

IBM's headquarters. This office complex in Armonk, New York, is headquarters for most of IBM's enterprises, including CEO Virginia Rometty's office. Rometty seems to have the three skills—technical, conceptual, and human—necessary to be a terrific manager for such a complex organization. Which skill do you think you need to work on the most? (Human skills are the most difficult to master.)

and its people, to apply technology and scientific thinking to major societal issues."[89] Her priorities are to continue IBM's current growth initiatives around software that lets companies manage huge amounts of data to make better decisions and to achieve greater focus on emerging markets.[90]

Conceptual skills **consist of the ability to think analytically, to visualize an organization as a whole and understand how the parts work together.** Conceptual skills are particularly important for top managers, who must deal with problems that are ambiguous but that could have far-reaching consequences.

3. Human Skills—The Ability to Interact Well with People

This may well be the most difficult set of skills to master. ***Human skills*** **consist of the ability to work well in cooperation with other people to get things done**—especially with people in teams, an important part of today's organizations (as we discuss in Chapter 13). Often these are thought of as "soft skills." These skills—the ability to motivate, to inspire trust, to communicate with others—are necessary for managers of all levels. But because of the range of people, tasks, and problems in an organization, developing your human-interacting skills may turn out to be an ongoing, lifelong effort.

During her three decades at IBM, Rometty has become highly regarded for her ability to expand relationships, to close a sale with companies ranging from State Farm Insurance to Prudential Financial. "She's an engaging woman—great with customers," says one of her former bosses. "Customers just love Ginni."[91] She "combines performance and charisma," says another fan. "She orchestrated a massive charm offensive to bring the PricewaterhouseCoopers people into the fold. That was a trial by fire for her."[92]

The Most Valued Traits in Managers

Clearly, Rometty embodies the qualities sought in star managers, especially top managers. "The style for running a company is different from what it used to be," says a top executive recruiter of CEOs. "Companies don't want dictators, kings, or emperors."[93] Instead of someone who gives orders, they want executives who ask probing questions and force the people beneath them to think and find the right answers.

Among the chief skills companies seek in top managers are the following:

- The ability to motivate and engage others.
- The ability to communicate.
- Work experience outside the United States.
- High energy levels to meet the demands of global travel and a 24/7 world.[94]

Let's see how you can begin to acquire these and other qualities for success.

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TAKING SOMETHING PRACTICAL AWAY FROM THIS CHAPTER

Getting Control of Your Time: Dealing with the Information Deluge in College & in Your Career

Professionals and managers all have to deal with this central problem: how not to surrender their lives to their jobs. The place to start, however, is in college. If you can learn to manage time while you're still a student, you'll find it will pay off not only in higher grades and more free time but also in more efficient information-handling skills that will serve you well as a manager later on.[95]

Using Your "Prime Study Time"

Each of us has a different energy cycle.[96] The trick is to use it effectively. That way, your hours of best performance will coincide with your heaviest academic demands. For example, if your energy level is high during the mornings, you should plan to do your studying then.

To capitalize on your prime study time, you take the following steps: (1) Make a study schedule for the entire term, and indicate the times each day during which you plan to study. (2) Find some good places to study—places where you can avoid distractions. (3) Avoid time wasters, but give yourself frequent rewards for studying, such as a TV show, a favorite piece of music, or a conversation with a friend.

Improving Your Memory Ability

Memorizing is, of course, one of the principal requirements for succeeding in college. And it's a great help for success in life afterward.

Here are some tips on learning to concentrate:[97]

Choose What to Focus On

"People don't realize that attention is a finite resource, like money," one expert says. "Do you want to invest your cognitive cash on endless Twittering or Net surfing or couch potatoing [watching TV]?" She adds, "Where did the idea come from that anyone who wants to contact you can do so at any time? You need to take charge of what you pay attention to instead of responding to the latest stimuli."[98] For example, to block out noise, you can wear earplugs while reading, to create your own "stimulus shelter."

Devote the First 1½ Hours of Your Day to Your Most Important Task

Studying a hard subject? Make it your first task of the day, and concentrate on it for 90 minutes. After that, your brain will probably need a rest, and you can answer text messages, e-mail, and so on. But until that first break, don't do anything else, because it can take the brain 20 minutes to refocus.

Space Your Studying, Rather Than Cramming

Cramming—making a frantic, last-minute attempt to memorize massive amounts of material—is probably the least effective means of absorbing information. Research shows that it's best to space out your studying of a subject over successive days. A series of study sessions over several days is preferable to trying to do it all during the same number of hours on one day. It is repetition that helps move information into your long-term memory bank.

Review Information Repeatedly—Even "Overlearn It"

By repeatedly reviewing information—what is known as "rehearsing"—you can improve both your retention and your understanding of it. Overlearning is continuing to review material even after you appear to have absorbed it.

Use Memorizing Tricks

There are several ways to organize information so that you can retain it better. For example, you can make drawings or diagrams (as of the parts of a computer system). Some methods of establishing associations between items you want to remember are given in the box. *(See Exhibit 1.1.)*

exhibit 1.1 SOME MEMORIZING TRICKS

- **Mental and physical imagery:** Use your visual and other senses to construct a personal image of what you want to remember. Indeed, it helps to make the image humorous, action-filled, sexual, bizarre, or outrageous in order to establish a personal connection. Example: To remember the name of the 21st president of the United States, Chester Arthur, you might visualize an author writing the number "21" on a wooden chest. This mental image helps you associate chest (Chester), author (Arthur), and 21 (21st president).
- **Acronyms and acrostics:** An acronym is a word created from the first letters of items in a list. For instance, Roy G. Biv helps you remember the colors of the rainbow in order: red, orange, yellow, green, blue, indigo, violet. An acrostic is a phrase or sentence created from the first letters of items in a list. Fox example, *Every Good Boy Does Fine* helps you remember that the order of musical notes on the staff is E-G-B-D-F.

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- **Location:** Location memory occurs when you associate a concept with a place or imaginary place. For example, you could learn the parts of a computer system by imagining a walk across campus. Each building you pass could be associated with a part of the computer system.
- **Word games:** Jingles and rhymes are devices frequently used by advertisers to get people to remember their products. You may recall the spelling rule "*I* before *E* except after *C* or when sounded like *A* as in *neighbor* or *weigh*." You can also use narrative methods, such as making up a story.

How to Improve Your Reading Ability: The SQ3R Method

SQ3R stands for "survey, question, read, recite, and review."[99] The strategy behind it is to break down a reading assignment into small segments and master each before moving on. The five steps of the SQ3R method are as follows:

1. *Survey the chapter before you read it:* Get an overview of the chapter or other reading assignment before you begin reading it. If you have a sense of what the material is about before you begin reading it, you can predict where it is going. In this text, we offer on the first page of every chapter a list of the main heads and accompanying key questions. At the end of each chapter we offer a summary, which explains what the chapter's terms and concepts mean and why they are important.
2. *Question the segment in the chapter before you read it:* This step is easy to do, and the point, again, is to get you involved in the material. After surveying the entire chapter, go to the first segment—section, subsection, or even paragraph, depending on the level of difficulty and density of information. Look at the topic heading of that segment. In your mind, restate the heading as a question. In this book, following each section head we present a key question. An example in this chapter is "To be a terrific manager, what skills should I cultivate?"

   After you have formulated the question, go to steps 3 and 4 (read and recite). Then proceed to the next segment and restate the heading there as a question.
3. *Read the segment about which you asked the question:* Now read the segment you asked the question about. Read with purpose, to answer the question you formulated. Underline or color-mark sentences that you think are important, if they help you answer the question. Read this portion of the text more than once, if necessary, until you can answer the question. In addition, determine whether the segment covers any other significant questions, and formulate answers to these, too. After you have read the segment, proceed to step 4. (Perhaps you can see where this is all leading. If you read in terms of questions and answers, you will be better prepared when you see exam questions about the material later.)
4. *Recite the main points of the segment:* Recite means "say aloud." Thus, you should speak out loud (or softly) the answer to the principal question or questions about the segment and any other main points.
5. *Review the entire chapter by repeating questions:* After you have read the chapter, go back through it and review the main points. Then, without looking at the book, test your memory by repeating the questions.

Clearly the SQ3R method takes longer than simply reading with a rapidly moving color marker or underlining pencil. However, the technique is far more effective because it requires your involvement and understanding. This is the key to all effective learning.

Learning from Lectures

Does attending lectures really make a difference? Research shows that students with grades of B or above were more apt to have better class attendance than students with grades of C- or below.[100]

Some tips for getting the most out of lectures:

Take Effective Notes by Listening Actively

Research shows that good test performance is related to good note taking.[101] And good note taking requires that you listen actively—that is, participate in the lecture process. Here are some ways to take good lecture notes:

- *Read ahead and anticipate the lecturer:* Try to anticipate what the instructor is going to say, based on your previous reading. Having background knowledge makes learning more efficient.
- *Listen for signal words:* Instructors use key phrases such as "The most important point is . . . ," "There are four reasons for . . . ," "The chief reason . . . ," "Of special importance . . . ," "Consequently . . ." When you hear such signal phrases, mark your notes with a ! or *.
- *Take notes in your own words:* Instead of just being a stenographer, try to restate the lecturer's thoughts in your own words, which will make you pay attention more.
- *Ask questions:* By asking questions during the lecture, you necessarily participate in it and increase your understanding.

Review Your Notes Regularly

Make it a point to review your notes regularly—perhaps on the afternoon after the lecture, or once or twice a week. We cannot emphasize enough the importance of this kind of reviewing.

Key Terms Used in This Chapter

collaborative computing 12
competitive advantage 9
conceptual skills 30
controlling 16
databases 12
decisional roles 23
e-business 12
e-commerce 12
e-mail 12
effective 13
efficient 13
entrepreneur 26
entrepreneurship 26
first-line managers 19
four management functions 15
functional manager 19
general manager 19
human skills 30
informational roles 23
innovation 10
internal locus of control 28
Internet 12
interpersonal roles 23
intrapreneur 26
knowledge management 12
leading 16
management 13
management process 15
middle managers 18
organization 13
organizing 16
planning 15
project management software 12
sustainability 14
technical skills 29
telecommute 12
top managers 18
videoconferencing 12

Summary

1.1 Management: What It Is, What Its Benefits Are

Management is defined as the pursuit of organizational goals *efficiently*, meaning to use resources wisely and cost-effectively, and *effectively*, meaning to achieve results, to make the right decisions, and to successfully carry them out to achieve the organization's goals.

1.2 Seven Challenges to Being an Exceptional Manager

The seven challenges are (1) managing for competitive advantage, which means an organization must stay ahead in four areas—being responsive to customers, innovating new products or services offering better quality, being more efficient; (2) managing for diversity among different genders, ages, races, and ethnicities; (3) managing for globalization, the expanding universe; (4) managing for computers and telecommunications—information technology; (5) managing for right and wrong, or ethical standards; (6) managing for sustainability; and (7) managing for your own happiness and life goals.

1.3 What Managers Do: The Four Principal Functions

The four management functions are represented by the abbreviation *POLC:* (1) *planning*—setting goals and deciding how to achieve them; (2) *organizing*—arranging tasks, people, and other resources to accomplish the work; (3) *leading*—motivating, directing, and otherwise influencing people to work hard to achieve the organization's goals; and (4) *controlling*—monitoring performance, comparing it with goals, and taking corrective action as needed.

1.4 Pyramid Power: Levels & Areas of Management

Within an organization, there are managers at three levels: (1) *top managers* make long-term decisions about the overall direction of the organization and establish the objectives, policies, and strategies for it; (2) *middle managers* implement the policies and plans of their superiors and supervise and coordinate the activities of the managers below them; and (3) *first-line managers* make short-term operating decisions, directing the daily tasks of nonmanagement personnel. There are three types of organizations: (1) *for-profit*—formed to make money by offering products or services; (2) *nonprofit*—to offer services to some, but not to make a profit; and (3) *mutual-benefit*—voluntary collections of members created to advance members' interests.

1.5 Roles Managers Must Play Successfully

The Mintzberg study shows that, first, a manager relies more on verbal than on written communication; second, managers work long hours at an intense pace; and, third, a manager's work is characterized by fragmentation, brevity, and variety. Mintzberg concluded that managers play three broad

roles: (1) *interpersonal*—figurehead, leader, and liaison; (2) *informational*—monitor, disseminator, and spokesperson; and (3) *decisional*—entrepreneur, disturbance handler, resource allocator, and negotiator.

1.6 The Entrepreneurial Spirit

Entrepreneurship, a necessary attribute of business, is the process of taking risks to create a new enterprise. Two types are (1) the *entrepreneur,* who sees a new opportunity for a product or service and launches a business to realize it; and (2) the *intrapreneur,* working inside an existing organization, who sees an opportunity for a product or service and mobilizes the organization's resources to realize it. Entrepreneurs start businesses, managers grow or maintain them. Both (but especially entrepreneurs) have a high need for achievement, high energy level and action orientation, and tolerance for ambiguity. Entrepreneurs are more self-confident and have higher tolerance for risk.

1.7 The Skills Exceptional Managers Need

The three skills that exceptional managers cultivate are (1) *technical,* consisting of job-specific knowledge needed to perform well in a specialized field; (2) *conceptual,* consisting of the ability to think analytically, to visualize an organization as a whole, and to understand how the parts work together; and (3) *human,* consisting of the ability to work well in cooperation with other people in order to get things done.

Management in Action

Target Is Trying to Overcome the Problem of "Showrooming"

Target Corp. is tired of being used. In one of the starkest signs yet that the chain stores fear a new twist in shopping, Target is asking suppliers for help in thwarting "showrooming"—that is, when shoppers come in to see a product in person, only to buy it from a rival online, frequently at a lower price.

Last week in an urgent letter to vendors, the Minneapolis-based chain suggested that suppliers create special products that would set it apart from competitors and shield it from the price comparisons that have become so easy for shoppers to perform on their computers and smartphones. Where special products aren't possible, Target asked suppliers to help it match rivals' prices. It also said it might create a subscription service that would give shoppers a discount on regularly purchased merchandise.

"What we aren't willing to do is let online-only retailers use our brick and mortar stores as a showroom for their products and undercut our prices without making investments, as we do, to proudly display our brands," according to the letter, which was signed by Target Chief Executive Gregg Steinhafel and Kathee Tesija, Target's executive vice president of merchandising.

Showrooming is an increasing problem for chains ranging from Best Buy Co. to Barnes and Noble Inc., at the same time that it's a boon for Amazon.com Inc. and other online retailers. This year [2011] store sales overall edged up 4.1% during the holiday shopping season, while online sales jumped 15%. And while online sales represent only 8% of total sales, that is up from 2% in 2000. . . .

Vendors are likely to have little choice but to play ball with Target because of its clout as the second-largest discount chain . . .

Target declined to comment other than to issue a statement saying it "has long prided itself on having truly collaborative vendor partnerships and we continually work with our vendors to remain competitive in the ever-evolving retail environment."

Some analysts said Target's new tactics are unlikely to reverse the showrooming trend, because they fail to address the root problems traditional retailers face. Online-only retailers have significantly lower labor costs and, at least for the time being, don't collect sales tax in most states.

More important, the growing competition from Amazon is based on a different business model entirely; Amazon can sell products so cheaply because it uses its other profitable units—such as cloud data storage and fees it charges others to sell on its website—to subsidize the rest of its business.

"The traditional retailers are still doing business the old way while Amazon has reinvented the model," says Sucharita Mulpuru, retail analyst at Forrester Research.

"Walmart and Target are willing to sell a few things at a loss. Amazon's whole business is a loss leader."

Consumer preferences are also moving to online. "That is where we're heading," said Adrianne Shapira, retail analyst at Goldman Sachs. "You can try and dance around it, but it's a fact."

Retailers like Target and industry giant Walmart Stores, Inc. have a lot of catching up to do, as analysts estimate their websites account for only 1% to 2% of their annual sales. . . .

This fall Target relaunched and upgraded its website, which has been operated by Amazon for the last decade. But the site crashed several times, most notably when shoppers rushed to buy a special line of items made by Italian fashion house Missoni.

Target has a long tradition of getting suppliers to provide exclusive products. It has teamed up for years with fashion designers to offer time-limited discount clothing collections, and it recently announced it will open a series of temporary boutiques featuring clothes, food, and home furnishings from popular regional stores.

FOR DISCUSSION

1. Do you engage in showrooming? If yes, describe why.
2. Which of the six managerial challenges discussed in this chapter is Target facing? Discuss.
3. Using Figure 1.1 as a guide, describe how Target is trying to overcome competition from Internet providers of similar products.
4. To what extent did Target display an entrepreneurial orientation while trying to combat showrooming? Explain.
5. If you were a consultant to Target, what would be your recommendation to overcome showrooming? Discuss.

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Self-Assessment

To What Extent Do You Possess an Entrepreneurial Spirit?

OBJECTIVES

1. To assess whether or not you have motivations, aptitudes, and attitudes possessed by entrepreneurs.
2. To consider whether or not you would like to start your own company.

INTRODUCTION

Earlier in the chapter we noted that small businesses are creating the majority of new jobs in the United States. We also discussed a variety of personal characteristics that differentiate managers from entrepreneurs. The overall goal of this exercise is for you to take a self-assessment that allows you to compare your motivations, aptitudes, and attitudes to those found in a sample of entrepreneurs from a variety of industries.

INSTRUCTIONS

Take an entrepreneurial self-assessment at **http://www.bdc.ca/EN/advice_centre/benchmarking_tools/Pages/entrepreneurial_self_assessment.aspx.** The quiz enables you to compare your motivation, aptitudes, and attitudes to a group of entrepreneurs.

QUESTIONS FOR DISCUSSION

1. To what extent are your motives, aptitudes, and attitudes similar to entrepreneurs? Explain.
2. Based on your results, where do you have the biggest gaps with entrepreneurs in terms of the individual motives, aptitudes, and attitudes?
3. What do these gaps suggest about your entrepreneurial spirit? Discuss.
4. Do these results encourage or discourage you from thinking about starting your own business? Explain.

Legal/Ethical Challenge

To Delay or Not to Delay?

You have been hired by a vice president of a national company to create an employee attitude survey, to administer it to all employees, and to interpret the results. You have known this vice president for more than 10 years and have worked for her on several occasions. She trusts and likes you, and you trust and like her. You have completed your work and now are ready to present the findings and your interpretations to the vice president's management team. The vice president has told you that she wants your honest interpretation of the results, because she is planning to make changes based on the results. Based on this discussion, your report clearly identifies several strengths and weaknesses that need to be addressed. For example, employees feel that they are working too hard and that management does not care about providing good customer service. At the meeting you will be presenting the results and your interpretations to a group of 15 managers. You also have known most of these managers for at least 5 years.

You arrive to for the presentation armed with slides, handouts, and specific recommendations. Your slides are loaded on the computer, and most of the participants have arrived. They are drinking coffee and telling you how enthused they are about hearing your presentation. You also are excited to share your insights. Ten minutes before the presentation is set to begin, however, the vice president takes you out of the meeting room and says she wants to talk with you. The two of you go to another office, and she closes the door. She then tells you that her boss's boss decided to come to the presentation unannounced. She thinks that he is coming to the presentation to look solely for negative information in your report. He does not like the vice president and wants to replace her with one of his friends. If you present your results as planned, it will provide this individual with the information he needs to create serious problems for the vice president. Knowing this, the vice president asks you to find some way to postpone your presentation. You have 10 minutes to decide what to do.

SOLVING THE CHALLENGE

What would you do?

1. Deliver the presentation as planned.
2. Give the presentation but skip over the negative results.
3. Go back to the meeting room and announce that your spouse has had an accident at home and you must leave immediately. You tell the group that you just received this message and that you will contact the vice president to schedule a new meeting.
4. Invent other options. Discuss.

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chapter 2

Management Theory

Essential Background for the Successful Manager

Major Questions You Should Be Able to Answer

2.1 Evolving Viewpoints: How We Got to Today's Management Outlook
Major Question: What's the payoff in studying different management perspectives, both yesterday's and today's?

2.2 Classical Viewpoint: Scientific & Administrative Management
Major Question: If the name of the game is to manage work more efficiently, what can the classical viewpoint teach me?

2.3 Behavioral Viewpoint: Behaviorism, Human Relations, & Behavioral Science
Major Question: To understand how people are motivated to achieve, what can I learn from the behavioral viewpoint?

2.4 Quantitative Viewpoints: Management Science & Operations Management
Major Question: If the manager's job is to solve problems, how might the two quantitative approaches help?

2.5 Systems Viewpoint
Major Question: How can the exceptional manager be helped by the systems viewpoint?

2.6 Contingency Viewpoint
Major Question: In the end, is there one best way to manage in all situations?

2.7 Quality-Management Viewpoint
Major Question: Can the quality-management viewpoint offer guidelines for true managerial success?

2.8 The Learning Organization in an Era of Accelerated Change
Major Question: Organizations must learn or perish. How do I build a learning organization?

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the manager's toolbox

Evidence-Based Management: An Attitude of Wisdom

"These days, there aren't any hot, new trends, just a lot of repackaged ones from the past," writes *Wall Street Journal* columnist Carol Hymowitz.[1] "Executives have been treated to an overdose of management guides that mostly haven't delivered what they promised. Many bosses have adopted them all, regardless of their company's business model, balance sheet, competition, employee bench strength, or any other unique qualities. They have become copycat managers, trying to find a one-stop, fix-it-all answer to their various problems."

How will you know if the next best-seller "fix-it-all" book is simply a recycling of old ideas? The answer is: You have to have studied history—the subject of this chapter.[2]

Management: Art or Science?

Is the practice of management an art or a science? Certainly it *can* be an art. Lots of top executives have no actual training in management—IBM CEO Virginia Rometty, discussed in Chapter 1, has a BS in computer science and electrical engineering, not business. Great managers, like great painters or actors, have the right mix of intuition, judgment, and experience.

But management is also a science. Rather than being performed in a seat-of-the-pants, make-it-up-as-you-go-along kind of way, management can be approached deliberately, rationally, systematically. That's what the scientific method is, after all—a logical process, embodying four steps: (1) You observe events and gather facts. (2) You pose a possible solution or explanation based on those facts. (3) You make a prediction of future events. (4) You test the prediction under systematic conditions.

Following the Evidence

The process of scientific reasoning underlies what is known as evidence-based management. *Evidence-based management* means translating principles based on best evidence into organizational practice, bringing rationality to the decision-making process.[3] Evidence-based management embraces what Stanford business scholars Jeffrey Pfeffer and Robert Sutton call *an attitude of wisdom*. This is a mind-set that, first, is willing to set aside belief and conventional wisdom and to act on the facts and, second, has an unrelenting commitment to gathering information necessary to make informed decisions and to keeping pace with new evidence.[4]

"The way a good doctor or a good manager works," Sutton says, "is to act with knowledge while doubting what you know. So if a patient goes to a doctor, you hope the doctor would do two things: first look at the literature and make the best decision given what's available. Then actually track the progress of the treatment and see what unexpected side effects you're having and what things are working."[5]

Three Truths

Evidence-based management is based on three truths:

- **There are few really new ideas:** Most supposedly new ideas are old, wrong, or both.
- **True is better than new:** Effective managers are more interested in what is true than in what is new.
- **Doing well usually dominates:** Organizations that do simple, obvious, and even seemingly trivial things well will dominate competitors who search for "silver bullets and instant magic."

For Discussion Do you think managers are often driven by fads, by what they've read in the latest book or heard in the latest management seminar? Have you ever heard of a manager taking an experimental approach, as in trying out a new idea with an open mind to see what happens? How could you profit by taking an evidence-based approach to the ideas we will discuss in this chapter?

forecast

What's Ahead in This Chapter

This chapter gives you a short overview of the three principal *historical* perspectives or viewpoints on management—*classical, behavioral,* and *quantitative*. It then describes the three principal *contemporary* viewpoints—*systems, contingency,* and *quality-management*. Finally, we consider the concept of *learning organizations*.

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2.1 EVOLVING VIEWPOINTS: HOW WE GOT TO TODAY'S MANAGEMENT OUTLOOK

major question What's the payoff in studying different management perspectives, both yesterday's and today's?

THE BIG PICTURE

After studying theory, managers may learn the value of practicing evidence-based management, bringing rationality to the decision-making process. This chapter describes two principal theoretical perspectives—the *historical* and the *contemporary*. Studying management theory provides understanding of the present, a guide to action, a source of new ideas, clues to the meaning of your managers' decisions, and clues to the meaning of outside events.

"The best way to predict the future is to create it," Peter Drucker said. The purpose of this book is, to the extent possible, to give you the tools to create your own future as a manager.

Who is **Peter Drucker**? "He was the creator and inventor of modern management," says management guru Tom Peters (author of *In Search of Excellence*). "In the early 1950s, nobody had a tool kit to manage these incredibly complex organizations that had gone out of control. Drucker was the first person to give us a handbook for that."[6]

An Austrian trained in economics and international law, Drucker came to the United States in 1937, where he worked as a correspondent for British newspapers and later became a college professor. In 1954, he published his famous text, *The Practice of Management,* in which he proposed that management was one of the major social innovations of the 20th century and that it should be treated as a profession, like medicine or law. In this and other books, he introduced several ideas that now underlie the organization and practice of management—that workers should be treated as assets, that the corporation could be considered a human community, that there is "no business without a customer," that institutionalized management practices were preferable to charismatic, cult leaders. Many ideas that you will encounter in this book—decentralization, management by objectives, knowledge workers—are directly traceable to Drucker's pen. "Without his analysis," says one writer, "it's almost impossible to imagine the rise of dispersed, globe-spanning corporations."[7]

Evidence-Based Management: Facing Hard Facts, Rejecting Nonsense

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Evidence-based management, described in the Manager's Toolbox, while not invented by Drucker, is very much in the spirit of his rational approach to management. As mentioned, ***evidence-based management*** **means translating principles based on best evidence into organizational practice, bringing rationality to the decision-making process.**

As its two principal proponents, Stanford business scholars **Jeffrey Pfeffer and Robert Sutton,** put it, evidence-based management is based on the belief that "facing the hard facts about what works and what doesn't, understanding the dangerous half-truths that constitute so much conventional wisdom about management, and rejecting the total nonsense that too often passes for sound advice will help organizations perform better."[8] Learning to make managerial decisions based on evidence is the approach we hope you will learn to take after studying many other approaches—the perspectives described in this chapter.

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Two Overarching Perspectives about Management: Historical & Contemporary

In this chapter, we describe two overarching perspectives about management:

- **Historical. The *historical perspective* includes three viewpoints—*classical, behavioral,* and *quantitative*.**
- **Contemporary. The *contemporary perspective* also includes three viewpoints—*systems, contingency,* and *quality-management*.**

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Five Practical Reasons for Studying This Chapter

"Theory," say business professors Clayton Christensen and Michael Raynor, "often gets a bum rap among managers because it's associated with the word 'theoretical,' which connotes 'impractical.' But it shouldn't."[9] After all, what could be more practical than studying different approaches to see which work best?

Indeed, there are five good reasons for studying theoretical perspectives:

1. **Understanding of the present.** "Sound theories help us interpret the present, to understand what is happening and why," say Christensen and Raynor.[10] Understanding history will help you understand why some practices are still favored, whether for right or wrong reasons.
2. **Guide to action.** Good theories help you make predictions and enable you to develop a set of principles that will guide your actions.
3. **Source of new ideas.** They can also provide new ideas that may be useful to you when you come up against new situations.
4. **Clues to meaning of your managers' decisions.** They can help you understand your firm's focus, where the top managers are "coming from."
5. **Clues to meaning of outside events.** Finally, they may allow you to understand events outside the organization that could affect it or you. ●

EXAMPLE

Was Cisco's Experiment of 48 Decentralized "Management Councils" the Best Way to Organize a Company?

If Management 1.0 is what we're used to now, with its traditional pyramid hierarchy, what would Management 2.0 look like? What if, as management thinker Gary Hamel suggests, Management 2.0 looked a lot like Web 2.0 as represented in Wikipedia, YouTube, and other online communities?[11] Could the traditional hierarchy of boxes with lines actually become a corporate straitjacket? That's what John Chambers thought.

The Organization of the Future? The CEO of San Jose, California–based Cisco Systems, $36 billion maker of telecommunications gear, Chambers was concerned that large companies begin to slow down when they don't move out of their primary markets fast enough.[12] In order to expand into 30 different markets simultaneously, from flip video cameras to multimillion-dollar data centers, in 2005, Chambers established an unusual system of 48 interlocking management committees, or "councils," so managers could make decisions without waiting for his approval. The idea was that managers would participate in different committees and make decisions collaboratively.[13]

Doing It Over. In 2011, however, Cisco abandoned the council-based structure. "By requiring employees to petition groups of people for department budgets, the councils slowed decision making," says one report. "It left managers without full control of units."[14] Now Cisco has just three management councils.

YOUR CALL

If the system of 48 management councils added bureaucracy and diluted managerial authority and accountability, what type of organizational arrangement would help Cisco act quicker and more flexibly? Do you think studying management theory could help you answer this question?

2.2 CLASSICAL VIEWPOINT: SCIENTIFIC & ADMINISTRATIVE MANAGEMENT

major question? If the name of the game is to manage work more efficiently, what can the classical viewpoint teach me?

THE BIG PICTURE

The *three historical management viewpoints* we will describe include (1) the classical, described in this section; (2) the behavioral; and (3) the quantitative. The classical viewpoint, which emphasized ways to manage work more efficiently, had two approaches: (a) scientific management and (b) administrative management. *Scientific management,* pioneered by Frederick W. Taylor and Frank and Lillian Gilbreth, emphasized the scientific study of work methods to improve the productivity of individual workers. *Administrative management,* pioneered by Henri Fayol and Max Weber, was concerned with managing the total organization.

Bet you've never heard of a "therblig," although it may describe some physical motions you perform from time to time—as when you have to wash dishes, say. A made-up word you won't find in most dictionaries, *therblig* was coined by Frank Gilbreth and is, in fact, "Gilbreth" spelled backward, with the "t" and the "h" reversed. It refers to 1 of 17 basic motions. By identifying the therbligs in a job, as in the tasks of a bricklayer (which he had once been), Frank and his wife, Lillian, were able to eliminate motions while simultaneously reducing fatigue.

The Gilbreths were a husband-and-wife team of industrial engineers who were pioneers in one of the classical approaches to management, part of the historical perspective. As we mentioned, there are *three historical management viewpoints* or approaches. *(See Figure 2.1.)* They are

- Classical
- Behavioral
- Quantitative

In this section, we describe the classical perspective of management, which originated during the early 1900s. **The *classical viewpoint,* which emphasized finding ways to manage work more efficiently, had two branches—*scientific* and *administrative*—**each of which is identified with particular pioneering theorists. In general, classical management assumes that *people are rational.* Let's compare the two approaches.

Scientific Management: Pioneered by Taylor & the Gilbreths

The problem for which scientific management emerged as a solution was this: In the expansive days of the early 20th century, labor was in such short supply that managers were hard-pressed to raise the productivity of workers. ***Scientific management* emphasized the scientific study of work methods to improve the productivity of individual workers.** Two of its chief proponents were **Frederick W. Taylor** and the team of **Frank and Lillian Gilbreth.**

Frederick Taylor & the Four Principles of Scientific Management No doubt there are some days when you haven't studied, or worked, as efficiently as you

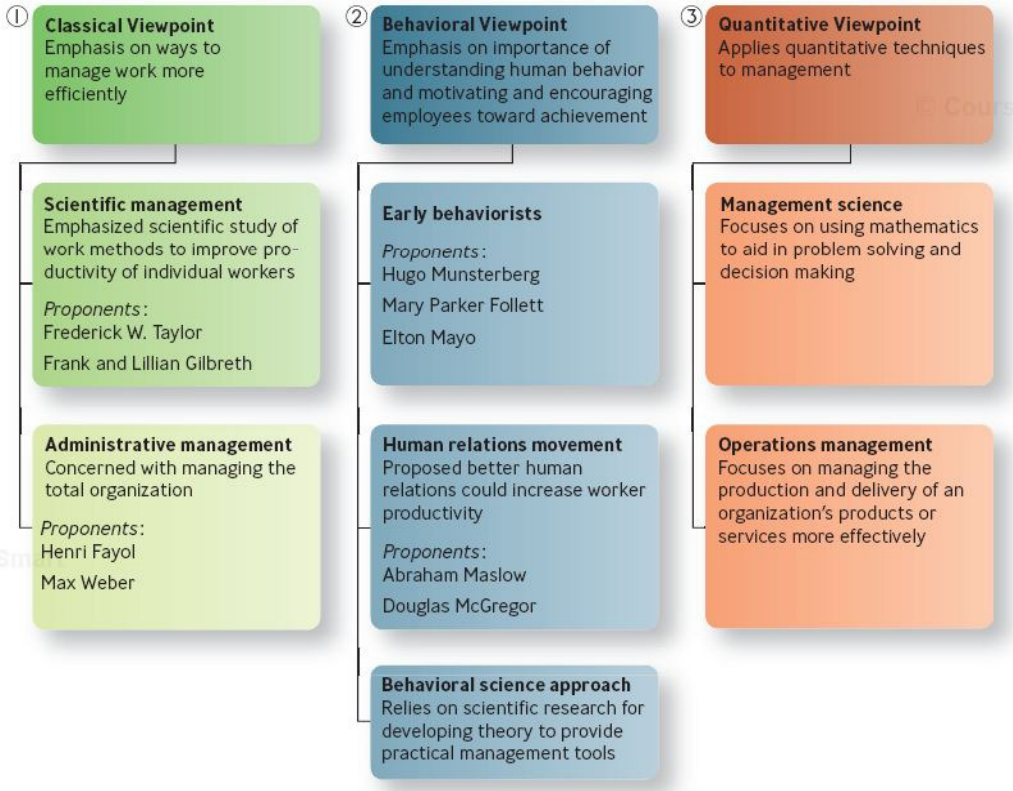


figure 2.1 THE HISTORICAL PERSPECTIVE

Three viewpoints are shown. To see a time line, go to www.mhhe.com/kw6e.

could. This could be called "underachieving," or "loafing," or what Taylor called it—*soldiering*, deliberately working at less than full capacity. Known as "the father of scientific management," Taylor was an American engineer from Philadelphia who believed that managers could eliminate soldiering by applying four principles of science:

1. Evaluate a task by scientifically studying each part of the task (not use old rule-of-thumb methods).
2. Carefully select workers with the right abilities for the task.
3. Give workers the training and incentives to do the task with the proper work methods.
4. Use scientific principles to plan the work methods and ease the way for workers to do their jobs.

Taylor based his system on *motion studies,* in which he broke down each worker's job—moving pig iron at a steel company, say—into basic physical motions and then trained workers to use the methods of their best-performing coworkers. In addition, he

Frederick W. Taylor. Called the father of scientific management, Taylor published *The Principles of Scientific Management* in 1911.





Lillian and Frank Gilbreth. These industrial engineers pioneered time and motion studies. If you're an athlete, you can appreciate how small changes can make you efficient.

suggested employers institute a *differential rate system,* in which more efficient workers earned higher wages.

Why Taylor Is Important: Although "Taylorism" met considerable resistance from employees fearing that working harder would lead to lost jobs except for the highly productive few, Taylor believed that by raising production both labor and management could increase profits to the point where they no longer would have to quarrel over them. If used correctly, the principles of scientific management can enhance productivity, and such innovations as motion studies and differential pay are still used today.

Frank & Lillian Gilbreth & Industrial Engineering As mentioned, Frank and Lillian Gilbreth were a husband-and-wife team of industrial engineers who lectured at Purdue University in the early 1900s. Their experiences in raising 12 children—to whom they applied some of their ideas about improving efficiency (such as printing the Morse Code on the back of the bathroom door so that family members could learn it while doing other things)—later were popularized in a book, two movies, and a TV sitcom, *Cheaper by the Dozen*. The Gilbreths expanded on Taylor's motion studies—for instance, by using movie cameras to film workers at work in order to isolate the parts of a job.

Lillian Gilbreth, who received a PhD in psychology, was the first woman to be a major contributor to management science.

Administrative Management: Pioneered by Fayol & Weber

Scientific management is concerned with the jobs of individuals. ***Administrative management* is concerned with managing the total organization.** Among the pioneering theorists were **Henri Fayol** and **Max Weber.**

Henri Fayol & the Functions of Management Fayol was not the first to investigate management behavior, but he was the first to systematize it. A French engineer and industrialist, he became known to American business when his most important work, *General and Industrial Management,* was translated into English in 1930.

Why Fayol Is Important: Fayol was the first to identify the major functions of management (p. 15)—planning, organizing, leading, and controlling, as well as coordinating—the first four of which you'll recognize as the functions providing the framework for this and most other management books.

Max Weber & the Rationality of Bureaucracy In our time, the word *bureaucracy* has come to have negative associations: impersonality, inflexibility, red tape, a molasseslike response to problems. But to German sociologist Max Weber, a *bureaucracy* was a rational, efficient, ideal organization based on principles of logic. After all, in Weber's Germany in the late 19th century, many people were in positions of authority (particularly in the government) not because of their abilities but because of their social status. The result, Weber wrote, was that they didn't perform effectively.

A better-performing organization, he indicated, should have five positive bureaucratic features:

1. A well-defined hierarchy of authority.
2. Formal rules and procedures.

3. A clear division of labor, with parts of a complex job being handled by specialists.
4. Impersonality, without reference or connection to a particular person.
5. Careers based on merit.

Why Weber Is Important: Weber's work was not translated into English until 1947, but it came to have an important influence on the structure of large corporations, such as the Coca-Cola Company.

The Problem with the Classical Viewpoint: Too Mechanistic

A flaw in the classical viewpoint is that it is mechanistic: It tends to view humans as cogs within a machine, not taking into account the importance of human needs. Behavioral theory addressed this problem, as we explain next.

Why the Classical Viewpoint Is Important: The essence of the classical viewpoint was that work activity was amenable to a rational approach, that through the application of scientific methods, time and motion studies, and job specialization it was possible to boost productivity. Indeed, these concepts are still in use today, the results visible to you every time you visit McDonald's or Pizza Hut. The classical viewpoint also led to such innovations as management by objectives and goal setting, as we explain elsewhere.

Scientific management. Carmakers have broken down automobile manufacturing into its constituent tasks, as shown here for a 2011 Dodge Avenger at a Chrysler assembly plant. This reflects the contributions of the school of scientific management. Is there anything wrong with this approach? How could it be improved?



2.3 BEHAVIORAL VIEWPOINT: BEHAVIORISM, HUMAN RELATIONS, & BEHAVIORAL SCIENCE

major question? To understand how people are motivated to achieve, what can I learn from the behavioral viewpoint?

THE BIG PICTURE

The second of the three historical management perspectives was the *behavioral* viewpoint, which emphasized the importance of understanding human behavior and of motivating employees toward achievement. The behavioral viewpoint developed over three phases: (1) *Early behaviorism* was pioneered by Hugo Munsterberg, Mary Parker Follett, and Elton Mayo. (2) The *human relations movement* was pioneered by Abraham Maslow (who proposed a hierarchy of needs) and Douglas McGregor (who proposed a Theory X and Theory Y view to explain managers' attitudes toward workers). (3) The *behavioral science approach* relied on scientific research for developing theories about behavior useful to managers.

The *behavioral viewpoint* emphasized the importance of understanding human behavior and of motivating employees toward achievement. The behavioral viewpoint developed over three phases: (1) early behaviorism, (2) the human relations movement, and (3) behavioral science.

Early Behaviorism: Pioneered by Munsterberg, Follett, & Mayo

The three people who pioneered behavioral theory were **Hugo Munsterberg, Mary Parker Follett,** and **Elton Mayo.**

Mary Parker Follett. She proposed that managers and employees should work together cooperatively.



Hugo Munsterberg & the First Application of Psychology to Industry

Called "the father of industrial psychology," German-born Hugo Munsterberg had a PhD in psychology and a medical degree and joined the faculty at Harvard University in 1892. Munsterberg suggested that psychologists could contribute to industry in three ways. They could:

1. Study jobs and determine which people are best suited to specific jobs.
2. Identify the psychological conditions under which employees do their best work.
3. Devise management strategies to influence employees to follow management's interests.

Why Munsterberg Is Important: His ideas led to the field of *industrial psychology*, the study of human behavior in workplaces, which is still taught in colleges today.

Mary Parker Follett & Power Sharing Among Employees & Managers

A Massachusetts social worker and social philosopher, Mary Parker Follett was lauded on her death in 1933 as "one of the most important women America has yet produced in the fields of civics and sociology." Instead of following the usual hierarchical

arrangement of managers as order givers and employees as order takers, Follett thought organizations should become more democratic, with managers and employees working cooperatively.

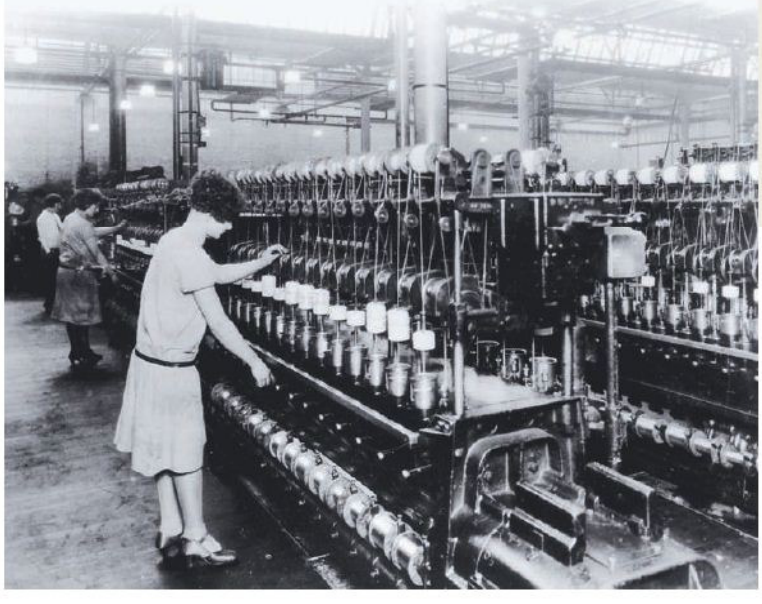
The following ideas were among her most important:

1. Organizations should be operated as "communities," with managers and subordinates working together in harmony.
2. Conflicts should be resolved by having managers and workers talk over differences and find solutions that would satisfy both parties—a process she called *integration*.
3. The work process should be under the control of workers with the relevant knowledge, rather than of managers, who should act as facilitators.

Why Follett Is Important: With these and other ideas, Follett anticipated some of today's concepts of "self-managed teams," "worker empowerment," and "interdepartmental teams"—that is, members of different departments working together on joint projects.

Elton Mayo & the Supposed "Hawthorne Effect" Do you think workers would be more productive if they thought they were receiving special attention? This was the conclusion drawn by a Harvard research group in the late 1920s.

Conducted by Elton Mayo and his associates at Western Electric's Hawthorne (Chicago) plant, what came to be called the *Hawthorne studies* began with an investigation into whether workplace lighting level affected worker productivity. (This was the type of study that Taylor or the Gilbreths might have done.) In later experiments, other variables were altered, such as wage levels, rest periods, and length of workday. Worker performance varied but tended to increase over time,



Hawthorne effect. Western Electric's Hawthorne plant, where Elton Mayo and his team conducted their studies in the 1920s. Do you think you'd perform better in a robotlike job if you thought your supervisor cared about you and paid more attention to you?

leading Mayo and his colleagues to hypothesize what came to be known as the *Hawthorne effect*—namely, that employees worked harder if they received added attention, if they thought that managers cared about their welfare, and if supervisors paid special attention to them. However, later investigators found flaws in the studies, such as variations in ventilation and lighting or inadequate follow-through, that were overlooked by the original researchers. Critics also point out that it's doubtful that workers improved their productivity merely on the basis of receiving more attention rather than because of a particular instructional method or social innovation.[15]

Why the Hawthorne Studies Are Important: Ultimately, the Hawthorne studies were faulted for being poorly designed and not having enough empirical data to support the conclusions. Nevertheless, they succeeded in drawing attention to the importance of "social man" (social beings) and how managers using good human relations could improve worker productivity. This in turn led to the so-called human relations movement in the 1950s and 1960s.

The Human Relations Movement: Pioneered by Maslow & McGregor

The two theorists who contributed most to the ***human relations movement*—which proposed that better human relations could increase worker productivity**—were Abraham Maslow and Douglas McGregor.

Abraham Maslow & the Hierarchy of Needs What motivates you to perform: Food? Security? Love? Recognition? Self-fulfillment? Probably all of these, Abraham Maslow would say, although some needs must be satisfied before others. The chairman of the psychology department at Brandeis University and one of the earliest researchers to study motivation, in 1943 Maslow proposed his famous *hierarchy of human needs:* physiological, safety, love, esteem, and self-actualization[16] (as we discuss in detail in Chapter 12, where we explain why Maslow is important).

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Douglas McGregor & Theory X Versus Theory Y Having been for a time a college president (at Antioch College in Ohio), Douglas McGregor came to realize that it was not enough for managers to try to be liked; they also needed to be aware of their attitudes toward employees.[17] Basically, McGregor suggested in a 1960 book, these attitudes could be either "X" or "Y."

Theory X represents a pessimistic, negative view of workers. In this view, workers are considered to be irresponsible, to be resistant to change, to lack ambition, to hate work, and to want to be led rather than to lead.

Theory Y represents the outlook of human relations proponents—an optimistic, positive view of workers. In this view, workers are considered to be capable of accepting responsibility, self-direction, and self-control and of being imaginative and creative.

Why Theory X/Theory Y Is Important: The principal contribution offered by the Theory X/Theory Y perspective is that it helps managers understand how their beliefs affect their behavior. For example, Theory X managers are more likely to micromanage, which leads to employee dissatisfaction, because they believe employees are inherently lazy. Managers can be more effective by considering how their behavior is shaped by their expectations about human nature. Underlying both Maslow's and McGregor's theories is the notion that more job satisfaction leads to greater worker performance—an idea that is somewhat controversial, as we'll discuss in Chapter 11.

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The Behavioral Science Approach

The human relations movement was a necessary correction to the sterile approach used within scientific management, but its optimism came to be considered too simplistic for practical use. More recently, the human relations view has been superseded by the behavioral science approach to management. ***Behavioral science*** **relies on scientific research for developing theories about human behavior that can be used to provide practical tools for managers.** The disciplines of behavioral science include psychology, sociology, anthropology, and economics.

EXAMPLE

Application of Behavioral Science Approach: Which Is Better—Competition or Cooperation?

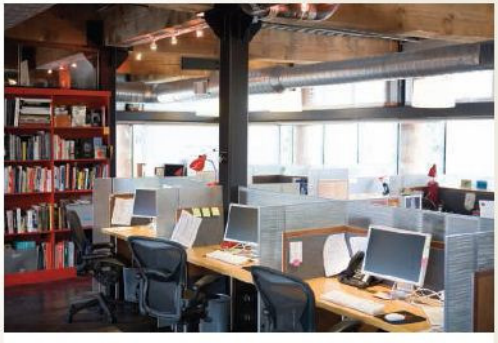
A widely held assumption among American managers is that "competition brings out the best in people." From an economic standpoint, business survival depends on staying ahead of the competition. But from an interpersonal standpoint, critics contend, competition has been overemphasized, primarily at the expense of cooperation.[18]

One strong advocate of greater emphasis on cooperation, Alfie Kohn, reviewed the evidence and found two reasons for what he sees as competition's failure:[19]

1. Competition Makes People Hostile. Success, he says, "often depends on sharing resources efficiently, and this is nearly impossible when people have to work against one another." Competition makes people suspicious and hostile toward each other. Cooperation, by contrast, "takes advantage of all the skills represented in a group as well as the mysterious process by which that group becomes more than the sum of its parts."

2. Competition Doesn't Necessarily Promote Excellence. "Trying to do well and trying to beat others simply are two different things," Kohn says. He points out the example of children in class who wave their arms to get the teacher's attention, but when they are finally recognized they then seem befuddled and ask the teacher to repeat the question—because they were more focused on beating their classmates than on addressing the subject matter.

What does the behavioral science research suggest about the question of cooperation versus competition? One team of researchers reviewed 122 studies encompassing a wide variety of subjects and settings and came up with three conclusions: (1) Cooperation is superior to competition in promoting achievement and productivity. (2) Cooperation is superior to individualistic efforts in promoting achievement and productivity. (3) Cooperation without intergroup competition promotes higher achievement and productivity than cooperation with intergroup competition.[20]



Promoting performance. This open office is designed to encourage spontaneous interaction, cooperation, and teamwork, which foster achievement and productivity among employees. The open layout is particularly favored by younger workers. Why do you think that is?

YOUR CALL

What kind of office would you prefer to have for yourself—a private office, a shared private office, a partitioned cubicle, or a desk in an area scattered with other desks with no partitions? Which would be most comfortable for you personally? Why does the last one (the open office) best promote superior performance?

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2.4 QUANTITATIVE VIEWPOINTS: MANAGEMENT SCIENCE & OPERATIONS MANAGEMENT

major question If the manager's job is to solve problems, how might the two quantitative approaches help?

THE BIG PICTURE

The third and last category under historical perspectives consists of *quantitative viewpoints*, which emphasize the application to management of quantitative techniques, such as statistics and computer simulations. Two approaches of quantitative management are *management science* and *operations management*.

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During the air war known as the Battle of Britain in World War II, a relative few of England's Royal Air Force fighter pilots and planes were able to successfully resist the overwhelming might of the German military machine. How did they do it? Military planners drew on mathematics and statistics to determine how to most effectively allocate use of their limited aircraft.

When the Americans entered the war in 1941, they used the British model to form *operations research (OR)* teams to determine how to deploy troops, submarines, and other military personnel and equipment most effectively. For example, OR techniques were used to establish the optimum pattern that search planes should fly to try to locate enemy ships.

After the war, businesses also began using these techniques. One group of former officers, who came to be called the Whiz Kids, used statistical techniques at Ford Motor Co. to make better management decisions. Later Whiz Kid Robert McNamara, who had become Ford's president, was appointed Secretary of Defense and introduced similar statistical techniques and cost-benefit analyses throughout the Department of Defense. Since then, OR techniques have evolved into ***quantitative management*, the application to management of quantitative techniques, such as statistics and computer simulations. Two branches of quantitative management are *management science* and *operations management*.**

FedEx. What management tools do you use to schedule employees and aircraft to deal with wide variations in package volume—such as December 23 versus December 26?



Management Science: Using Mathematics to Solve Management Problems

How would you go about deciding how to assign utility repair crews during a blackout? Or how many package sorters you needed and at which times for an overnight delivery service such as FedEx or UPS? You would probably use the tools of management science.

Management science is not the same as Taylor's scientific management. ***Management science* focuses on using mathematics to aid in problem solving and decision making.** Sometimes management science is called *operations research*.

Why Management Science Is Important: Management science stresses the use of rational, science-based techniques and mathematical models to improve decision making and strategic planning. Its use is consistent with the practice of evidence-based management already discussed.

EXAMPLE

Management Science: Do Calorie Postings in Restaurants Change Eating Habits?

In July 2008, New York City required that restaurant chains post lists of calorie counts for menu items as a way of fighting obesity and diabetes. How well does the approach work?

Researchers tracked customers at several fast-food chains, such as McDonald's, in high-poverty New York City neighborhoods. They collected receipts two weeks before the calorie-posting law took effect and four weeks afterward (paying customers $2 each for their receipts). About half the customers noticed the posted calorie counts, with 28% of those who noticed saying the information influenced their ordering. But when receipts were examined, it was found that orders had a mean of 846 calories after the labeling law took place, compared with only 825 before.[21] Do calories matter? "I'm looking for the cheapest meal I can," said one customer.[22]

YOUR CALL

If, as a restaurant manager, one of your goals is to discourage obesity, do you think the study is useful? Do low-income people not care about calories? Was the study done too soon and failed to capture behavior change that might occur gradually?

Operations Management: Being More Effective

***Operations management* focuses on managing the production and delivery of an organization's products or services more effectively.** Operations management is concerned with work scheduling, production planning, facilities location and design, and optimum inventory levels.

Why Operations Management Is Important: Through the rational management of resources and distribution of goods and services, operations management helps ensure that business operations are efficient and effective. ●

EXAMPLE

Operations Management: Was Toyota's "Lean Management" the Right Approach?

Over the years, Toyota Motor Corp. developed a variety of production techniques that drew in part on operations management.[23] First, it emphasized the smoothest possible *flow of work.* To accomplish this, managers performed *value stream mapping,* identifying the many steps in a production process and eliminating unnecessary ones. They also performed *mistake proofing* or *root-cause analysis,* using teamwork to examine problems and fix them as soon as they appeared. In addition, the carmaker helped pioneer the *just-in-time* approach to obtaining supplies from vendors only as they were needed in the factory. These efficient techniques, which all come under the term *lean management,* enabled Toyota to sell its cars on the basis of their superior quality.[24]

Strategy Change. Then in 1995 the company launched an all-out effort to become the world's largest carmaker. To do so, it opted to use common parts among eight types of cars (Camry, Corolla, Avalon, and others) and to buy them from companies around the globe instead of from its small group of longtime Japanese suppliers. Design engineers may also have cut corners, as by relying on computer simulations rather than building physical prototypes.[25]

Accidents. Suddenly, beginning in 2004, disturbing reports surfaced about Toyota cars running away because of sudden, unintended acceleration.[26] A research firm documented 2,274 similar incidents, including 18 fatalities.[27] In late 2009, thinking the problem was pedals catching on floor mats, Toyota recalled 4.3 million vehicles. Then, in early 2010, suspecting the problem was in the accelerator mechanism itself, it recalled 2.3 million vehicles and completely stopped new production of eight vehicle lines in North America.[28]

YOUR CALL

In Chapter 1, we described the problem of "efficiency versus effectiveness." Which is lean management mostly about? Can a worldwide car company get back to its roots—reclaim bragging rights to "quality"?

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2.5 SYSTEMS VIEWPOINT

major question How can the exceptional manager be helped by the systems viewpoint?

THE BIG PICTURE

Three contemporary management perspectives are (1) the *systems,* (2) the *contingency,* and (3) the *quality-management* viewpoints. The *systems viewpoint* sees organizations as a system, either open or closed, with inputs, outputs, transformation processes, and feedback. The systems viewpoint has led to the development of complexity theory, the study of how order and pattern arise from very complicated, apparently chaotic systems. The *contingency viewpoint* emphasizes that a manager's approach should vary according to the individual and environmental situation. The *quality-management viewpoint* has two traditional approaches: *quality control,* the strategy for minimizing errors by managing each stage of production, and *quality assurance,* which focuses on the performance of workers, urging employees to strive for zero defects. A third quality approach is the movement of *total quality management (TQM),* a comprehensive approach dedicated to continuous quality improvement, training, and customer satisfaction.

Being of a presumably practical turn of mind, could you run an organization or a department according to the theories you've just learned? Probably not. The reason: People are complicated. To be an exceptional manager, you need to learn to deal with individual differences in a variety of settings.

Thus, to the historical perspective on management (classical, behavioral, and quantitative viewpoints), let us now add the *contemporary perspective,* which consists of three viewpoints. *(See Figure 2.2.)* These consist of:

- Systems
- Contingency
- Quality-management

In this section, we discuss the systems viewpoint.

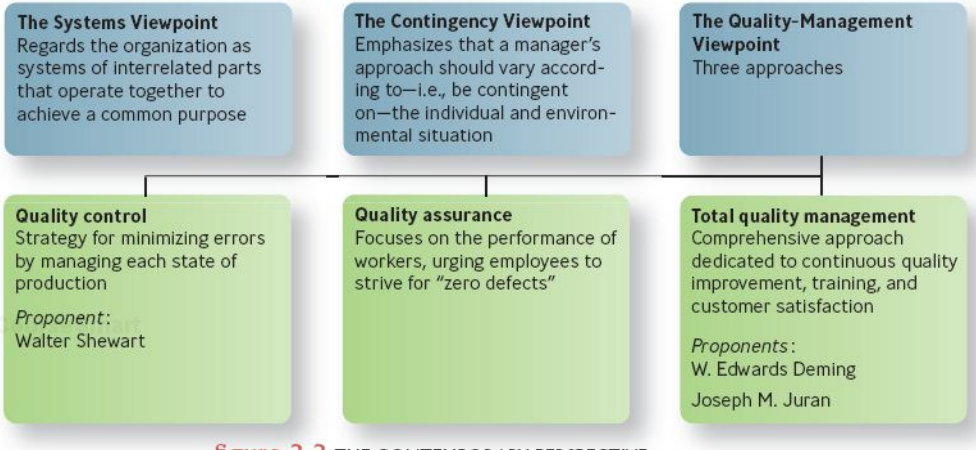


figure 2.2 THE CONTEMPORARY PERSPECTIVE
Three viewpoints.

The Systems Viewpoint

The 52 bones in the foot. The monarchy of Great Britain. A weather storm front. Each of these is a system. **A *system* is a set of interrelated parts that operate together to achieve a common purpose.** Even though a system may not work very well—as in the inefficient way the Russian government collects taxes, for example—it is nevertheless still a system.

The *systems viewpoint* regards the organization as a system of interrelated parts. By adopting this point of view, you can look at your organization both as (1) a collection of ***subsystems*—parts making up the whole system**—and (2) a part of the larger environment. A college, for example, is made up of a collection of academic departments, support staffs, students, and the like. But it also exists as a system within the environment of education, having to be responsive to parents, alumni, legislators, nearby townspeople, and so on.

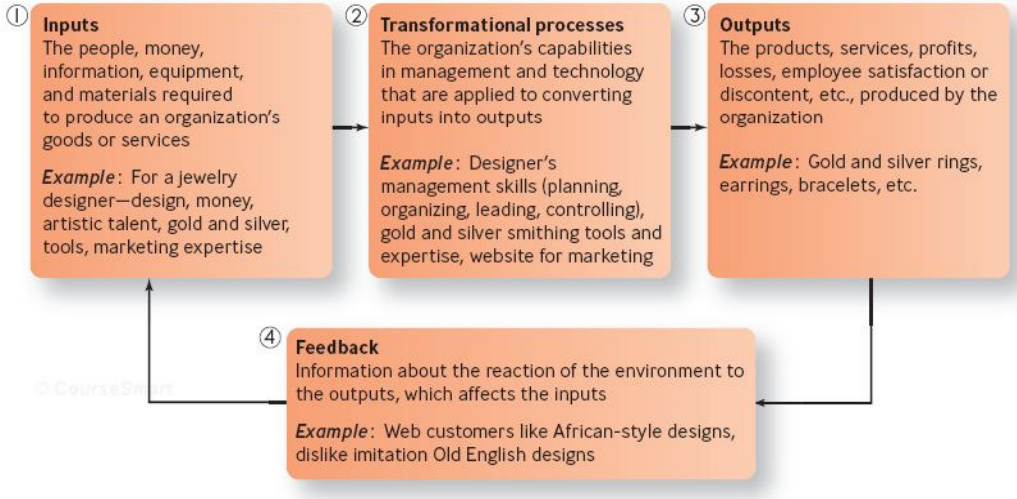
The Four Parts of a System

The vocabulary of the systems perspective is useful because it gives you a way of understanding many different kinds of organizations. The four parts of a system are defined as follows:

1. ***Inputs* are the people, money, information, equipment, and materials required to produce an organization's goods or services.** Whatever goes into a system is an input.
2. ***Transformation processes* are the organization's capabilities in management, internal processes, and technology that are applied to converting inputs into outputs.** The main activity of the organization is to transform inputs into outputs.
3. ***Outputs* are the products, services, profits, losses, employee satisfaction or discontent, and the like that are produced by the organization.** Whatever comes out of the system is an output.
4. ***Feedback* is information about the reaction of the environment to the outputs that affects the inputs.** Are the customers buying or not buying the product? That information is feedback.

The four parts of a system are illustrated below. *(See Figure 2.3.)*

figure 2.3
THE FOUR PARTS OF A SYSTEM



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Open & Closed Systems Nearly all organizations are, at least to some degree, open systems rather than closed systems. **An *open system* continually interacts with its environment. A *closed system* has little interaction with its environment;** that is, it receives very little feedback from the outside. The classical management viewpoint often considered an organization a closed system. So does the management science perspective, which simplifies organizations for purposes of analysis. However, any organization that ignores feedback from the environment opens itself up to possibly spectacular failures.

Complexity Theory: The Ultimate Open System The systems viewpoint has led to the development of ***complexity theory***, the **study of how order and pattern arise from very complicated, apparently chaotic systems.** Complexity theory recognizes that all complex systems are networks of many interdependent parts that interact with each other according to certain simple rules. Used in strategic management and organizational studies, the discipline seeks to understand how organizations, considered as relatively simple and partly connected structures, adapt to their environments.

Why the Systems Viewpoint—Particularly the Concept of Open Systems—Is Important: History is full of accounts of products that failed (such as the 1959 Ford Edsel) because they were developed in closed systems and didn't have sufficient feedback. Open systems stress multiple feedback from both inside and outside the organization, resulting in a continuous learning process to try to correct old mistakes and avoid new ones.

EXAMPLE

Closed Versus Open Systems: When Netflix Didn't Listen

Netflix was created in in 1997 in Scotts Valley, California, after one of its founders, Reed Hastings, incurred a six-weeks-late fee of $40 on a videotape of *Apollo 13* that he had rented from a video store. His "better idea" startup was launched with the idea of consumers paying a monthly subscription rate, which entitled them to order DVDs via a website and receive and return them by mail; there were no late fees. Later, Netflix coupled DVDs by mail with unlimited Internet video streaming for $10 per month.

By 2005, the firm's stock was trading in the $11 range. Six years later, having weathered challenges from Blockbuster Video, which went bankrupt, Netflix had 25 million customers, and its stock was up to $304.

Closed System: The Company That Didn't Listen. In July 2011, with no consumer feedback, Netflix announced price increases of as much as 60%, a move intended to force subscribers to drop the DVDs by mail in favor of an $8-per-month streaming plan. Customers responded with outrage, canceling their subscriptions in greater numbers than expected, about a million in total, causing the stock to drop 19%.[29] Then Netflix made them even angrier by announcing it was splitting the company into two distinct units—an online streaming video service to keep the name Netflix and a new DVD-by-mail rental service to be called Qwikster.[30] Netflix lost 2.76 million DVD customers in the last 3 months of 2011, its market value plunged by 75%, and it abandoned its plans to have DVDs sent by Qwikster.[31]

Open System: The Company That Listened. Still, Netflix was doing something right. All along, it had watched the numbers increase on new streaming subscribers—including a larger than expected 220,000 subscribers in the United States. Worldwide, subscribers also were up, to 26.3 million in early 2012—and Netflix DVD-by-mail rentals, which were offered only in the United States, increased only slightly. "The global opportunity for streaming TV shows and movies becomes more compelling every year with the rise of smart TVs and faster broadband," the company said in a letter to shareholders.[32]

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"Sometimes you have to destroy your business in order to save it," says financial writer James Surowiecki."[33] Do you agree? Do you think Netflix was actually looking at the right set of data all along in making its decisions—that is, operating as an open system? What should it have done to head off the public relations disaster it experienced?

2.6 CONTINGENCY VIEWPOINT

In the end, is there one best way to manage in all situations? major question

THE BIG PICTURE

The second viewpoint in the contemporary perspective, the contingency viewpoint, emphasizes that a manager's approach should vary according to the individual and environmental situation.

The classical viewpoints advanced by Taylor and Fayol assumed that their approaches had universal applications—that they were "the one best way" to manage organizations. The contingency viewpoint began to develop when managers discovered that under some circumstances better results could be achieved by breaking the one-best-way rule. **The *contingency viewpoint* emphasizes that a manager's approach should vary according to—that is, be contingent on—the individual and the environmental situation.**

A manager subscribing to the Gilbreth approach might try to get workers to be more productive by simplifying the steps. A manager of the Theory X/Theory Y persuasion might try to use motivational techniques. But the manager following the contingency viewpoint would simply ask, "What method is the best to use under these particular circumstances?"

EXAMPLE

The Contingency Viewpoint: What Incentives Work in Lean Times?

Americans of all ages and incomes have grown increasingly unhappy at work, with only 52% of 1,546 adults saying in one recent survey that they felt valued on the job and a third saying they intended to seek work elsewhere within the year.[34] Among the reasons: pay cuts, uninteresting jobs, heavy workloads, and high health insurance costs.[35] So how, in hard economic times, is a manager to motivate nonovertime-earning workers (those remaining after layoffs) to get them to produce more when raises, bonuses, and benefits are frozen?

Quirky Perks. "Pet insurance, at-your-desk meditation services, jewelry discounts, and funeral planning," says one article, "from the quirky to the somber, workplaces are providing a range of unique benefits."[36] Other options: drop-off laundry services, cellphone plan discounts, at-work massages, free theme park tickets, even adoption assistance.

Small Rewards. At Iowa-based aerospace electronics firm Rockwell Collins, manager Jenny Miller persuaded 20 overworked engineers to come in Thanksgiving weekend to meet a deadline to deliver software to a customer. Her lures? Free lunch and $100 gift cards.

At Ford Motor Co., managers use thank-you notes as rewards. At Ohio drug maker Sanofi-Aventis, one manager "e-mails employees to recognize even small accomplishments, and strategically copies higher-ups," says one account.[37]

Another way to increase productivity: screen employees' tasks to remove "discretionary work"—such as internal reports that can be reduced or delayed—in favor of higher priority work. The mix of approaches represents the contingency viewpoint.

YOUR CALL

What other inexpensive ways of improving productivity can you think of? What theories do the approaches just described seem to represent?



Contingency approach. Giving employees more money is not the only way to motivate them to be more productive. Sometimes small rewards, such as a free lunch, are equally effective. Would it make a difference to you if your boss showed appreciation of your efforts even in small ways—as by sending you a thank-you note?

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Gary Hamel: Management Ideas Are Not Fixed, They're a Process

Discussion of the contingency viewpoint leads us naturally to the thoughts of **Gary Hamel,** cofounder of the Management Innovation Lab and ranked by *The Wall Street Journal* in 2008 as the most influential business thinker.[38] "Over time," he says, "every great invention, management included, travels a road that leads from birth to maturity, and occasionally to senescence."[39] Hamel holds that much of management theory is dated and doesn't fit the current realities of organizational life and that management innovation is essential to future organizational success. Indeed, he suggests, what we need to do is look at management as a *process,* and then make improvements and innovation ongoing and systematic. After all, if managers now innovate by creating new products or new business strategies, why can't they be equally innovative in how they manage their companies?

How do forward-looking managers get the ball rolling in management innovation, particularly in a traditional, conventional company? Hamel believes that the answer can be found by identifying core beliefs that people have about the organization, especially those that detract from the pursuit of management innovation. He suggests that these beliefs can be rooted out by repeatedly asking the right questions—namely, the following:

1. Is this a belief worth challenging? Is it debilitating? Does it get in the way of an important organizational attribute that we'd like to strengthen?
2. Is this belief universally valid? Are there counterexamples? If so, what do we learn from those cases?
3. How does this belief serve the interests of its adherents? Are there people who draw reassurance or comfort from this belief?
4. Have our choices and assumptions conspired to make this belief self-fulfilling? Is this belief true simply because we have made it true—and, if so, can we imagine alternatives?[40]

Why the Contingency Viewpoint Is Important: The contingency viewpoint would seem to be the most practical of the viewpoints discussed so far because it addresses problems on a case-by-case basis and varies the solution accordingly. ●

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PRACTICAL ACTION

Mindfulness over Mindlessness: Learning to Take a Contingency Point of View

"Be flexible." Isn't that what we're told?

Throughout your career, you will have to constantly make choices about how to solve various problems—which tools to apply, including the theories described in this chapter. However, one barrier to being flexible is *mindlessness*. Instead we need to adopt the frame of mind that Harvard psychology professor Ellen Langer has called *mindfulness*, a form of active engagement.[41]

We've all experienced mindlessness. We misplace our keys. We write checks in January with the previous year's date. Mindlessness is characterized by the three following attributes.

Mindlessness #1: Entrapment in Old Categories An avid tennis player, Langer says that at a tennis camp she, like all other students, was taught *exactly* how to hold her racquet and toss the ball when making a serve. But later, when watching a top tennis championship, she observed that none of the top players served the way she was taught and all served slightly differently.[42]

The significance: There is no one right way of doing things. In a conditional, or mindful, way of teaching, an instructor doesn't say, "This is THE answer," but rather, "This is ONE answer." Thus, all information—even in the hard sciences and mathematics, where it may seem as though there is just one correct answer—should be regarded with open-mindedness, because there may be exceptions. That is, you should act as though the information is true only for certain uses or under certain circumstances.

Mindlessness #2: Automatic Behavior Langer tells of the time she used a new credit card in a department store. Noticing that Langer hadn't signed the card yet, the cashier returned it to her to sign the back. After passing the credit card through the imprinting machine, the clerk handed her the credit card receipt to sign, which Langer did. Then, says Langer, the cashier "held the form next to the newly signed card to see if the signatures matched."[43]

In automatic behavior, we take in and use limited signals from the world around us without letting other signals penetrate as well. By contrast, mindfulness is being open to new information—including that not specifically assigned to you. Mindfulness requires you to engage more fully in whatever it is you're doing.

Mindlessness #3: Acting from a Single Perspective Most people, says Langer, typically assume that other peoples' motives and intentions are the same as theirs. For example, she says, "If I am out running and see someone walking briskly, I assume she is trying to exercise and would run if only she could," when actually she may be intending to get her exercise from walking.

For most situations, many interpretations are possible. "Every idea, person, or object is potentially simultaneously many things depending on the perspective from which it is viewed," says Langer.[44] Trying out different perspectives gives you *more choices in how to respond;* a single perspective that produces an automatic reaction reduces your options.

YOUR CALL

Developing mindfulness means consciously adapting: Being open to novelty. Being alert to distinctions. Being sensitive to different contexts. Being aware of multiple perspectives. Being oriented in the present. Picking just one of these characteristics, what would you do to try to become better at it?

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2.7 QUALITY-MANAGEMENT VIEWPOINT

major question

Can the quality-management viewpoint offer guidelines for true managerial success?

THE BIG PICTURE

The quality-management viewpoint, the third category under contemporary perspectives, consists of *quality control, quality assurance,* and especially the movement of *total quality management (TQM),* dedicated to continuous quality improvement, training, and customer satisfaction.

At one time in the 20th century, word got around among buyers of American cars that one shouldn't buy a "Monday car" or a "Friday car"—cars built on the days when absenteeism and hangovers were highest among dissatisfied autoworkers. The reason, supposedly, was that, despite the efforts of quantitative management, the cars produced on those days were the most shoddily made of what were coming to look like generally shoddy products.

The energy crisis of the 1970s showed different possibilities, as Americans began to buy more fuel-efficient cars made in Japan. Consumers found they could not only drive farther on a gallon of gas but that the cars were better made and needed repair less often. Eventually American car manufacturers began to adopt Japanese methods, leading to such slogans as "At Ford, Quality Is Job One." Today the average American car lasts much longer than it used to, and some U.S. cars are equal or superior to the best foreign competitors—for example, the 2011 Cadillac CTS-V Coupe beat the 2011 BMW M3 Coupe, according to one automotive review.[45]

Although not a "theory" as such, the ***quality-management viewpoint,*** **which includes quality control, quality assurance, and total quality management,** deserves to be considered because of the impact of this kind of thinking on contemporary management perspectives.

Quality Control & Quality Assurance

Quality **refers to the total ability of a product or service to meet customer needs.** Quality is seen as one of the most important ways of adding value to products and services, thereby distinguishing them from those of competitors. Two traditional strategies for ensuring quality are *quality control* and *quality assurance*.

Quality Control ***Quality control*** **is defined as the strategy for minimizing errors by managing each stage of production.** Quality control techniques were developed in the 1930s at Bell Telephone Labs by **Walter Shewart,** who used statistical sampling to locate errors by testing just some (rather than all) of the items in a particular production run.

Quality Assurance Developed in the 1960s, ***quality assurance*** **focuses on the performance of workers, urging employees to strive for "zero defects."** Quality assurance has been less successful because often employees have no control over the design of the work process.

Total Quality Management: Creating an Organization Dedicated to Continuous Improvement

In the years after World War II, the imprint "Made in Japan" on a product almost guaranteed that it was cheap and flimsy. That began to change with the arrival in Japan of two Americans, **W. Edwards Deming** and **Joseph M. Juran.**

W. Edwards Deming Desperate to rebuild its war-devastated economy, Japan eagerly received mathematician W. Edwards Deming's lectures on "good management." Deming believed that quality stemmed from "constancy of purpose"—steady focus on an organization's mission—along with statistical measurement and reduction of variations in production processes. He also thought that managers should stress teamwork, be helpful rather than simply give orders, and make employees feel comfortable about asking questions.

In addition, Deming proposed his so-called 85–15 rule—namely, when things go wrong, there is an 85% chance that the system is at fault, only a 15% chance that the individual worker is at fault. (The "system" would include not only machinery and equipment but also management and rules.) Most of the time, he thought, managers erroneously blamed individuals rather than the system.



TQM pioneer. W. Edwards Deming in 1961.

Joseph M. Juran Another pioneer with Deming in Japan's quality revolution was Joseph M. Juran, who defined quality as "fitness for use." By this he meant that a product or service should satisfy a customer's real needs. Thus, the best way to focus a company's efforts, Juran suggested, was to concentrate on the real needs of customers.

TQM: What It Is From the work of Deming and Juran has come the strategic commitment to quality known as total quality management. ***Total quality management (TQM)*** **is a comprehensive approach—led by top management and supported throughout the organization—dedicated to continuous quality improvement, training, and customer satisfaction.**

The four components of TQM are as follows:

1. **Make continuous improvement a priority.** TQM companies are never satisfied. They make small, incremental improvements an everyday priority in all areas of the organization. By improving everything a little bit of the time all the time, the company can achieve long-term quality, efficiency, and customer satisfaction.
2. **Get every employee involved.** To build teamwork, trust, and mutual respect, TQM companies see that every employee is involved in the continuous improvement process. This requires that workers must be trained and empowered to find and solve problems.
3. **Listen to and learn from customers and employees.** TQM companies pay attention to their customers, the people who use their products or services. In addition, employees within the companies listen and learn from other employees, those outside their own work areas.
4. **Use accurate standards to identify and eliminate problems.** TQM organizations are always alert to how competitors do things better, then try to improve on them—a process known as *benchmarking*. Using these standards, they apply statistical measurements to their own processes to identify problems.

Why Total Quality Management Is Important: The total quality management viewpoint emphasizes infusing concepts of quality throughout the total organization in a way that will deliver quality products and services to customers. The adoption of TQM helped American companies deal with global competition.

We return to TQM, along with such concepts as benchmarking, reduced cycle time, ISO 9000, and Six Sigma, in Chapter 16. ●

2.8 THE LEARNING ORGANIZATION IN AN ERA OF ACCELERATED CHANGE

major question? Organizations must learn or perish. How do I build a learning organization?

THE BIG PICTURE

Learning organizations actively create, acquire, and transfer knowledge within themselves and are able to modify their behavior to reflect new knowledge. There are three ways you as a manager can help build a learning organization.

Ultimately, the lesson we need to take from the theories, perspectives, and viewpoints we have described is this: We need to keep on learning. Organizations are the same way: Like people, they must continually learn new things or face obsolescence. A key challenge for managers, therefore, is to establish a culture that will enhance their employees' ability to learn—to build so-called learning organizations.

Learning organizations, says Massachusetts Institute of Technology professor **Peter Senge,** who coined the term, are places "where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together."[46]

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The Learning Organization: Handling Knowledge & Modifying Behavior

More formally, a ***learning organization*** **is an organization that actively creates, acquires, and transfers knowledge within itself and is able to modify its behavior to reflect new knowledge.**[47] Note the three parts:

1. **Creating and acquiring knowledge.** In learning organizations, managers try to actively infuse their organizations with new ideas and information, which are the prerequisites for learning. They acquire such knowledge by constantly scanning their external environments, by not being afraid to hire new talent and expertise when needed, and by devoting significant resources to training and developing their employees.
2. **Transferring knowledge.** Managers actively work at transferring knowledge throughout the organization, reducing barriers to sharing information and ideas among employees. Electronic Data Systems (EDS), for instance, practically invented the information-technology services industry, but by 1996 it was slipping behind competitors—missing the onset of the Internet wave, for



The learning organization. In rigid organizations, employees often keep information to themselves. In learning organizations, workers are encouraged to share information with each other—both inside and outside their department.

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