

CHAPTER 2

Management Learning

Great things grow from strong foundations

Chapter Objectives

Chapter Two provides the theoretical and historical underpinnings of management principles. Classical, behavioral, and modern management approaches are reviewed

The objectives of Chapter 2 may be summarized as:

1. To explain scientific management, bureaucratic organizations, and administrative principles.
2. To explain behavioral management approaches
3. To describe management as complex networks of systems and sub-systems
4. To explain contingency thinking in management
5. To describe knowledge management and organizational learning
6. To describe the application of evidence-based management

Chapter Outline

2.1 What Are the Lessons of the Classical Management Approaches?

- **Taylor's scientific management sought efficiency in job performance**
 - ✓ Major branches in the classical approaches to management are illustrated
 - ✓ **1911 book by Frederick Taylor *The Principles of Scientific Management***
 - Identify basic steps and motions of jobs and determine the most efficient ways of doing them
 - Four principles of scientific management:
 - Develop a science for each job
 - Hire workers with the right abilities
 - Train and motivate workers
 - Support workers by planning and assisting their work according to science
 - Still in use today (example is UPS calibrated productivity standards). See "Tips to Remember".
- **Weber's bureaucratic organization is supposed to be efficient and fair**
 - ✓ Late-19th century German intellectual insights have made a significant impact on management and sociology of organizations
 - Bureaucracy type of organization could be highly efficient and very fair
 - Relies on logic, order, and legitimate authority

- Government agencies or large colleges may be examples
- Table 2.1 lists characteristics of an ideal bureaucracy
- **Fayol's Administrative principles describe managerial duties and practices**
 - ✓ Henri Fayol published *Administration Industrielle et Générale*, outlining his views on proper management of organizations.
 - ✓ Fayol's five "rules" or "duties" closely resemble the four functions used in management today: Foresight, Organization, Command, Coordination and Control.
 - ✓ **Scalar chain principle**: the chain of command and communication is clear and unbroken from the bottom (line workers) to the top (top managers) of the organization.
 - ✓ **Unity of command principle**: workers should only have one boss.

2.1 Questions for discussion suggested answers

- 1) Taylor focused on individual tasks and efficiency, assigning very narrow and repetitive jobs for speed. Weber, meanwhile, focused more on the overall organizational approach, rewards and rules.
- 2) Weber's concepts still have value but perhaps not in isolation as a sole management philosophy. Every one of his tenets is used today by most companies, with the exception of such a clear division of labor-as companies have learned that flexibility and job enrichment are more satisfying and can improve performance.
- 3) The risk is that executives may have a narrow or short-sighted view that is out of touch with employee's behaviors and motivations.

2.2 What Are the Contributions of the Behavioral Management Approaches?

- Note: See Figure 2.1 "Foundations of the Behavioral or Human Resource Approaches"
- **Follett viewed organizations as communities of cooperative action**
 - ✓ **Mary Parker Follett** believed that a groups or a sense of community were important aspects of organizations.
 - Managers should foster cooperation with workers without domination
 - Follett suggested that employee ownership would create feelings of collective responsibility
 - Emphasis was placed on making profits while considering the public good, a predecessor of corporate social responsibility.
- **The Hawthorne studies focused attention on the human side of organizations**
 - ✓ **Elton Mayo** of Harvard University commenced a study in 1924 at the Western Electric Company to determine how economic incentives and physical conditions of the workplace affected the output of workers
 - No direct relationship was found
 - Instead, workers responded to increased attention by their managers
 - **Hawthorne effect** – the tendency to live up to expectations; a person's performance will be affected by the way they are treated by their managers

- Groups can have a strong negative, as well as positive, influence on the behavior of their members
- **Maslow described a hierarchy of human needs with self-actualization at the top**
 - ✓ Human need is a physical or psychological deficiency that a person feels compelled to satisfy
 - ✓ Maslow described five levels of human needs that affect behavior (see Figure 2.2)
 - ✓ **Progression principle** - a need at any level becomes activated only after the next-lower-level need is satisfied
 - ✓ **Deficit principle** – a satisfied need doesn't motivate behavior; people act to satisfy needs for which a satisfaction "deficit" exists
 - ✓ Only at the highest level, **self actualization**, do both the deficit and progression principles cease to exist
- **Mc Gregor believed managerial assumptions create self-fulfilling prophecies**
 - ✓ Douglas McGregor wrote the classic book *The Human Side of Enterprise*
 - ✓ **Theory X** – set of negative assumptions about workers; they dislike work, lack ambition, resist change, and prefer to follow rather than lead
 - ✓ **Theory Y** – set of positive assumptions about workers; they like work, are capable of self direction and control, responsible and creative
 - ✓ Theory X managers likely to be "command and control" managers
 - ✓ Theory Y managers likely to be "participative" managers
 - ✓ **Self fulfilling prophecy** –workers respond to the way they are treated
- **Argyris suggests that workers treated as adults will be more productive**
 - ✓ Chris Argyris wrote the book *Personality and Organization*
 - ✓ Many organizations treat workers like children, which is counterproductive
 - ✓ Networks create the opportunity through which many agenda items can be fulfilled
 - ✓ Most managers maintain extensive networks not only with their own organization, but also with customers, suppliers, and community representatives

2.2 Questions for Discussion suggested answers

- 1) Hawthorne's work shifted the focus from a scientific perspective to a more humanistic view. Employees were no longer viewed simply as "machines" or a part of the assembly line, but as humans whom could be affected by motivation, reward systems, and attention.
- 2) An effective manager needs to understand that each employee has unique needs and that one blanket approach will not suffice for all employees. Knowing each employee's needs enables managers to tailor their development, rewards, and management to each person for higher performance.
- 3) Fundamentally, Argyris' theory says to treat people like adults-with respect, trust and genuine caring. This is also what Theory Y in McGregor's theory effectively would suggest.

2.3 What are the foundations of the modern management thinking?

- **Managers use quantitative analysis and tools to solve complex problems**
 - ✓ **Analytics** is the analysis of data to solve problems and make sound decisions
 - ✓ **Management science** and operations research are used interchangeably to describe mathematical techniques used for management problem solving and planning.
 - ✓ **Gantt charts** illustrate the interrelationships between complex tasks on a large project such as developing a shopping center or new building on a college campus. The margin feature on page 46 illustrates a Gantt chart for a building project such as a home.
 - ✓ **Operations management** is the study of how to improve operations to deliver goods and services with the most efficient and effective use of resources.
- **Organizations are open systems that interact with their environments**
 - ✓ **Open systems** obtain resources from the external environment; perform work activities to transform resources into goods or services for the external environment (Figure 2.3).
 - ✓ **Customer-driven organizations** focus goals and energy on satisfying needs of customers and clients.
 - ✓ **Subsystems** or smaller components include activities that individually and collectively support the work of the larger system. Figure 2.4 illustrates the relationship.
 - ✓ Examples of subsystems are purchasing, accounting, sales, etc.
- **Contingency thinking recognizes there is no one best way to manage**
 - ✓ **Contingency thinking** - belief that the way one manages depends on organizational complexities and demands of situations
- **Quality management focuses attention on continuous improvement**
 - ✓ **W. Edwards Deming** assisted Japanese industry in the 1950s with quality control techniques that included: tally defects, analyze and trace them to the source, make corrections and keep a record of what happened afterward, using statistics.
 - ✓ **Total Quality Management or TQM** grew out of Deming's work. TQM links strategic objectives and applies them to all aspects of an organization's activities.
 - ✓ **Continuous Improvement** is the goal of always looking for new ways to improve performance.
- **Evidence-based management seeks hard facts about what really works**
 - ✓ **Evidence-based management** is the process of using data from a large number of organizations to determine facts about effective management practices that can be validated by research.
 - ✓ Decision makers are encouraged to challenge conventional wisdom regarding "what works" (example: merit pay encourages better performance) and encourage others to do the same. Decisions should be made with clear evidence that the solution or practice will achieve the desired result.
 - ✓ **High-performance organization** achieves excellence in a work environment that provides a high "quality of work life."

- ✓ **Evidence-based management** makes good decisions by examining what works and making sure data used is relevant and sound.

2.3 Questions for discussion suggested answers

- 1) Municipal governments and colleges are often organized and also function as Open Systems and Subsystems. For example, the zoning department and tax assessment departments are separate departments (or divisions in larger cities) yet both are somewhat related to property matters as the larger “system” and both are subsystems of the entire city structure. Colleges, similarly, have departments such as Financial Aid, Cashier’s Office, and Registrar, all which have some role in handling Finances in most colleges. In that case, each is a “subsystem” while Finance would be a “system.” The Department of Business or English would be another example of separate “subsystems” within the educational/teaching “system” of the college or university.
- 2) An effective manager should have a contingency plan for such areas as weather-related or crisis-related matters such as plant closings to ensure timely resumption (and security and access for such areas as Information Systems) continuity of operations with minor or no interruptions of customer service.
Tornado drills and/or fire drills are routine drills performed in “normal” times but are also examples of necessary and important employee safety contingency plans. Finally, having a sound risk management and insurance program is an integral part of any company’s management today.
- 3) Managers who use their own experience need to make sure their perspective on the previous experience is accurate before using it to make decisions regarding future events. For example, "fundamental attribution error" is the tendency to over emphasize internal controllable factors and under emphasize external and uncontrollable factors when reviewing the mistakes of others, yet doing just the opposite when reviewing our own mistakes. Good two-way communication with colleagues and others would help make sure the perspective is accurate.

Teaching Notes

*In this section, ideas, exercises, and assignments are provided to assist you in integrating the concepts in Exploring Management for your students, especially the **special features** of the text.*

Management Live

Mr. Holland's Opus profiles a gifted music teacher that learns to adapt the way he teaches music to the unique learning styles of his students. The lessons of the movie make good examples of several concepts in chapter 2 including contingency thinking in Takeaway 2.3 and learning style as students review the Explore Yourself feature and take the Managerial Assumptions self-assessment in the Skill-Building Portfolio.

Role Models

Carol Barz is described as a "fair but tough" manager. This feature can be used to launch discussions on contingency management and how different management styles may be necessary in a technology firm as opposed to another management environment such as a retail or manufacturing organization. To further probe the issue of contingency management, the effectiveness of a woman's management style as she takes over from a male manager would be a relevant application of the feature too.

Ethics Check

The ethical issues involved in the use of "no-compete" agreements is explored in this feature. No-compete agreements are common in the largest of organizations or a business as small as your local hair salon. Students may have personal experience to share about how they have seen no-compete agreements used in the workplace.

Facts to Consider

Statistics on how Baby Boomers, GenX and Millennials rate their managers seem to indicate the older generations don't rate the performance of their managers as highly as younger workers. Thought questions probe possible reasons that younger workers seem to view their managers more positively. This makes a good illustration for understanding contingency management concepts in the chapter.

Manager's Library

Author Malcolm Gladwell's books (*The Tipping Point*, *Blink*, *Outliers*) all provide interesting reading and provocative thinking that are very applicable to the way we manage people and resources. This Manager's Library feature introduces concepts from *Outliers* that try to explain factors that lead some to greatness such as IQ, practice, positive attitude, assertiveness and social savvy. Gladwell concludes that success is something that most of us can achieve under the right circumstances. Reflect and React discussion questions probe students' thoughts on their views of success in life and education.

Explore Yourself

Learning style goes beyond how we prefer to learn, receive, process and recall new information, although students will explore their personal preferences as they complete the Managerial

Assumptions in the Skill-Building Portfolio as suggested in the Explore Yourself feature. As students determine and reveal their preferences, an interesting class discussion on how this influences the results of their management style, contingency management and which of the management philosophies in chapter two they most closely resemble.

The assessment tool is intended to help students reflect on their own management style or current orientation. Ask students to maintain their scores and reflections throughout the course and write a summary of the areas they want to strengthen, or change, as they develop as managers or employees. This may be a comprehensive special project near the end of the quarter/semester.

Case

The case for this Chapter is “Zara International – Fashion at the Speed of Light.”

DISCUSSION QUESTIONS

1. In what ways are elements of the classical management approaches evident at Zara International?

Classical management finds the best way to produce a product or service so both workers and employers benefit from increased efficiencies. Zara seems to have embraced the efficiencies found in Weber's bureaucratic form of organizations. The rapid response to fashion trends require efficient design, production, distribution and inventory management. All departments must clearly know their purpose with a clear division of labor, levels of authority are clearly defined, rules and procedures facilitate the fast turnaround necessary to get fresh fashions in the store within days of design.

Fayol's administrative principles are in evidence in Zara's clear foresight or plan of action, organization allows fast mobilization of resources, command is evident in the vision and leadership of founder and Chairman, Amancio Ortega Gaona, over the 80,000 workers, coordination requires close communication and efficient operations, and control is seen in their ambitious goals for growth.

2. How do you see operations management in practice at Zara?

Operations management involves production of goods and services and how they can be improved. Zara seems to have perfected the process of spotting fashion trends and bringing them to their retail stores in record time. They accomplish this by utilizing just-in-time inventory management and production practices along with distribution centers that processes orders within 24 hours..

3. How can systems concepts and the notion of contingency thinking explain the success of some Zara's distinctive practices?

Systems interact with their environments to obtain resources that are transformed into outputs for consumers. Zara uses fabrics, labor and the latest fashion trends from other designers to create high fashion at an affordable price. The subsystems at Zara include purchasing and inventory, distribution, information and technology, operations management and accounting and financial systems to transform the ideas and raw materials into fashionable garments. Zara chooses to keep most of these subsystems within the company rather than outsource them to outside contractors.

Zara's organizational network of subsystems is designed to be responsive to new fashion trends and consumer buying patterns. They seem to be specifically designed to respond quickly to change. Contingency thinking is the process of adapting management to the

unique circumstances of the organization. Management at Zara seems to have responded to the necessity for fast response to fashion trends and need for cost efficiencies to achieve their goals of low cost high fashion. In fact, their ability to respond quickly seems to be a strong competitive advantage.

4. **FURTHER RESEARCH**—Gather the latest information on competitive trends in the apparel industry, and the latest actions and innovations of Zara. Is the firm continuing to do well? Is it adapting in ways needed to stay abreast of both its major competition and the pressures of a changing global economy? Is Inditex still providing worthy management benchmarks for other firms to follow?

Students should be encouraged to research Inditex as well as Zara. Caution students to conduct their online research with objective media sources. The college library may offer free searches such as EBSCO Host that access a large number of periodicals including industry publications that may provide thorough and accurate comparisons as well as current industry trends.

Suggested Team Exercise for Chapter 2

Bureaucracy Exercise

Chapter 2 describes Max Weber's characteristics of an ideal bureaucracy. Break the class into teams of three or four and ask each group to collectively discuss these five characteristics.

Ask them to list organizations that, in their view, have many (or all) of these characteristics.

What organizations, if any, seem to be best suited for such a style/type of organization?

Students then should discuss the benefits and disadvantages of the organizations they have discussed. Some examples would be state or federal governmental agencies (license tags, passports, etc.), state colleges, large banks, the military etc.

Allow teams about 45 minutes for this exercise. The teams will then report to the class the summaries of their conclusions.