productivity by increasing each worker's skill and dexterity, by saving time that is commonly lost in changing tasks, and by the creation of laborsaving inventions and machinery. Today the general popularity of job specialization—in service jobs such as teaching and medicine as well as on assembly lines in automobile plants—is undoubtedly due to the economic advantages cited over 200 years ago by Adam Smith.

**How Did the Industrial Revolution Influence Management Practices?**

Possibly the most important pre-twentieth-century influence on management was the **Industrial Revolution**. Originating in late-eighteenth-century Great Britain, the Revolution had crossed the Atlantic to America by the end of the Civil War. Machine power was rapidly substituted for human power. Using machines, in turn, made it economical to manufacture goods in factories.

The advent of machine power, mass production, and efficient transportation costs that followed the rapid expansion of the railroads, and lack of governmental regulation also fostered the development of big organizations. John D. Rockefeller was putting together the Standard Oil monopoly, Andrew Carnegie was gaining control of two-thirds of the steel industry, and similar entrepreneurs were creating other large businesses that would require formalized management practices. A formal theory to guide managers in running their organizations was needed. However, it was not until the early 1900s that the first major step toward developing such a theory was taken.

**CLASSICAL CONTRIBUTIONS**

The roots of modern management lie with a group of practitioners and writers who sought to formulate rational principles that would make organizations more efficient. Because they set the theoretical foundations for a discipline called management, we call their contributions the **classical approach** to management. We can break the classical approach into two subcategories: scientific management and general administrative theory. Scientific management theorists looked at the field from the perspective of how to improve the productivity of operative personnel. The general administrative theorists, on the other hand, were concerned with the overall organization and how to make it more effective.

**What Contributions Did Frederick Taylor Make?**

If one had to pinpoint the year that modern management theory was born, one could make a strong case for 1911, the year that Frederick Winslow Taylor's *The Principles of Scientific Management* was published.\(^3\) Its contents would become widely accepted by managers throughout the world. The book described the theory of **scientific management**—the use of the scientific method to define the "one best way" for a job to be done. The studies conducted before and after the book's publication would establish Taylor as the father of scientific management. Frederick Taylor did most of his work at the Midvale and Bethlehem Steel companies in Pennsylvania (see Details on a Management Classic). As a mechanical engineer with a Quaker/Puritan background, he was consistently appalled at the inefficiency of workers. Employees used vastly different techniques to do the same job. They were prone to "taking it easy" on the job. Taylor believed that worker output was only about one-third of what was possible. Therefore, he set out to correct the situation
by applying the scientific method to jobs on the shop floor. He spent more than two decades pursuing with a passion the “one best way” for each job to be done.

Taylor sought to create a mental revolution among both the workers and management by creating clear guidelines for improving production efficiency. He defined four principles of management (see Exhibit HM–1). He argued that following these principles would result in the prosperity of both management and workers. Workers would earn more pay and management more profits.

Using scientific management techniques, Taylor was able to define the one best way of doing each job. He could then select the right people for the job and train them to do it precisely in this one best way. To motivate workers, he favored incentive wage plans. Overall, Taylor achieved consistent improvements in productivity in the range of 200 percent or more, and he reaffirmed the function of managers to plan and control and that of workers to perform as instructed.

The impact of Taylor’s work cannot be overstated.4 During the first decade of the century, he delivered numerous public lectures to teach scientific management to interested industrialists. Between 1901 and 1911, at least 18 firms adopted some variation of scientific management. In 1908, the Harvard Business School declared Taylor’s approach the standard for modern management and adopted it as the core around which all courses were to be organized. Taylor, himself, began lecturing at Harvard in 1909. Between 1910 and 1912, two events catapulted scientific management into the limelight. In 1910, the Eastern Railroad requested a rate increase from the Interstate Commerce Commission. Appearing before the commission, an efficiency expert claimed that railroads could save $1 million a day (equivalent to about $17 million today) through the application of scientific management. This assertion became the centerpiece of the hearings and created a national audience for Taylor’s ideas. Then in 1911, The Principles of Scientific Management became an instant best-seller. By 1914, Taylor’s principles had become so popular that an efficiency exposition held in New York City, with Taylor as the keynote speaker, drew a crowd estimated at 69,000. Although Taylor spread his ideas not only in the United States but also in France, Germany, Russia, and Japan, his greatest influence was on U.S. manufacturing. His method gave U.S. companies a comparative advantage over foreign firms that made U.S. manufacturing efficiency the envy of the world—at least for 50 years or so.

Who Were the Other Major Contributors to Scientific Management?

Taylor’s ideas inspired others to study and develop methods of scientific management. His most prominent disciples were Frank and Lillian Gilbreth5 and Henry Gantt.

A construction contractor by background, Frank Gilbreth gave up his contracting career in 1912 to study scientific management, after hearing Taylor speak at a professional meeting. Along with his wife Lillian, a psychologist, he studied work arrangements to eliminate wasteful hand and body motions. The Gilbreths also

Exhibit HM–1
Taylor’s Four Principles of Management

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

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

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

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

Probably the most widely cited example of scientific management is Taylor’s pig iron experiment. Workers loaded “pigs” of iron weighing 92 pounds onto rail cars. Their average daily output was 12.5 tons. Taylor believed that if the job was scientifically analyzed to determine the one best way to load pig iron, the output could be increased to 47 or 48 tons per day.

Taylor began his experiment by looking for a physically strong subject who placed a high value on the dollar. The individual Taylor chose was a big, strong Dutch immigrant, whom he called “Schmidt.” Schmidt, like the other loaders, earned $1.15 a day, which even at the turn of the century was barely a subsistence wage. Taylor offered Schmidt $1.85 a day if he would do what Taylor asked.

Using money to motivate Schmidt, Taylor asked him to load the pig irons, alternating various job factors to see what impact the changes had on Schmidt’s daily output. For instance, on some days, Schmidt would lift the pig irons by bending his knees; on other days, he would keep his legs straight and use his back. Taylor experimented with rest periods, walking speed, carrying positions, and other variables. After a long period of methodically trying various combinations of procedures, techniques, and tools, Taylor obtained the level of productivity he thought possible. By putting the right person on the job with the correct tools and equipment, by having the worker follow his instructions exactly, and by motivating the worker with a significantly higher daily wage, Taylor was able to reach his 48-ton objective.

It’s important to understand what Taylor saw at Midvale Steel that aroused his determination to improve the way things were done in the plant. At the time, there were no clear concepts of worker and management responsibilities. Virtually no effective work standards existed. Workers purposely worked at a slow pace. Management decisions were of the “seat-of-the-pants” variety, based on hunch and intuition. Workers were placed on jobs with little or no concern for matching their abilities and aptitudes with the tasks required. Most important, management and workers considered themselves to be in continual conflict. Rather than cooperating to their mutual benefit, they perceived their relationship as a zero-sum game—any gain by one would be at the expense of the other.

The Gilbreths were among the first to use motion picture films to study hand and body motions. They devised a microchronometer that recorded time to 1/2,000 of a second, placed it in the field of study being photographed, and thus determined how long a worker spent enacting each motion. Wasted motions missed by the naked eye could be identified and eliminated. The Gilbreths also devised a classification scheme to label 17 basic hand motions—such as “search,” “select,” “grasp,” and “hold”—which they called therbligs (Gilbreth spelled backward with the th transposed). This scheme allowed the Gilbreths to more precisely analyze the exact elements of workers’ hand movements.

Another associate of Taylor’s at Midvale and Bethlehem Steel was a young engineer named Henry L. Gantt. Like Taylor and the Gilbreths, Gantt sought to increase worker efficiency through scientific investigation. He extended some of Taylor’s original ideas and added a few of his own. For instance, Gantt devised an incentive system that gave workers a bonus for completing their jobs in less time than the allowed standard. He also introduced a bonus for a foreman to be paid for each worker who made the standard plus an extra bonus if all of that foreman’s workers
made it. In so doing, Gantt expanded the scope of scientific management to encompass the work of managers as well as that of operatives. Gantt is probably most noted for creating a graphic bar chart that could be used by managers as a scheduling device for planning and controlling work. We'll look at the Gantt Chart in more detail in Chapter 14.

**Why Did Scientific Management Receive So Much Attention?**

Many of the guidelines Taylor and others devised for improving production efficiency appear today to be common sense. For instance, one can say that it should have been obvious to managers in those days that workers should be carefully screened, selected, and trained before being put into a job.

To understand the importance of scientific management, you have to understand the times in which Taylor, the Gilbreths, and Gantt lived. The standard of living was low. Production was highly labor intensive. Midvale Steel, at the turn of the century, may have employed 20 or 30 workers who did nothing but load pig iron onto rail cars. Today, their entire daily production could probably be done in several hours by one person with a hydraulic lift truck, but they didn't have such mechanical devices. Similarly, the breakthroughs Frank Gilbreth achieved in bricklaying are meaningful only when you recognize that most quality buildings at that time were constructed of brick, that land was cheap, and that the major cost of a plant or home was the cost of the materials (bricks) and the labor cost to lay them.

**What Did Henri Fayol and Max Weber Contribute to Management Theory?**

Henri Fayol and Max Weber were two important individuals who helped to develop general administrative theory. We mentioned Henri Fayol in Chapter 1 as having designated management as a universal set of activities—specifically, planning, organizing, commanding, coordinating, and controlling. Because his writings were important, let's take a more careful look at what he had to say.7

Fayol wrote during the same period that Taylor did. However, whereas Taylor was concerned with management at the shop level (or what we today would describe as the job of a supervisor) and used the scientific method, Fayol's attention was directed at the activities of all managers, and he wrote from personal experience. Taylor was a scientist; Fayol, the managing director of a large French coal mining firm, was a practitioner.

Fayol described the practice of management as distinct from accounting, finance, production, distribution, and other typical business functions. He argued that management was an activity common to all human undertakings in business, in government, and even in the home. He then proceeded to state 14 principles of management—fundamental or universal truths—that could be taught in schools and universities. These principles are listed in Exhibit HM–2.

Max Weber was a German sociologist. Writing in the early part of the twentieth century, he developed a theory of authority structures and described organizational activity on the basis of authority relations.8 He described an ideal type of organization that he called a **bureaucracy**, characterized by division of labor, a clearly defined hierarchy, detailed rules and regulations, and impersonal relationships. Weber recognized that this ideal bureaucracy didn't exist in reality but, rather, represented a selective reconstruction of the real world. He used it as a basis for theorizing about work and the way that work could be done in large groups. His theory became the design prototype for many of today's large organizations. The features of Weber's ideal bureaucratic structure are outlined in Exhibit HM–3.

**How Do We See Some Classical Writings Applied Today?**

One of the benefits of studying history is the opportunity to learn from the past. A number of our current ideas and practices in management can be directly traced to the contributions of the classical management writers.
Exhibit HM–2
Fayol’s Fourteen Principles of Management

1 **Division of Work.** This principle is the same as Adam Smith’s “division of labor.” Specialization increases output by making employees more efficient.

2 **Authority.** Managers must be able to give orders. Authority gives them this right. Along with authority, however, goes responsibility. Whenever authority is exercised, responsibility arises.

3 **Discipline.** Employees must obey and respect the rules that govern the organization. Good discipline is the result of effective leadership, a clear understanding between management and workers regarding the organization’s rules, and the judicious use of penalties for infractions of the rules.

4 **Unity of Command.** Every employee should receive orders from only one superior.

5 **Unity of Direction.** Each group of organizational activities that have the same objective should be directed by one manager using one plan.

6 **Subordination of Individual Interests to the General Interest.** The interests of any one employee or group of employees should not take precedence over the interests of the organization as a whole.

7 **Remuneration.** Workers must be paid a fair wage for their services.

8 **Centralization.** Centralization refers to the degree to which subordinates are involved in decision making. Whether decision making is centralized (to management) or decentralized (to subordinates) is a question of proper proportion. The task is to find the optimum degree of centralization for each situation.

9 **Scalar Chain.** The line of authority from top management to the lowest ranks represents the scalar chain. Communications should follow this chain. However, if following the chain creates delays, cross-communications can be allowed if agreed to by all parties and if superiors are kept informed.

10 **Order.** People and materials should be in the right place at the right time.

11 **Equity.** Managers should be kind and fair to their subordinates.

12 **Stability of Tenure of Personnel.** High employee turnover is inefficient. Management should provide orderly personnel planning and ensure that replacements are available to fill vacancies.

13 **Initiative.** Employees who are allowed to originate and carry out plans will exert high levels of effort.

14 **Esprit de Corps.** Promoting team spirit will build harmony and unity within the organization.

Exhibit HM–3
Weber’s Ideal Bureaucracy

1 **Division of Labor.** Jobs are broken down into simple, routine, and well-defined tasks.

2 **Authority Hierarchy.** Offices or positions are organized in a hierarchy, each lower one being controlled and supervised by a higher one.

3 **Formal Selection.** All organizational members are to be selected on the basis of technical qualifications demonstrated by training, education, or formal examination.

4 **Formal Rules and Regulations.** To ensure uniformity and to regulate the actions of employees, managers must depend heavily on formal organizational rules.

5 **Impersonality.** Rules and controls are applied uniformly, avoiding involvement with personalities and personal preferences of employees.

6 **Career Orientation.** Managers are professional officials rather than owners of the units they manage. They work for fixed salaries and pursue their careers within the organization.
For example, matching people to their jobs and training them in how to be more effective on these jobs is just one way we see the “one best way” being applied. The field of industrial engineering, which looks at the minutiae in processing work, also has its roots in scientific management. Furthermore, the concern today of fitting the workplace to the worker, creating a work environment that is conducive to productive work, can be traced back to scientific management principles, as can the emphasis today on project management, scheduling, and so on. The use of videotape to enhance productivity—either at work or in the case of athletics—has its roots in the work of Frank and Lillian Gilbreth.

The functional view of the manager’s job originated with Henri Fayol. Although many of his principles may not be applicable to the wide variety of organizations that exist today, they were a frame of reference for many current concepts. Weber’s bureaucracy was an attempt to formulate an ideal model for organization design and a response to the abuses that Weber observed within organizations. Weber believed that his model could remove the ambiguity, inefficiencies, and patronage that characterized most organizations at that time. Weber’s bureaucracy is not as popular as it was a decade or two ago, but many of its components are still inherent in large organizations. When we see organizations laying off significant numbers of workers, restructuring the organization, shifting long-term goals and the like, the general administrative theorists’ principles are at work. And today’s emphasis on team building has a strong “esprit de corp” element embedded in it.9

**HUMAN RESOURCES APPROACH**

Managers get things done by working with people, which explains why some writers and researchers have chosen to look at management by focusing on the organization’s human resources. Much of what currently makes up the field of personnel or human resources management, as well as contemporary views on motivation and leadership, has come out of the work of theorists we have categorized as part of the human resources approach to management.

**Who Were Some Early Advocates of the Human Resources Approach?**

Undoubtedly, many people in the nineteenth and early part of the twentieth centuries recognized the importance of the human factor to an organization’s success, but five individuals stand out as early advocates of the human resources approach. They are Robert Owen, Hugo Munsterberg, Mary Parker Follett, Chester Barnard, and Elton Mayo.

**What claim to fame does Robert Owen hold?** Robert Owen was a successful Scottish businessman who bought his first factory in 1789 when he was just 18 years old. Repulsed by the harsh practices he saw in factories across Scotland—such as the employment of young children (many under the age of 10), 13-hour workdays, and miserable working conditions—Owen became a reformer. He chided factory owners for treating their equipment better than their employees. He said that they would buy the best machines but then buy the cheapest labor to run them. Owen argued that money spent on improving labor conditions was one of the best investments that business executives could make. He claimed that a concern for employees was highly profitable for management and would relieve human misery.

Owen proposed a utopian workplace; he is not remembered in management history for his successes but rather for his courage and commitment to reducing the suffering of the working class. He was more than a hundred years ahead of his time when he argued, in 1825, for regulated hours of work for all, child labor laws,
For what is Hugo Munsterberg best known? Hugo Munsterberg created the field of industrial psychology—the scientific study of individuals at work to maximize their productivity and adjustment. In his text *Psychology and Industrial Efficiency* (1913), he argued for the scientific study of human behavior to identify general patterns and to explain individual differences. Munsterberg suggested the use of psychological tests to improve employee selection, the value of learning theory in the development of training methods, and the study of human behavior to determine what techniques are most effective for motivating workers. Interestingly, he saw a link between scientific management and industrial psychology: Both sought increased efficiency through scientific work analyses and through better alignment of individual skills and abilities with the demands of various jobs. Much of our current knowledge of selection techniques, employee training, job design, and motivation is built on the work of Munsterberg.

What contributions did Mary Parker Follett make to management? One of the earliest writers to recognize that organizations could be viewed from the perspective of individual and group behavior was Mary Parker Follett. A transitional figure who wrote during the time of scientific management but proposed more people-oriented ideas, Follett was a social philosopher whose ideas had clear implications for management practice. She thought that organizations should be based on a group ethic rather than on individualism. Individual potential, she argued, remained as potential until released through group association. The manager's job was to harmonize and coordinate group efforts—the notion of "power with" rather than "power over" employees. Managers and workers should view themselves as partners—as part of a common group. As such, managers should rely more on their expertise and knowledge to lead employees than on the formal authority of their position. Follett's humanistic ideas influenced the way we look at motivation, leadership, power, and authority.

Who was Chester Barnard? A transitional figure like Follett, Chester Barnard proposed ideas that bridged classical and human resources viewpoints. Like Fayol, Barnard was a practitioner—he was the president of New Jersey Bell Telephone Company. He had read Weber and was influenced by his work; but unlike Weber, who had an impersonal view of organizations, Barnard saw organizations as social systems that require human cooperation. He expressed his views in his book *The Functions of the Executive* (1938).

Barnard believed that organizations were made up of people with interacting social relationships. The manager's major functions were to communicate and stimulate subordinates to high levels of effort. A major part of an organization's success, as Barnard saw it, depended on the cooperation of its employees and what Barnard called the "acceptance of authority." Barnard also argued that success depended on maintaining good relations with the people and institutions with whom the organization regularly interacted. By recognizing the organization's dependence on investors, suppliers, customers, and other external stakeholders, Barnard introduced the idea that managers had to examine the external environment and then adjust the organization to maintain a state of equilibrium. Regardless of how efficient an organization's production might be, if management failed to ensure a continuous input of materials and supplies or to find markets for its output, then the organization's survival would be threatened.

The current interest in building cooperative work groups, making business firms more socially responsible, and matching organizational strategies to opportunities in the environment can be traced to ideas originally proposed by both Follett and Barnard.
What were the Hawthorne studies? Without question, the most important contribution to the human resources approach to management came out of the Hawthorne studies undertaken at the Western Electric Company's Hawthorne Works in Cicero, Illinois. The Hawthorne studies, begun in 1924 but expanded and continued through the early 1930s, were initially devised by Western Electric industrial engineers to examine the effect of different illumination levels on worker productivity. Control and experimental groups were established. The experimental group was presented with different levels of illumination intensity, and the control group worked under a constant intensity. The engineers expected individual output to be directly related to the intensity of light. However, they found that as the light level was increased in the experimental group, output for both groups rose. To the surprise of the engineers, as the light level was dropped in the experimental group, productivity continued to increase in both groups. In fact, productivity decreased in the experimental group only after the light intensity had been reduced to that of moonlight. The engineers concluded that illumination intensity was not directly related to group productivity, but they could not explain the behavior they had witnessed.

In 1927, the Western Electric engineers asked Harvard Professor Elton Mayo and his associates to join the study as consultants, a relationship that would last through 1932 and encompass numerous experiments covering the redesign of jobs, changes in the lengths of the workday and workweek, the introduction of rest periods, and individual versus group wage plans. For example, one experiment evaluated the effect of a piecework incentive pay system on group productivity. The results indicated that the incentive plan had less effect on workers' output than did group pressure and acceptance and the concomitant security. Social norms or standards of the group, therefore, were concluded to be the key determinants of individual work behavior.

Scholars generally agree that the Hawthorne studies, under the leadership of Elton Mayo, had a dramatic impact on the direction of management thought. Mayo concluded that behavior and sentiments are closely related, that group influences significantly affect individual behavior, that group standards establish individual worker output, and that money is less a factor in determining output than are group standards, group sentiments, and security. Together these are referred to as the Hawthorne Effect. These conclusions led to a new emphasis on the human factor in the functioning of organizations and the attainment of their goals. They also led to increased paternalism by management.

The Hawthorne studies, however, have not been without critics. Attacks have been made on procedures, analyses of the findings, and the conclusions drawn. From a historical standpoint, it is of little importance whether the studies were academically sound or their conclusions justified. What is important is that they stimulated an interest in human factors. The Hawthorne studies went a long way in changing the prevalent view of the time that people were no different than machines; that is, you put them on the shop floor, cranked in the inputs, and caused them to produce a known quantity of outputs. Furthermore, the legacy of Hawthorne is still with us today.

Why was the human relations movement important to management history? Another group within the human resources approach is important to management history for its unflinching commitment to making management practices more humane. Members of the human relations movement uniformly believed in the importance of employee satisfaction—a satisfied worker was believed to be a productive worker. For the most part, the people associated with this movement—Dale Carnegie, Abraham Maslow, and Douglas McGregor—were individuals whose views were shaped more by their personal philosophies than by substantive research evidence.

Dale Carnegie is often overlooked by management scholars, but his ideas and teachings have had an enormous effect on management practice. His book How to
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Win Friends and Influence People\(^1\) was read by millions in the 1930s, 1940s, and 1950s. In addition, during this same period, thousands of managers and aspiring managers attended his management speeches and seminars. What was the theme of Carnegie's book and lectures? Essentially, he said that the way to succeed was to (1) make others feel important through a sincere appreciation of their efforts; (2) make a good first impression; (3) win people over to your way of thinking by letting others do the talking, being sympathetic, and “never telling a man he is wrong;” and (4) change people by praising good traits and giving the offender the opportunity to save face.

Abraham Maslow, a humanistic psychologist, proposed a hierarchy of five needs: physiological, safety, social, esteem, and self-actualization.\(^1\) In terms of motivation, Maslow argued that each step in the hierarchy must be satisfied before the next level can be activated and that once a need was substantially satisfied, it no longer motivated behavior.

The needs hierarchy is arguably still the best-known theory of general motivation, despite the fact that continued research does not support the Maslow theory to any significant degree. However, even today, no author of an introductory textbook in management, organizational behavior, human relations, supervision, psychology, or marketing is likely to omit a discussion of the needs hierarchy.

Douglas McGregor is best known for his formulation of two sets of assumptions—Theory X and Theory Y—about human nature.\(^1\) Theory X presents an essentially negative view of people. It assumes that they have little ambition, dislike work, want to avoid responsibility, and need to be closely supervised to work effectively. On the other hand, Theory Y offers a positive view, assuming that people can exercise self-direction, accept responsibility, and consider work to be as natural as rest or play. McGregor believed that Theory Y assumptions best captured the true nature of workers and should guide management practice.

A story about McGregor effectively captures the essence of the human relations perspective. McGregor had taught for a dozen years at the Massachusetts Institute of Technology (MIT) before he became president of Antioch College. After six years at Antioch, he seemed to recognize that his philosophy had failed to cope with the realities of organizational life.

I believed, for example, that a leader could operate successfully as a kind of advisor to his organization. I thought I could avoid being a “boss.” Unconsciously, I suspect, I hoped to duck the unpleasant necessity of making difficult decisions, of taking the responsibility for one course of action, among many uncertain alternatives, of making mistakes and taking the consequences. I thought that maybe I could operate so that everyone would like me—that “good human relations” would eliminate all discord and disagreement. I couldn't have been more wrong. It took a couple of years but I finally began to realize that a leader cannot avoid the exercise of authority any more than he can avoid responsibility for what happens to his organization.\(^2\)

The irony in McGregor's case was that he went back to MIT and began preaching his humanistic doctrine again. And he continued to do so until his death. Like Maslow’s, McGregor’s beliefs about human nature have had a strong following among management academics and practitioners.

What common thread linked the advocates of the human relations movement? The thing that united human relations supporters, including Carnegie, Maslow, and McGregor, was an unshakable optimism about people's capabilities. They believed strongly in their cause and were inflexible in their beliefs, even when faced with contradictory evidence. No amount of contrary experience or research evidence would alter their views. Despite this lack of objectivity, advocates of the human relations movement had a definite influence on management theory and practice.

**Who were the behavioral science theorists?** One final category within the human resources approach encompasses a group of psychologists and sociologists who relied on the scientific method for the study of organizational behavior. Unlike the
theorists of the human relations movement, behavioral science theorists engaged in objective research on human behavior in organizations. They carefully attempted to keep their personal beliefs out of their work. They sought to develop rigorous research designs that could be replicated by other behavioral scientists. In so doing, they hoped to build a science of organizational behavior.

**How is the human resources approach applied today?** A list of important human resources approaches would number into the hundreds. But beginning after World War II and continuing today, the work of these individuals has created a wealth of studies that allows us to make fairly accurate predictions about behavior in organizations. Our current understanding of such issues as leadership, employee motivation, personality differences, the design of jobs and organizations, organizational cultures, high-performance teams, performance appraisals, conflict management, attitude surveys, employee counseling, management training, participative decision making, team-based compensation systems, and negotiation techniques are largely due to the contributions of scholars from the human resource focus.

### THE QUANTITATIVE APPROACH

The quantitative approach to management, sometimes referred to as operations research (OR) or management science, evolved out of the development of mathematical and statistical solutions to military problems during World War II. For instance, when the British had to get the maximum effectiveness from their limited aircraft capability against the massive forces of the Germans, they asked their mathematicians to devise an optimum allocation model. Similarly, U.S. antisubmarine warfare teams used operations research techniques to improve the odds of survival for Allied convoys crossing the North Atlantic and for selecting the optimal depth charge patterns for aircraft and surface vessel attacks on German U-boats.

After the war, many of the quantitative techniques that had been applied to military problems were moved into the business sector. One group of military officers, labeled the “Whiz Kids,” joined Ford Motor Company in the mid-1940s and immediately began using statistical methods to improve decision making at Ford. Two of the most famous Whiz Kids were Robert McNamara and Charles “Tex” Thornton. McNamara rose to the presidency of Ford and then became U.S. Secretary of Defense. At the Department of Defense, he sought to quantify resource allocation decisions in the Pentagon through cost–benefit analyses. He concluded his career as head of the World Bank. Tex Thornton founded the billion-dollar conglomerate Litton Industries, again relying on quantitative techniques to make acquisition and allocation decisions. Dozens of other operations researchers from the military went into consulting. The consulting firm of Arthur D. Little, for instance, began applying OR techniques to management problems in the early 1950s. By the mid-1950s, many firms had established formal OR groups, employing hundreds of OR analysts in industry.

What are quantitative techniques, and how have they contributed to current management practice? The quantitative approach to management includes applications of statistics, optimization models, information models, and computer simulations. Linear programming, for instance, is a technique that managers can use to improve resource allocation. Work scheduling can become more efficient as a result of critical path scheduling analysis. Decisions on determining optimum inventory levels have been significantly influenced by the economic order quantity model. In general, the quantitative approaches have contributed directly to management decision making, particularly to planning and control decisions.
The genesis of the quantitative approach to management can be traced to World War II. These operations research techniques looked at developing mathematical and statistical solutions to military problems. For example, U.S. warfare teams used operations research methods to improve the odds of surviving naval crossings of the North Atlantic, as well as determining optimal depth-charge patterns for aircraft attack on enemy vessels.

**ANALYSIS: HOW SOCIAL EVENTS SHAPE MANAGEMENT APPROACHES**

We conclude this historical review by showing you how social events shape what theorists write about and what practicing managers focus on. Although some management historians may quarrel with the following cause–effect analysis, few would disagree that societal conditions are the primary driving forces behind the emergence of the different management approaches.

**What Stimulated the Classical Approach?**

The common thread in the ideas offered by people like Taylor, the Gilbreths, Fayol, and Weber was increased efficiency. The world of the late nineteenth and early twentieth centuries was highly inefficient. Most organizational activities were unplanned and unorganized. Job responsibilities were vague and ambiguous. Managers, when they existed, had no clear notion of what they were supposed to do. There was a crying need for ideas that could bring order out of this chaos and improve productivity. And the standardized practices offered by the classicists were a means to increase productivity. Take the specific case of scientific management. At the turn of the twentieth century, the standard of living was low; wages were modest, and few workers owned their own homes. Production was highly labor intensive. It wasn't unusual, for instance, for hundreds of people to be doing the same repetitive, backbreaking job, hour after hour, day after day. So Taylor could justify spending six months or more studying one job and perfecting a standardized “one best way” to do it because the labor-intensive procedures of the time had so many people performing the same task. And the efficiencies on the production floor could be passed on in lower prices for steel, thus expanding markets, creating more jobs, and making products such as stoves and refrigerators more accessible to working families. Similarly, Frank Gilbreth's breakthroughs in improving the efficiency of bricklayers and standardizing those techniques meant lower costs for putting up buildings and, thus, more buildings being constructed. The cost of putting up factories and homes dropped significantly, so more factories could be built, and more people could own their own homes. The end result: The application of scientific management principles contributed to raising the standard of living of entire countries.
What Stimulated the Human Resources Approach?

The human resources approach really began to roll in the 1930s when two related forces were instrumental in fostering this interest. First was a backlash to the overly mechanistic view of employees held by the classicists. Second was the Great Depression.

The classical view treated organizations and people as machines. Managers were the engineers who ensured that the inputs were available and that the machines were properly maintained. Any failure by the employee to generate the desired output was viewed as an engineering problem: It was time to redesign the job or grease the machine by offering the employee an incentive wage plan. Unfortunately, this kind of thinking created an alienated workforce. Human beings were not machines and did not necessarily respond positively to the cold and regimented work environment of the classicists’ perfectly designed organization. The human resources approach offered managers solutions for decreasing this alienation and for improving worker productivity.

The Great Depression swept the globe in the 1930s and dramatically increased the role of government in individual and business affairs. For instance, in the United States, Franklin D. Roosevelt’s New Deal sought to restore confidence to a stricken nation. Between 1935 and 1938 alone, the Social Security Act was created to provide old-age assistance; the National Labor Relations Act was passed to legitimize the rights of labor unions; the Fair Labor Standards Act introduced the guaranteed hourly wage; and the Railroad Unemployment Insurance Act established the first national unemployment protection. This New Deal climate increased the importance of the worker. Humanizing the workplace had become congruent with society’s concerns.

What Stimulated the Quantitative Approaches?

The major impetus to the quantitative approaches was World War II. Government-funded research programs were created to develop mathematical and statistical aids for solving military problems. The success of these operations research techniques in the military was impressive. After the war, business executives became more open to applying these techniques to their organizational decision making. And, of course, as these techniques improved the quality of decisions and increased profits in those firms that used them, managers in competing firms were forced to adopt these same techniques.

New organizations were created to disseminate information to managers on these quantitative techniques. The Operations Research Society of America was founded in 1952 and began publishing its journal, *Operations Research*. In 1953, the Institute of Management Science stated its objectives were “to identify, extend, and unify scientific knowledge that contributes to the understanding of the practice of management” and began publishing the journal *Management Science*.22

By the late 1960s, courses in mathematics, statistics, and operations management had become required components of most business school curriculums. The quality focus of such individuals as Joseph Juran and W. Edwards Deming were beginning to change the way people looked at business.23 As a result, a new generation of managers was knowledgeable in such techniques as probability theory, linear programming, queuing theory, games theory, and total quality management.24
What Is the Process Approach?

In December 1961, Harold Koontz published an article in which he carefully detailed the diversity of approaches to the study of management—functions, quantitative emphasis, human relations approaches—and concluded that there existed a “management theory jungle.” Koontz conceded that each of the diverse approaches had something to offer management theory, but he then proceeded to demonstrate that many were only managerial tools. He felt that a process approach could encompass and synthesize the diversity of the day. The process approach, originally introduced by Henri Fayol, is based on the management activities discussed in Chapter 1. The performance of these activities—planning, organizing, leading, and controlling—is seen as circular and continuous (refer to Exhibit HM–4).

Although Koontz’s article stimulated considerable debate, most management teachers and practitioners held fast to their own individual perspectives. But Koontz had made a mark. The fact that most current management textbooks employ the process approach is evidence that it continues to be a viable integrative framework.

How Can a Systems Approach Integrate Management Concepts?

The mid-1960s began a decade in which the idea that organizations could be analyzed in a systems framework gained a strong following. The systems approach defines a system as a set of interrelated and interdependent parts arranged in a manner that produces a unified whole. Societies are systems and so, too, are computers, automobiles, organizations, and animal and human bodies.

There are two basic types of systems: closed and open. Closed systems are not influenced by and do not interact with their environment. In contrast, an open systems approach recognizes the dynamic interaction of the system with its environment (see Exhibit HM–4). Today, when we talk of organizations as systems, we mean open systems. That is, we acknowledge the organization’s constant interaction with its environment, which can result in negative entropy or synergy.

An organization (and its management) is a system that interacts with and depends on its environment. In management terms, we call this relationship dealing with the organization’s stakeholders. Stakeholders are any group that is affected by organizational decisions and policies, including government agencies, labor...
unions, competing organizations, employees, suppliers, customers and clients, local community leaders, or public interest groups. The manager’s job is to coordinate all these parts to achieve the organization’s goals. Most organizational members realize that customers are the lifelines of organizations, and bringing a new product to market without first ensuring that it is needed, and desired, by customers could lead to disaster. If failing to anticipate what customers want leads to a reduction in revenues, there may be less financial resources to pay wages and taxes, buy new equipment, or repay loans. The systems approach recognizes that such relationships exist and that management must understand them and the potential constraints that they may impose. This is also true regarding managerial ethics. The questionable actions of executives at such companies as Enron, Arthur Andersen, WorldCom, ImClone, and Adelphia lead to new laws and regulations regarding accounting practices. Furthermore, these actions also generated a renewed concern by the public for ethical practices in contemporary organizations.

The systems approach also recognizes that organizations do not operate in isolation. Organizational survival often depends on successful interactions with the external environment, which encompasses economic conditions, the global marketplace, political activities, technological advancements, and social customs. Ignoring any of these over a long period of time can have a detrimental effect on the organization.

Just how relevant is the systems approach for a manager? It appears to be quite relevant, particularly because a manager’s job entails coordinating and integrating various work activities so that the system of interrelated and interdependent parts (the organization) meets its goals. Although the systems perspective does not provide specific descriptions of what managers do, it does provide a broader picture than the process approach does. Moreover, viewing the manager’s job as linking the organization to its environment makes the organization more sensitive and responsive to key stakeholders such as customers, suppliers, government agencies, and the community in which it operates.

What Is a Contingency Approach to the Study of Management?

Management, like life itself, is not based on simplistic principles. Insurance companies know that not all people have the same probability of becoming seriously ill. Factors such as age, fitness, and the use of alcohol or tobacco are contingencies.
that influence one’s health. Similarly, you cannot say that students always learn less in a distance learning course than in one in which a professor is physically present. An extensive body of research tells us that contingency factors such as course content and the way in which individuals learn influence learning effectiveness.

The contingency approach (sometimes called the situational approach) has been used to replace simplistic principles of management and to integrate much of management theory. A contingency approach to the study of management is logical. Because organizations are diverse—in size, objectives, tasks being done, and the like—it would be surprising to find universally applicable principles that would work in all situations. In other words, managing Oracle’s software design engineers would be different from managing sales clerks at Nordstrom and would even be different from managing Oracle’s own marketing staff. But, of course, it is one thing to say “It all depends,” and another to say what it depends on. Advocates of the contingency approach—a group that includes most management researchers and practitioners—have been trying to identify the “what” variables. Exhibit HM–5 describes four popular contingency variables. This list is not comprehensive—at least 100 different variables have been identified—but it represents those most widely used and gives you an idea of what we mean by the term contingency variable. As you can see from the list, the contingency variables can have a significant effect on what managers do, that is, on the way work activities are coordinated and integrated.

### Exhibit HM–5

Four Popular Contingency Variables

- **Organization Size.** The number of people in an organization is a major influence on what managers do. As size increases, so do the problems of coordination. For instance, the type of organization structure appropriate for an organization of 50,000 employees is likely to be inefficient for an organization of 50 employees.

- **Routineness of Task Technology.** In order for an organization to achieve its purpose, it uses technology; that is, it engages in the process of transforming inputs into outputs. Routine technologies require organizational structures, leadership styles, and control systems that differ from those required by customized or nonroutine technologies.

- **Environmental Uncertainty.** The degree of uncertainty caused by political, technological, sociocultural, and economic changes influences the management process. What works best in a stable and predictable environment may be totally inappropriate in a rapidly changing and unpredictable environment.

- **Individual Differences.** Individuals differ in terms of their desire for growth, autonomy, tolerance for ambiguity, and expectations. These and other individual differences are particularly important when managers select motivational techniques, leadership styles, and job designs.
■ Crossword Comprehension

ACROSS
3. writers who developed general management theories
5. planning, etc., from a circular and continuous perspective
10. a set of interrelated parts arranged in a manner that produces a unified whole
11. experiments during the 1920s that provided new insights into group behaviors
12. the situational approach to management
13. Weber’s ideal organizational structure

DOWN
1. a system that dramatically interacts with its environment
2. the advent of machine power and mass production
4. any group that is affected by organizational decisions
6. management school concerned with finding the one best way
7. a system that is not influenced by its environment
8. breaking down of jobs into narrow, repetitive tasks
9. the classification scheme for labeling 17 basic hand motions

See Appendix B, p. 000, for puzzle solution.