

# Chapter 2

## Management Theory: Essential Background for the Successful Manager

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## MAJOR QUESTIONS THE STUDENT 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 and Administrative Management**

**MAJOR QUESTION:** If the name of the game is to manage work more efficiently, what can the classical viewpoints teach me?

### **2.3 Behavioral Viewpoint: Behaviorism, Human Relations, and Behavioral Science**

**MAJOR QUESTION:** To understand how people are motivated to achieve, what can I learn from the behavioral viewpoint?

### **2.4 Quantitative Viewpoint: Management Science and Operations Research**

**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 viewpoints offer guidelines for true managerial success?

### **2.8 The Learning Organization in an Era of Accelerated Change**

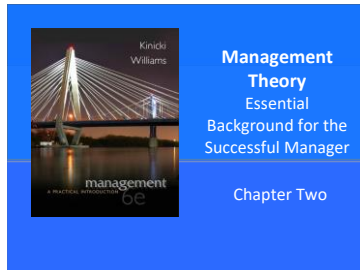
**MAJOR QUESTION:** Organizations must learn or perish. How do I build a learning organization?

## OVERVIEW OF THE CHAPTER

This chapter gives 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, the chapter considers the concept of learning organizations.

## LECTURE OUTLINE

### POWERPOINT SLIDE 1



### POWERPOINT SLIDE 2

Major Questions You Should Be Able to Answer

- 2.1 What's the payoff in studying different management perspectives, both yesterday's and today's?
- 2.2 If the name of the game is to manage work more efficiently, what can the classical viewpoint teach me?
- 2.3 To understand how people are motivated to achieve, what can I learn from the behavioral viewpoint?
- 2.4 If the manager's job is to solve problems, how might the two quantitative approaches help?

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### POWERPOINT SLIDE 3

Major Questions You Should Be Able to Answer

- 2.5 How can the exceptional manager be helped by the systems viewpoint?
- 2.6 In the end, is there one best way to manage in all situations?
- 2.7 Can the quality-management viewpoint offer guidelines for true managerial success?
- 2.8 How do I build a learning organization?

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## **THE MANAGER'S TOOLBOX (on page 39 of the text)**

### **Evidence-Based Management: An Attitude of Wisdom**

Evidence-based management involves approaching management in a deliberate, rational and scientific way. It is based on scientific management, which involves four steps: 1) Observe and gather facts; 2) Post a possible solution or explanation based on those facts; 3) Make a predication of future events; 4) Test the prediction under systematic conditions. Evidence-based management derives from evidence-based medicine, and is a mind-set that is willing to set aside belief and conventional wisdom to act on the facts. It also involves a continuous gathering of information and new evidence to update practices. Evidence-based management is based on three truths: 1) There are few really new ideas; 2) Truth is better than new; 3) Doing well usually dominates.

**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?

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**MAJOR QUESTION:** If the name of the game is to manage work more efficiently, what can the classical viewpoints teach me?

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## 2.1 Evolving Viewpoints: How We Got to Today's Management Outlook

- A. Managers will benefit from learning management theory, including historical and contemporary theories.
- B. Peter Drucker was the creator and inventor of modern management.
  - 1. Published *the Practice of Management* in 1954, proposing management should be a profession.
  - 2. Introduced several ideas that underlie the practice of management
    - a. Workers should be treated as assets.
    - b. The corporation is a human community.
    - c. There is “no business without a customer.
    - d. Institutionalized management practices were preferable to charismatic, cult leaders.
- C. ***Evidence-Based Management***
  - 1. Means translating principles based on best evidence into organizational practice, bringing rationality to the decision making process.
  - 2. Two principal proponents, Jeffrey Pfeffer and Robert Sutton wrote “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.”

### POWERPOINT SLIDE 4

How We Got to Today's Management Outlook

- ✦ Evidence-based management
  - ↳ translating principles based on best evidence into organizational practice, bringing rationality to the decision making process
  - ↳ Pfeffer and Sutton

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## D. Two Overarching Perspectives about Management

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

### POWERPOINT SLIDE 5

Two Overarching Perspectives about Management

- ★ **Historical perspective**  
↳ classical, behavioral, and quantitative
- ★ **Contemporary perspective**  
↳ systems, contingency, and quality-management



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## E. Five Practical Reasons for Studying This Chapter

1. Theoretical perspectives can
  - a. help understanding the present.
  - b. guide your actions.
  - c. provide a source of new ideas to use in new situations.
  - d. provide clues to your managers' decisions.
  - e. provide clues to meaning of events outside the organization that could affect it or you.

### POWERPOINT SLIDE 6

Five Practical Reasons for Studying This Chapter

- Understanding of the present
- Guide to action
- Source of new ideas
- Clues to meaning of your managers' decisions
- Clues to meaning of outside events

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### TEXT REFERENCE EXAMPLE: Was Cisco's Experiment of 48 Decentralized "Management Councils" the Best Way to Organize a Company?

In 2005, foregoing the traditional corporate hierarchy, Cisco Systems established an unusual system of 48 interlocking management "councils" to speed up decision-making and make it more collaborative. However, in 2011, they abandoned the council-based structure, saying that it actually slowed down decision-making. Now Cisco has just 3 management councils. **Your Call:** If the system of 48 management councils added bureaucracy and diluted managerial authority and accountability, what type of organization structure would help Cisco act quicker and more flexibly? Do you think studying management theory could help you answer this question? (Box in text on p. 41)

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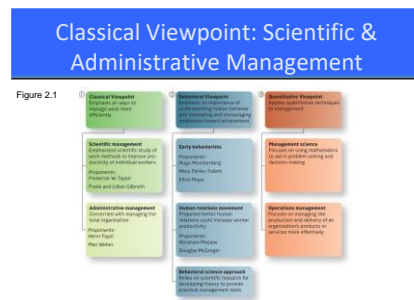
**MAJOR QUESTION:** If the name of the game is to manage work more efficiently, what can the classical viewpoint teach me?

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## 2.2 Classical Viewpoint: Scientific and Administrative Management

- A. An early classical pioneer, Frank Gilbreth, coined the term "therblig", physical motions you perform from time to time.
1. By identifying the therbligs in a job, Frank and Lillian Gilbreth were able to eliminate motions while reducing fatigue.
  2. There are three historical management viewpoints or approaches: the classical viewpoint, the behavioral viewpoint, and the quantitative viewpoint.
  3. The **classical viewpoint**, which emphasized finding ways to manage work more efficiently, had two branches—scientific and administrative.

### POWERPOINT SLIDE 7 – Figure 2.1 of text






**POWERPOINT SLIDE 8 (Correct answer is A)**

Question?

Which viewpoint emphasized the scientific study of work methods to improve the productivity of individual workers?

- A. Scientific management
- B. Administrative management
- C. Behavioral science
- D. TQM



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**B. Scientific Management: Pioneered by Taylor and the Gilbreths**

1. **Scientific management** emphasized the scientific study of work methods in order to improve the productivity of individual workers.

**POWERPOINT SLIDE 9**

Scientific Management: Pioneered by Taylor & the Gilbreths

✦ Scientific management

- ↳ emphasized the scientific study of work methods to improve the productivity of individual workers
- ↳ Frederick W. Taylor, Frank and Lillian Gilbreth

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2. Frederick Taylor and the four principles of scientific management.
  - a. Taylor believed that managers could eliminate soldiering, deliberately working at less than full capacity, by applying four principles of science.
    - (1) Evaluate a task by scientifically studying each part of the task.
    - (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.

## POWERPOINT SLIDE 10

### Scientific Management: Pioneered by Taylor & the Gilbreths

#### Principles of Scientific Management

1. Scientifically study each part of the task
2. Carefully select workers with the right abilities
3. Give workers the training and incentives to do the task
4. Use scientific principles to plan the work methods

2-10

- b. Taylor used motion studies, in which he broke down each worker's job into basic physical units, and then trained workers to use the best possible methods.
  - c. He suggested using a differential rate system in which more efficient workers earned higher wages.
  - d. Taylor believed that, if used correctly, the principles of scientific management could enhance productivity.
3. Frank and Lillian Gilbreth were a husband-and-wife team of industrial engineers.
    - a. The Gilbreths expanded on Taylor's motion studies, using movie cameras to film workers at work.
- C. Administrative Management: Pioneered by Fayol & Weber
1. **Administrative management** is concerned with managing the total organization rather than individual workers.
  2. Henry Fayol was the first to systemize the study of management behavior.
    - a. Fayol was the first to identify the major functions of management – planning, organizing, leading and controlling.

## POWERPOINT SLIDE 11

### Administrative Management: Pioneered by Fayol & Weber

#### Administrative management

- ↳ concerned with managing the total organization

#### Henri Fayol

- ↳ French engineer and industrialist
- ↳ first to identify the major functions of management

2-11

3. German sociologist Max Weber described a bureaucracy as a rational, efficient, ideal organization based on principles of logic.

## POWERPOINT SLIDE 12

### Administrative Management: Pioneered by Fayol & Weber

- ★ Max Weber believed that a **bureaucracy** was a rational, efficient, ideal organization based on the **principles of logic**

2-12

- Weber's work occurred in late 19<sup>th</sup> century Germany when many people were in positions of authority because of their social status.
- A better-performing organization should have five positive bureaucratic features:
  - (1) A well-defined hierarchy of authority
  - (2) Formal rules and procedures
  - (3) A clear division of labor
  - (4) Impersonality
  - (5) Careers based on merit

## POWERPOINT SLIDE 13

### Five Positive Bureaucratic Features

1. A well-defined hierarchy of authority
2. Formal rules and procedures
3. A clear division of labor
4. Impersonality
5. Careers based on merit



2-13

### D. The Problem with the Classical Viewpoint: Too Mechanistic

1. The essence of the classical viewpoint was that work activity could be approached rationally.
2. The flaw with this viewpoint is that it is mechanistic: it tends to view humans as cogs within a machine.
3. Human needs are not given importance.

#### POWERPOINT SLIDE 14

**The Problem with the Classical Viewpoint**

- ✦ Mechanistic
- ✦ Tends to view humans as cogs within a machine, not taking into account the importance of human needs

2-14

#### POWERPOINT SLIDE 15

**Why the Classical Viewpoint is Important?**

- ✦ **Work activity** was amenable to a rational approach
- ✦ Through the application of **scientific methods, time and motion** studies, and job specialization it was possible to boost **productivity**

2-15

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### CRITICAL THINKING EXERCISE: Two Companies, Two Approaches to Management

See exercise on p. 36 of this manual.

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#### **SUPPLEMENTAL REFERENCE**

#### **“TEST YOUR KNOWLEDGE” EXERCISE: Management’s Historical Figures**

(This exercise is included in the Asset Gallery.)

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**MAJOR QUESTION:** To understand how people are motivated to achieve, what can I learn from the behavioral viewpoint?


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**POWERPOINT SLIDE 16 (Correct answer is C)**

Question?

Which viewpoint emphasized the importance of understanding human behavior and of motivating employees toward achievement?

- A. Scientific management
- B. Administrative management
- C. Behavioral
- D. TQM



2-16

## 2.3 Behavioral Viewpoint: Behaviorism, Human Relations, and Behavioral Science

- A. The **behavioral viewpoint** emphasized the importance of understanding human behavior and of motivating employees toward achievement.

**POWERPOINT SLIDE 17**

Behavioral Viewpoint: Behaviorism, Human Relations, & Behavioral Science

→ Behavioral viewpoint

- ↳ emphasized the importance of understanding human behavior and of motivating employees toward achievement

2-17

- B. The behavioral viewpoint developed over three phases: early behaviorism, the human relations movement, and behavioral science.

## POWERPOINT SLIDE 18

### Behavioral Viewpoint: Behaviorism, Human Relations, & Behavioral Science

The **behavioral viewpoint** developed over three phases:

1. Early behaviorism
2. The human relations movement
3. Behavioral science.

2-13

## B. Early Behaviorism: Pioneered by Munsterberg, Follett & Mayo

1. Hugo Munsterberg and the first application of psychology to industry
  - a. Called “the father of industrial psychology,” Munsterberg suggested that psychologists could contribute to industry in three ways:
    - (1) Study jobs and determine which people are best suited to specific jobs.
    - (2) Identify the psychological conditions under which employees will do their best work.
    - (3) Devise management strategies that would influence employees to follow management’s interests.
  - b. His ideas led to the field of industrial psychology, the study of human behavior in work places.

## POWERPOINT SLIDE 19

### Early Behaviorism: Pioneered by Munsterberg, Follett, & Mayo

#### → Hugo Munsterberg

↳ father of industrial psychology

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

2-13

2. Mary Parker Follett was a Massachusetts social worker and social philosopher who believed in power sharing among employees and managers
  - a. Instead of following the usual hierarchical arrangement, Follett thought organizations should become more democratic.
    - (1) Organizations should be operated as “communities.”
    - (2) Conflicts should be resolved by having managers and workers talk over differences and find solutions, a process she called integration.

- (3) The work process should be under the control of workers with the relevant knowledge.

#### POWERPOINT SLIDE 20

Early Behaviorism: Pioneered by  
Munsterberg, Follett, & Mayo

★ **Mary Parker Follett**  
↳ social worker and social philosopher

1. Organizations should be operated as “communities”
2. Conflicts should be resolved by having managers and workers talk over differences and find solutions that would satisfy both parties
3. The work process should be under control of workers with relevant knowledge

2-20

#### 3. Elton Mayo and the supposed “Hawthorne effect”

- a. Conducted by Elton Mayo at Western Electric’s Hawthorne plant, the Hawthorne studies began with an investigation into whether workplace lighting level affected worker productivity.
- b. Mayo found that worker performance varied but tended to increase over time.
- c. Mayo hypothesized the Hawthorne effect—employees worked harder if they received added attention.
- d. Although the design of the studies has been criticized, they drew attention to the importance of “social man.”
- e. This led to the human relations movement in the 1950s and 1960s.

#### POWERPOINT SLIDE 21

Early Behaviorism: Pioneered by  
Munsterberg, Follett, & Mayo

★ **Hawthorne effect**  
↳ employees worked harder if they received added attention, thought that managers cared about their welfare and that supervisors paid special attention to them  
↳ Elton Mayo

2-21

C. The Human Relations Movement: Pioneered by Maslow and McGregor

1. The **human relations movement** proposed that better human relations could increase worker productivity.

POWERPOINT SLIDE 22

The Human Relations Movement:  
Pioneered by Maslow & McGregor

✦ Human relations movement

- ↳ proposed that better human relations could increase worker productivity
- ↳ Abraham Maslow and Douglas McGregor

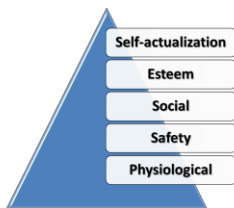


2-22

2. Abraham Maslow and the hierarchy of needs
  - a. Abraham Maslow believed that some human needs must be satisfied before others.
  - b. In 1943 Maslow proposed his hierarchy of human needs: physiological, safety, social, esteem, and self-actualization.

POWERPOINT SLIDE 23

Maslow's Hierarchy of Needs



2-23

3. Douglas McGregor and Theory X versus Theory Y
  - a. Douglas McGregor realized that managers needed to be aware of their attitudes toward employees.
  - b. Theory X represents a pessimistic, negative view of workers – workers are considered to be irresponsible, hate work, and would rather be led than lead.
  - c. Theory Y represents an optimistic, positive view of workers.



## POWERPOINT SLIDE 24

Douglas McGregor –  
Theory X versus Theory Y

- ✦ **Theory X**
  - ↳ represents a pessimistic, negative view of workers
  - ↳ workers are irresponsible, resistant to change, lack ambition, hate work, and want to be led
- ✦ **Theory Y**
  - ↳ represents an optimistic, positive view of workers
  - ↳ Workers are considered capable of accepting responsibility, self-direction, self control and being creative

2-24

4. Theory X/Theory Y is important because it helps managers understand how their beliefs affect their behaviors.
5. Managers can be more effective when they consider how their behavior is shaped by their expectations about human behavior – the self-fulfilling prophecy.

## POWERPOINT SLIDE 25

Why Theory X/Theory Y Is Important

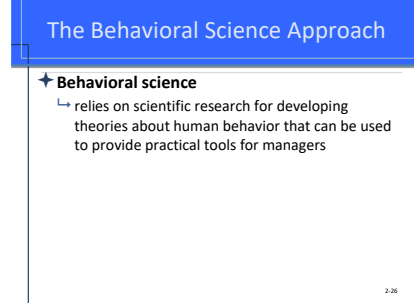
- ✦ Helps managers understand how their **beliefs** affect their behavior.
- ✦ Managers can be more effective by considering how their behavior is shaped by their **expectations** about human nature

2-25

### D. The Behavioral Science Approach.

1. The human relations movement came to be considered too simplistic for practical use.
2. **Behavioral science** relies on scientific research for developing theories about human behavior that can be used to provide practical tools for managers.

**POWERPOINT SLIDE 26**



The Behavioral Science Approach

- ✦ **Behavioral science**
  - ↳ relies on scientific research for developing theories about human behavior that can be used to provide practical tools for managers

2-26

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**TEXT REFERENCE 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.” But from an interpersonal standpoint, critics contend that competition has been overemphasized, primarily at the expense of cooperation.

**Your Call:** What kind of office layout do you think would encourage more cooperation – a system of private offices or an open-office configuration with desks scattered about in a small area with no partitions? (Box in text on p. 49.)

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**HOMEWORK ASSIGNMENT: Best Companies to Work For**  
See Internet exercise on p. 37 of this manual.

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**MAJOR QUESTION:** If the manager's job is to solve problems, how might the two quantitative approaches help?

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## 2.4 Quantitative Viewpoints: Management Science and Operations Research

### A. Historical Perspective


1. In World War II the Royal Air Force planners used mathematics and statistics to effectively allocate limited resources.
2. Americans used the British model to form operations research (OR) teams to determine how to deploy military equipment most effectively.
3. After the war, businesses also began using these techniques.
4. OR techniques have evolved into **quantitative management**, the application of management of quantitative techniques, such as statistics and computer simulations.
5. Two branches of quantitative management are management science and operations management.

### POWERPOINT SLIDE 27

Quantitative Viewpoints: Management Science & Operations Research

✦ **Quantitative management**

- ↳ application to management of quantitative techniques, such as statistics and computer simulations
- ↳ Management science, operations management



2-27

### POWERPOINT SLIDE 28

Question?

Which viewpoint stresses the use of rational, science-based techniques and mathematical models to improve decision making and strategic planning?

- A. Scientific management
- B. Operations management
- C. Production management
- D. Management science

2-28

B. Management Science: Using Mathematics to Solve Management Problems

1. **Management science** focuses on using mathematics to aid in problem solving, decision making, and strategic planning.
2. Sometimes management science is called operations research.

POWERPOINT SLIDE 29

Management Science: Using Mathematics to Solve Management Problems

Management science

- ↳ stresses the use of rational, science-based techniques and mathematical models to improve decision making and strategic planning

2-29

C. Operations Management: Being More Effective

1. The techniques of operations management are used when a warehouse store decides when to reorder supplies.
2. **Operations management** focuses on managing the production and delivery of an organization's products or services more effectively.

POWERPOINT SLIDE 30

Operations Management: Helping Organizations Deliver Products or Services More Effectively

Operations management

- ↳ focuses on managing the production and delivery of an organization's products or services more effectively
- ↳ work scheduling, production planning, facilities location and design

2-30

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**LECTURE ENHANCER 2.1 - CAREERS IN OPERATIONS RESEARCH**

What does a career in operations research look like? (See the complete lecture enhancer on p. 34 of this manual.)

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### TEXT REFERENCE EXAMPLE

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

In July 2008, New York City was the first in the U.S. to require restaurant chains to post lists of calorie counts for menu items as a way of fighting obesity and diabetes.

Researchers tracked customers and found that the mean calorie count did not go down. Do calories matter for customers? **Your Call:** If, as a restaurant manager, one of your goals is to discourage obesity, do you think the study is useful? (Box in text on p. 51.)

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### TEXT REFERENCE EXAMPLE

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

Over the years, Toyota Motor Corp. has developed a variety of production techniques that drew on operations research, and these lean management techniques helped them develop a reputation for superior quality. However, in 1995 the company launched an all-out effort to become the world's largest carmaker and changed its sourcing and design procedures. Beginning in 2004, disturbing reports began to surface which resulted in major recalls. Between 2009 and 2010, Toyota recalled 6.6 million cars and ultimately completely stopped new production of eight vehicle lines in North America.

**Your Call:** Which is lean management mostly about – efficiency or effectiveness? Can a worldwide carmaker like Toyota get back to its roots and reclaim bragging rights to "quality"?

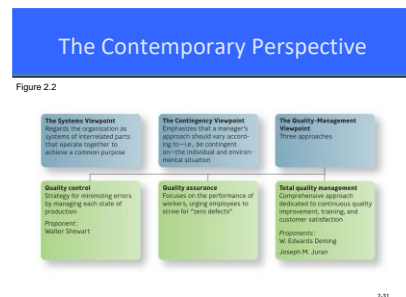
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**MAJOR QUESTION:** How can the exceptional manager be helped by the systems viewpoint?

## 2.5 Systems Viewpoint

- A. In addition to the historical perspective on management, there are three contemporary perspectives: systems, contingency, and quality management.

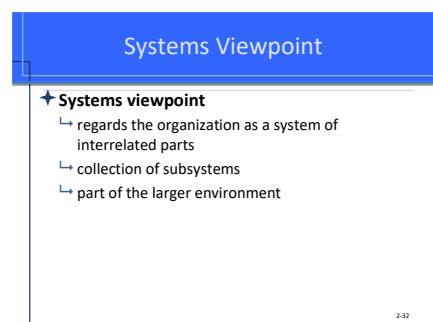
**POWERPOINT SLIDE 31 – Figure 2.2 of text**



### B. The Systems Viewpoint

1. A **system** is a set of interrelated parts that operate together to achieve a common purpose.
2. The **systems viewpoint** regards the organization as a system of interrelated parts.
3. The organization is both:
  - a. a collection of **subsystems**—parts making up the whole system
  - b. a part of the larger environment

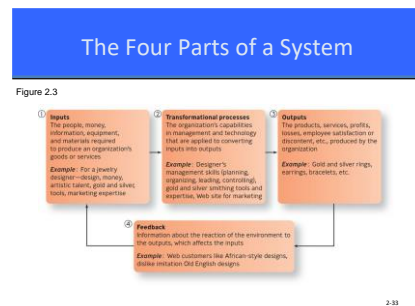
**POWERPOINT SLIDE 32**



### C. The Four Parts of a System

1. **Inputs** are the people, money, information, and materials required to produce an organization's goods or services.
2. **Outputs** are the products, services, profits, losses, employee satisfaction or discontent, and the like that are produced by the organization.
3. **Transformation processes** are the organization's capabilities in management and technology that are applied to converting inputs into outputs.
4. **Feedback** is information about the reaction of the environment to the outputs that affects the inputs.

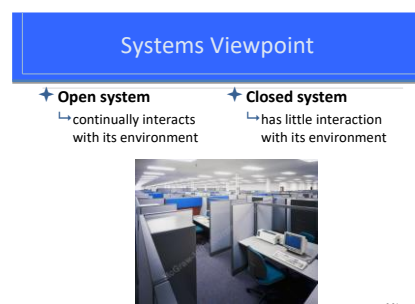
#### POWERPOINT SLIDE 33



### D. Open and Closed Systems

1. Nearly all systems are open systems rather than closed systems.
  - a. An **open system** continually interacts with its environment.
  - b. A **closed system** has little interaction with its environment; that is, it receives very little feedback from the outside.
2. Any organization that ignores feedback from the environment risks failure.

#### POWERPOINT SLIDE 34



E. Complexity Theory: The Ultimate Open System

1. 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.
2. It recognizes that complex systems are networks of interdependent parts that interact with one another according to simple rules.
3. The discipline is used in management to understand how organizations adapt to their environments.

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**TEXT REFERENCE EXAMPLE**

**Closed Versus Open Systems: When Netflix Didn't Listen**

Netflix announced price increases of almost 60% in July 2011 a move intended to force subscribers to drop DVDs by mail in favor of a streaming plan. It worked. The company lost millions of DVD customers as a result, but the numbers of streaming subscribers increased.

**Your Call:** Financial writer James Surowiecki says, "Sometimes you have to destroy your business in order to save it." 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? (Box in text on p. 54)

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**MAJOR QUESTION:** In the end, is there one best way to manage in all situations?

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## 2.6 Contingency Viewpoint

- A. The classical viewpoints assumed that their approaches were “the one best way” to manage organizations.
- B. The **contingency viewpoint** emphasizes that a manager’s approach should vary according to—that is, be contingent on—the individual and environmental situation.

### POWERPOINT SLIDE 35

Contingency Viewpoint

- ✦ **Contingency viewpoint**
  - ↳ emphasizes that a manager’s approach should vary according to the individual and the environmental situation
  - ↳ Most practical because it addresses problems on a case-by-case basis

2-35

- C. According to Gary Hamel of the Management Innovation Lab, management ideas are not fixed, they are a process.
- D. Hamel suggests that management should be innovative and this process begins by identifying core beliefs people have about the organization.
- E. Discovering these core beliefs can be achieved by asking the “right” questions:
  - 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, and 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 and 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?

### **TEXT REFERENCE EXAMPLE**

#### **Contingency Viewpoint: What Incentives Work in Lean Times?**

Companies are offering inexpensive or no cost items to encourage employees to work aggressively during hard economic times.

**Your Call:** What theories does the approach of offering these incentives seem to represent? (Box in text on p. 55.)

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### **TEXT REFERENCE – PRACTICAL ACTION BOX**

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

Harvard professor Ellen Langer describes barriers to flexibility as related to mindlessness. Mindlessness consists of (1) entrapment in old categories; (2) automatic behavior; and (3) acting from a single perspective. She advocates consciously adapting to achieve mindfulness. This means being open to novelty, being alert to distinctions, being sensitive to different contexts, being aware of multiple perspectives, and being oriented in the present.

**Your Call:** What can you do to become better at just one of the characteristics? (Box in text on p. 57.)

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**MAJOR QUESTION:** Can the quality-management viewpoints offer guidelines for true managerial success?

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## 2.7 Quality-Management Viewpoint

- A. The **quality-management viewpoint** includes quality control, quality assurance, and total quality management.
- B. Quality Control and Quality Assurance
  - 1. **Quality** refers to the total ability of a product or service to meet customer needs.
  - 2. **Quality control** is defined as the strategy for minimizing errors by managing each stage of production.
    - a. This uses statistical sampling to locate errors by testing just some of the items in a particular production run.
  - 3. **Quality assurance** focuses on the performance of workers, urging employees to strive for “zero defects.”
    - a. It has been less successful because employees often have no control over the design of the work process.

### POWERPOINT SLIDE 36

Quality Control & Quality Assurance

- ✦ **Quality**
  - ↳ total ability of a product or service to meet customer needs
- ✦ **Quality control**
  - ↳ the strategy for minimizing errors by managing each stage of production
- ✦ **Quality assurance**
  - ↳ focuses on the performance of workers, urging employees to strive for “zero defects”

2-36

- C. Total Quality Management: Creating an Organization Dedicated to Continuous Improvement
  - 1. The inferior quality of Japanese products began to improve with the arrival of two Americans.
  - 2. W. Edwards Deming believed that quality stemmed from “constancy of purpose” along with statistical measurement and reduction of variations in the production process.
    - a. He also emphasized the human side, saying that managers should stress teamwork.

- b. Deming proposed the “85-15 rule”—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.
3. Joseph M. Juran defined quality as “fitness for use” and suggested that companies concentrate on the real needs of customers.
4. **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.

#### POWERPOINT SLIDE 37

Quality-Management Viewpoint

- ✦ Total quality management (TQM)
  - ↳ comprehensive approach-led by top management and supported throughout the organization-dedicated to continuous quality improvement, training, and customer satisfaction
  - ↳ Deming, Juran

2-37

- a. TQM has four components:
  - (1) make continuous improvement a priority
  - (2) get every employee involved
  - (3) listen to and learn from customers and employees
  - (4) use accurate standards to identify and eliminate problems

#### POWERPOINT SLIDE 38

Total Quality Management

1. Make continuous improvement a priority
2. Get every employee involved
3. Listen to and learn from customers and employees
4. Use accurate standards to identify and eliminate problems

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## LECTURE ENHANCER 2.2

### THE ELEMENTS OF TOTQL QUALITY MANAGEMENT (TQM)

To be successful implementing TQM, an organization must concentrate on 8 key elements that can be visualized as the foundation, bricks, mortar and roof of a structure. (See the complete lecture enhancer on page 34 of this manual.)

**MAJOR QUESTION:** Organizations must learn or perish. How do I build a learning organization?

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## 2.8 The Learning Organization in an Era of Accelerated Change

- A. Organizations, like people, must continually learn new things or face obsolescence.
  - 1. Managers must try to establish a culture that enhances their employees' ability to learn.
  - 2. Professor Peter Senge coined the term "*learning organization*" to describe this culture.
- B. The Learning Organization: Handling Knowledge and Modifying Behavior
  - 1. 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.

### POWERPOINT SLIDE 39

The Learning Organization: Handling Knowledge & Modifying Behavior

→ Learning organization  
↳ organization that actively creates, acquires, and transfers knowledge within itself and is able to modify its behavior to reflect new knowledge

2-39

- 2. A learning organization has three parts:
  - a. Creating and acquiring knowledge
    - (1) Managers try to actively infuse their organizations with new ideas and information.
    - (2) Such knowledge comes from constantly scanning their external environments and employee training and development.
  - b. Transferring knowledge - Managers actively work at transferring knowledge throughout the organization, reducing barriers to sharing information and ideas.
  - c. Modifying behavior – Managers encourage employees to use the new knowledge to change their behavior and help achieve organizational goals

### C. How to Build a Learning Organization: Three Roles Managers Play

1. Build a commitment to learning—to lead the way by investing in learning, publicly promoting it, and creating rewards for it.
2. Work to generate ideas with impact—ideas that add value for customers, employees, and shareholders.
3. Work to generalize ideas with impact.
  - a. The manager can reduce the barriers to learning among employees and within the organization.
  - b. This involves creating a psychologically safe and comforting environment that increases the sharing of successes, failures, and best practices.

#### POWERPOINT SLIDE 40

##### How to Build a Learning Organization: Three Roles Managers Play

###### How to build a learning organization

1. Build a commitment to learning
2. Work to generate ideas with impact
3. Work to generalize ideas with impact

2-40

## KEY TERMS PRESENTED IN THIS CHAPTER

**Administrative management** is concerned with managing the total organization.

**Behavioral science** relies on scientific research for developing theories about human behavior that can be used to provide practical tools for managers.

The **behavioral viewpoint** emphasized the importance of understanding human behavior and of motivating employees toward achievement.

The **classical viewpoint**, which emphasized finding ways to manage work more efficiently, had two branches—scientific and administrative.

A **closed system** has little interaction with its environment; that is, it receives very little feedback from the outside.

**Complexity theory** is the study of how order and pattern arise from very complicated, apparently chaotic systems.

The **contemporary perspective** also includes three viewpoints—systems, contingency, and quality-management.

The **contingency viewpoint** emphasizes that a manager's approach should vary according to—that is, be contingent on—the individual and environmental situation.

**Evidence-based management** is the kind of management that believes organizations will perform better if managers face the hard facts about what works and what doesn't, understand the dangerous half-truths that constitute so much conventional wisdom about management, and reject the total nonsense that too often passes for sound advice.

**Feedback** is information about the reaction of the environment to the outputs which affects the inputs.

The **historical perspective** includes three viewpoints—classical, behavioral, and quantitative.

The **human relations movement** proposed that better human relations could increase worker productivity.

**Inputs** are the people, money, information, and materials required to produce an organization's goods or services.

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.

**Management science** focuses on using mathematics to aid in problem solving and decision making.

An **open system** continually interacts with its environment.

**Operations management** focuses on managing the production and delivery of an organization's products or services more effectively.

**Outputs** are the products, services, profits, losses, employee satisfaction or discontent, and the like that are produced by the organization.

**Quality** refers to the total ability of a product or service to meet customer needs.

**Quality assurance** focused on the performance of workers, using employees to strive for “zero defects.”

**Quality control** is defined as the strategy for minimizing errors by managing each stage of production.

The **quality-management viewpoint** includes quality control, quality assurance, and total quality management.

**Quantitative management** is the application of management of quantitative techniques, such as statistics and computer simulations.

**Scientific management** emphasized the scientific study of work methods in order to improve the productivity of individual workers.

**Subsystems** are parts making up the whole system.

A **system** is a set of interrelated parts that operate together to achieve a common purpose.

The **systems viewpoint** regards the organization as a system of interrelated parts.

**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.

**Transformation processes** are the organization’s capabilities in management and technology that are applied to converting inputs into outputs.



## LECTURE ENHANCERS

### LECTURE ENHANCER 2.1

#### Careers in Operations Research

Operations research deals with the optimal allocation of resources—such as personnel, time, or money—to a particular problem. These problems arise not only with managers but also, for example, with hospital administrators and urban planners. Thus, an operations research analyst might try to determine the minimum number of fire engines needed in each station in a city to fight fires more effectively. For an auto manufacturer, the analyst might determine the inventory level for each of the parts (such as windshields) needed on a production line.

An OR analyst asked to develop the optimum flight schedule for an airline would have to set up a mathematic model that would include such variables as the cities to be connected, amount of fuel required to fly the routes, projected levels of passenger demands, varying ticket and fuel prices, pilot scheduling, and maintenance costs. By locating the right combination of variable values, the analyst can produce the best flight schedule consistent with particular assumptions.

For more about operations research analysts (including nature of the work, salary, etc.), see the Occupational Outlook Handbook published by the U.S. Department of Labor's Bureau of Labor Statistics at [www.bls.gov/oco/ocos044.htm](http://www.bls.gov/oco/ocos044.htm). You can get additional information about the jobs of operations research analysts from O\*Net Online at [www.onetonline.org/link/summary/15-2031.00](http://www.onetonline.org/link/summary/15-2031.00)

### LECTURE ENHANCER 2.2

#### The Elements of TQM

Total Quality Management (TQM) really originated in the 1950s but has steadily become more popular since the 1980s. TQM is more than a quality tool – it means requiring quality in all aspects of the operations and doing things right the first time, instead of trying to “catch the bad ones”.

To be successful implementing TQM, an organization has to concentrate on eight key elements:

1. Ethics
2. Integrity
3. Trust
4. Training
5. Teamwork
6. Leadership
7. Communication
8. Recognition

Picture these elements like building a house. The foundation of the house is composed of the first three elements – ethics, integrity and trust. This organizational foundation fosters openness, fairness and sincerity and allows involvement by everyone in the organization.

The “bricks” of the house – training, teamwork and leadership – are then built on top of the foundation. Managers are responsible for implementing TQM within their departments and teaching their employees the philosophies of TQM. Teamwork is another essential element, because organizations achieve quicker and better solutions to problems through the use of teams. Leadership is possibly the most important element in TQM, because it requires the manager to provide an inspiring vision and instill values that guide subordinates.

The element of communication is the “mortar” that binds everything together. The success of TQM demands communication with and among organization members, suppliers and customers.

The “roof” of the house is recognition. Employees strive to receive recognition for themselves and their teams, and recognizing contributors is one of the most important jobs of a manager.

Source: “The Eight Elements of TQM” – <http://www.isixsigma.com/methodology/total-quality-management-tqm/eight-elements-tqm/> (accessed June 25, 2012)

## CRITICAL THINKING EXERCISE

### Two Companies, Two Approaches to Management

Compare the complete websites of Johnsonville Sausage ([www.johnsonville.com](http://www.johnsonville.com)) and IBM ([www.ibm.com](http://www.ibm.com)). Consider each company's history, culture, products and what it would be like to work there.

1. Consider each company's history, culture, products and what it would be like to work there.

**Answer:** Students will find a wide range of information, but should note the historical time contexts of the two companies---IBM has been in existence much longer than Johnsonville. They should also note the size, the global vs. local nature, the fact that IBM was product and is now service based, while Johnsonville is product based. The two companies may seem like they would be similar to work in (people focused, intellectually engaging, etc) but students should note the differences inherent between a large global organization versus one that is much smaller and more centrally located.

2. Prepare a table or report on the similarities and differences you discover.

**Answer:** The report should capture the areas noted above but will include a number of other possibilities.

3. Are there practices in either company that are not covered in this chapter?

**Answer:** Students might note the team-based nature of either or both organizations, which is not explicitly covered in this chapter. Students might also note the reward systems of each company, which is also not explicitly covered in this chapter.

## HOMEWORK ASSIGNMENT

### Best Companies to Work For

The human relations movement came to be considered too simplistic for practical use. However, some companies are able to come up with creative ways to keep employees satisfied. Each year Fortune Magazine ranks the 100 Best Companies to Work for, and they rely on two things: their evaluation of the policies and culture of each company and the opinions of the company's own employees. Two-thirds of the score comes from employee responses to a 57-question survey created by the Great Place to Work Institute in San Francisco. The survey is sent to 400 randomly selected employees from each company and asks about things such as attitudes toward management, job satisfaction and camaraderie. The remaining one-third of the score comes from Fortune's evaluation of each company's demographic makeup, pay and benefits programs, and the like. Go to the website at <http://money.cnn.com/magazines/fortune/best-companies/>. (Please note: Sometimes the web address for a location changes. You might need to search to find the exact location.)

1. List the top five companies for the most recent year.

**Answer:** The top five can be found for 2012 at [http://money.cnn.com/magazines/fortune/best-companies/2012/full\\_list/](http://money.cnn.com/magazines/fortune/best-companies/2012/full_list/)

2. Choose one company from the list and use an Internet search engine to research the company. Summarize the company's background and mission.

**Answer:** Answers will vary depending on the company the student or group chooses.

3. Look at Fortune's list for the previous year. Are there any companies in common for the two years? Which ones have made the "top 5" more than once?

**Answer:** Student answers will vary, but many of the companies listed have been listed before.

4. Based on your brief research of the company's background and mission, why do you think the company made the list?

## MANAGEMENT IN ACTION CASE STUDY

### **Boeing Focuses on Its Operations & Supply Chain to Improve Productivity and Meet Deadlines**

Boeing Co.'s production struggles with its 787 Dreamliner taught it to regularly stress-test suppliers, a skill that is coming to the forefront as it tackles a mountain of orders for its best-selling 737 jets.

The company's comprehensive reviews are critical to its effort to mount one of its biggest production increases in years. Chicago-based Boeing aims to boost output by about 60% in the next three years—or nearly 300 more jets a year. After winning a series of big contracts, it is sitting on a backlog of 3,500 commercial jets, valued at more than \$270 billion.

At Vaupell Holdings Inc., one of about 1,000 suppliers subject to exhaustive reviews of its finances and even tools, Boeing's test regimen prompted the 60-year old vendor this year to make such changes as replacing shop-floor management software.

Boeing has bolstered its ranks of supplier examiners with about 200 engineers and other supply-chain specialists in the past 18 months. Its teams visit vendors more frequently and conduct evaluations that can take days to complete.

"Boeing has become much more proactive," said Joe Jahn, chief executive of Seattle-based Vaupell. "They've got someone here almost every day." . . .

Looming over the company isn't just its backlog. Its archrival, Airbus, also is aiming for record output, as airlines increasingly demand more fuel-efficient jets and air travel expands in Asia and the Middle East.

Airbus has capitalized on some Boeing production delays. Airlines including Qantas Airways Ltd. and Virgin Atlantic Airways Ltd. decided to buy Airbus 330 jets in recent years because of Boeing's delays in delivering the 787 Dreamliner.

Quality issues are on the rise as suppliers scramble to meet the growing demand for aircraft. Tom Williams, Airbus executive vice president for programs, said: "It's happening fairly frequently that a process that has never given problems is suddenly causing problems." . . .

At Vaupell in Seattle, Mr. Jahn said his company has been working with Boeing to find a replacement for a material used in some Boeing window shades that DuPont Co. has decided to stop manufacturing.

Boeing's intensified reviews are helping Vaupell stay on top of its game, Mr. Jahn said. . . .

Boeing has been conducting roughly four-hourlong monthly and quarterly assessments of Vaupell's ability to speed up production, along with annual reviews that can take two to three days. A Boeing employee is at Vaupell's factory almost daily, compared with about once a week in the past, Mr. Jahn said.

Airplanes are one of the biggest and most complex industrial products. Jets like the Boeing 777 contain several million parts. Problems far down in the supply chain, such as shortages of machines used to mold certain components, can cause delays that ripple across the industry.

Boeing is trying to heed lessons from its past that some executives commonly refer to as "scars" on their backs. In the late 1990s, Boeing had to temporarily shut some of its assembly lines, and took billions of dollars in charges, when bottlenecks and quality issues arose after it tried to expand production too quickly. More recently, in 2008, inadequate training of new mechanics and supply-chain glitches led to quality problems at its 737 plant . . .

Boeing, which relies on more than 1,200 direct suppliers for its commercial jetliners, point to some specific benefits already. For instance, the number of parts shortages at its 737 plant is the lowest in five years, according to company officials.

For Discussion:

1. To what extent is Boeing using evidence-based management? Are they overdoing it? Explain your rationale.

**Answer:** Evidence-based management means translating principles based on best evidence into organizational practice. It means bringing rationality – the hard facts – into the decision-making process. Instead of "going with its gut", Boeing has begun a process of subjecting its suppliers to frequent on-site examinations and exhaustive reviews of financial data.

2. To what extent are the managerial practices being used at Boeing consistent with principles associated with management science and operations management techniques? Discuss.

**Answer:** Operations management focuses on managing the production and delivery of an organization's products or services more effectively. It is concerned with work scheduling, production planning, facilities location and design, and optimum inventory levels. Boeing has been conducting four-hour-long monthly and quarterly assessments of one of its supplier's ability to speed up production, along with annual reviews that can take 2-3 days. Consistent with management science, Boeing is focusing on the "numbers", even at the supplier level.

3. Use Figure 2.3 to analyze the extent to which Boeing is using a systems viewpoint.

**Answer:** The systems viewpoint regards the organization as a system of interrelated parts that operate together to achieve a common purpose. Boeing recognizes that it must take *inputs* from its 1,200+ suppliers (such as manufacturers of jet engines, carpeting, window shades, etc.) and transform those inputs into *outputs* (commercial jetliners). It also must respond to the reaction of the environment to its outputs. Currently, Boeing has a sizeable backlog, but if it were to experience quality or delivery problems, the situation could change. In the late 1990s, the company had to temporarily shut down some of its assembly lines in the late 1990s when bottlenecks and quality issues arose when it tried to expand production too quickly.

4. How are the managerial practices being used at Boeing consistent with both a contingency and quality management viewpoint? Explain your rationale.

**Answer:** The contingency viewpoint emphasizes that a manager's approach should vary according to the individual and the environmental situation. Boeing has learned from past experience that, because its jetliners contain several million parts, problems far down in the supply chain (such as shortages of machines used to mold certain components) can cause delays that ripple across the industry. To be able to respond more quickly to potential problems, the company is monitoring its suppliers more closely. The quality-management viewpoint includes quality control, quality assurance and total quality management. Boeing had to temporarily shut down some of its assembly lines in the late 1990s because of quality issues and in 2008, inadequate training of new mechanics and supply-chain glitches led to quality problems at its 737 plant. The company is now focusing more closely on all aspects of its suppliers' performance in an effort to not repeat the past.

5. To what extent does Boeing represent a learning organization? Discuss.

**Answer:** 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. The manner in which Boeing has responded to problems it experienced with its 787 and 737 lines demonstrates that it is a learning organization.

Source: Excerpted from David Kesmodel, "Boeing Examines Supply Chain for Weak Links," The Wall Street Journal, December 30, 2011, p. B3.

## EOC SELF-ASSESSMENT

### What Is Your Level of Self-Esteem?

Self-esteem and self-belief are important qualities for a manager, especially in today's rapidly changing business environment. This quiz lets students evaluate their individual level of self-esteem by ranking responses to fourteen questions. A few students may rank themselves at the high end of the scale, but most will find gaps in their self-confidence. This can lead to a class discussion on methods to improve one's self confidence and whether a high level of self-confidence is a positive management trait. (See self-assessment on p. 64 of text.)

### Questions for Discussion:

1. Do you agree with the assessment? Why or why not?
2. How might you go about improving your self-esteem?
3. Can you survive today without having relatively good confidence in yourself?



## LEGAL/ETHICAL CHALLENGE

### Should the Federal Government Be Allowed to Oust a Drug-Company CEO?

The Department of Health and Human Services notified Forest Laboratories Inc. CEO Howard Solomon “that it intends to exclude him from doing business with the federal government. This in turn could prevent Forest from selling its drugs to Medicare, Medicaid, and the Veterans Administration.” The government wants the company to relieve Mr. Solomon of his duties if it wants to retain its chances of doing business with the government. Losing this business with the government would seriously jeopardize Forest’s future income. Mr. Solomon is 83 years old.

The federal government can legally do this because of a policy contained in the Social Security Act. “This policy allows officials to bar corporate leaders from health-industry companies doing business with the government, if a drug company is guilty of criminal misconduct. The agency said a chief executive or other leader can be banned even if he or she had no knowledge of a company’s criminal actions. Retaining a banned executive can trigger a company’s exclusion from government business.”

The case of Mr. Solomon “has its origins in an investigation into the company’s marketing of its big-selling antidepressants Celexa and Lexapro. Last September, Forest made a plea agreement with the government, under which it is paying \$313 million in criminal and civil penalties over sales-related misconduct.” The company ultimately pleaded guilty to a misdemeanor.

The issue in this case is whether you think it is ethical to force a company to fire an executive even if he or she was unaware of the criminal violations.

### How would you vote? Do you think it is fair to force Forest to retire Howard Solomon, given that no one has specifically alleged that he did anything illegal?

1. *Absolutely not. Individual managers should not be held responsible for the unethical behavior of other people in the organization. After all, Solomon did not personally do anything wrong.* Students will probably be able to objectively explain the challenges of holding managers accountable for the actions of others in the organization.
2. *Yes. If we don’t hold someone accountable for criminal acts of employees, then companies will be more likely to push the legal limits when marketing their products. After all, Solomon is the CEO.* This response involves a more philosophical approach of assuring companies do not focus entirely on efficiency. Students will probably describe an attitude of “someone has to be checking” in order for companies to do the right thing.

3. *No, but corporations should be held responsible. Individuals can't control the ethical behavior of other employees, but organizations can. The company has already paid \$313 million and the issue should be dropped.* This response highlights the impact policies and procedures have on an organization and its ability to be effective (safe in the long term) as well as efficient.
4. *Invent other options. Discuss.* This exercise can help students to see the complexity of accountability and the differing results that may occur from emphasizing different management theory in establishing policies and procedures, i.e. scientific approach vs. learning organization approach.

## GROUP EXERCISE

### Which Are the Best Companies to Work for in the United States & Why?

#### Objectives

- To assess your group's awareness of the best companies to work for in the United States in 2012.
- To discover the different perceptions of these companies and their management practices.

#### Introduction

To pick the 100 Best Companies to Work For, *Fortune* partners with the Great Place to Work Institute to conduct the most extensive employee survey in corporate America. Any company that is at least 5 years old and has more than 1,000 U.S. employees is eligible for consideration. In 2011, 280 firms participated, and more than 246,000 employees at those companies responded to a survey created by the institute. Two-thirds of a company's score is based on the results of the institute's Trust Index survey, which is sent to a random sample of employees from each company. The survey asks questions related to their attitudes about management's credibility, job satisfaction, and camaraderie.

The other third is based on responses to the institute's Culture Audit, which includes detailed questions about pay and benefit programs and a series of open-ended questions about hiring practices, methods of internal communication, training, recognition programs, and diversity efforts.

The 100 best companies are chosen on the basis of aggregating information from three criteria. The first is a subjective assessment of each company's policies and organizational culture. The second is an evaluation of the company based on a 57-item survey given to a random sample of at least 400 employees from each company. The survey assesses topics such as job satisfaction, camaraderie, and attitudes toward management. The third criterion is an evaluation of each company's demographic makeup and pay and benefits. Overall, each company is scored in four areas: "credibility (communication to employees), respect (opportunities and benefits), fairness (compensation, diversity), and pride/camaraderie (philanthropy, celebrations)." In this exercise, you will consider the extent to which the top 10 companies to work for in 2011 possess these characteristics.

#### Instructions

Four key organizational characteristics are used to rank all companies being considered as the best place to work:

- Credibility
- Respect
- Fairness
- Pride/Camaraderie

Below is a list, in random order, of the top 10 companies to work for in 2011. After forming groups, your first task is to have each individual guess these companies' rankings based on the attributes listed above. (Number 1 is the highest ranking and number 10 the lowest.) If you do

not know anything about some of these companies, we suggest that you search the Internet prior to conducting your evaluations. Next, share your rankings and come to a consensus ranking.

Here are the companies, in random order:

- DreamWorks Animation SKG
- SAS
- Boston Consulting Group
- Recreational Equipment (REI)
- Wegman's Food Markets
- Nugget Market
- Google
- Camden Property Trust
- NetApp
- Zappos.com

### Questions for Discussion

1. How different was the group ranking from the individual rankings? Why do you think this occurred?
2. Why did the group order its ranking in the way that it did?
3. How close was the group ranking to *Fortune's*? Your instructor has the results.
4. Which of these companies would each of you like to work for? Explain your rationale.

### **For Instructors (Short version of exercise)**

For decades *Fortune* magazine has evaluated the 100 best companies to work for in the United States, according to three criteria: (1) a subjective assessment of each company's policies and organizational culture; (2) a 57-item survey of a random sample of employees at each company on job satisfaction, camaraderie, and attitudes toward management; and (3) an evaluation of each company's demographic makeup and pay and benefits. Companies are scored on credibility, respect, fairness, and pride/camaraderie.

The top 10 companies (in order) for 2011 were:

1. SAS
2. Boston consulting Group
3. Wegman's Food Markets
4. Google
5. NetApp
6. Zappos.com
7. Camden Property Trust
8. Nugget Market
9. REI
10. Dreamworks Animation

After forming groups, students were to each individually guess these companies' rankings based on the three criteria discussed in the first paragraph above (using the Internet to research the companies, if necessary). Next, students were to share rankings and come to a consensus ranking.

## VIDEO CASE

Note: This video case may be found in the Principle of Management DVD Volume 2.

### The Secret to Starting Your Own Business

Carolyn Kepcher sharpened her management skills as she worked for Donald Trump and appeared at his side on the TV reality show, *The Apprentice*. After leaving Trump's organization and the show, she became a sought-after speaker and newspaper columnist, then founded Carolyn & Company. The firm provides media and consulting services and a network of work/life experts and resources geared to women trying to start a business or advance their careers while balancing their personal lives. Carolyn & Company also partnered with Yahoo! Small Business to help women entrepreneurs start or grow a business. Their Seeds for Success program awarded three applicants \$20,000, resources, and mentoring by Carolyn & Company associates.

Kepcher wants to help other entrepreneurs because she knows firsthand the difficulties in starting your own business. She says the number one requirement, once you have a specific idea and know your product and the steps involved in developing it, is to be confident that you will succeed. Instead of thinking you have a pretty good idea that may work, "you have to say, 'This is going to work,'" Kepcher explains. Another must is networking, contacting all the people you know who could help you progress and asking them to introduce you to others who could help.

Confidence, along with instinct and persistence, spurred Sara Blakely to develop her original idea of body-shaping undergarments into the successful Spanx line. Believing her idea was a winner, she invested her \$5,000 savings and two years to push her idea to managers of North Carolina mills before she convinced one to manufacture her products. "That was the toughest part of my journey," says Blakely, who besides selling her idea and funding the start-up, developed her Web site and designed the packaging with a friend on her computer. Her advice: "Don't underestimate how much you can do." Blakely turned her \$5,000 into more than \$150 million in retail sales. She now has 55 employees, four patents, 100 different styles of Spanx sold in upscale department stores, and a new brand sold at Target. Blakely has also become a television celebrity, as a judge on the show, *American Inventor*.

### Questions

1. Why would the contingency viewpoint be especially valuable for entrepreneurs like Carolyn Kepcher and Sara Blakely when starting and growing their businesses?
2. Why would the quality-management viewpoint be applicable to both Carolyn Kepcher and Sara Blakely, although they offer very different products?
3. Why is it important that entrepreneurial enterprises like those run by Carolyn Kepcher and Sara Blakely be learning organizations?

## Video Case Teaching Note

**Teaching Objective:** Help students know and appreciate the characteristics necessary to start a business in today's competitive business environment. Provide examples of two women who founded and now manage successful enterprises.

**Summary:** Sara Blakely is the founder and owner of Spanx, which are supportive and stylish undergarments. Carolyn Kepcher, well known for working for Donald Trump and appearing on the TV reality show, *The Apprentice*, founded Carolyn & Company, which offers media and consulting services for women, especially those wishing to start their own businesses. In this video, the two women say it takes knowledge of the product, instinct, confidence, persistence, and personal financial investment to launch a successful business.

### Questions:

1. *Why would the contingency viewpoint be especially valuable for entrepreneurs like Carolyn Kepcher and Sara Blakely when starting and growing their businesses?*

**Answer:** The contingency viewpoint would be extremely valuable for a startup or small business because it addresses problems on a case by case basis and varies solutions accordingly. It emphasizes that a manager's approach should vary according to the individual and the environmental situation.

2. *Why would the quality-management viewpoint be applicable to both Carolyn Kepcher and Sara Blakely, although they offer very different products?*

**Answer:** Kepcher, who offers a Web-based media and consulting service geared toward women, must assure that any resources, information, and recommendations her company provides are accurate, reliable, and proven to be effective. She must also ensure the professionalism and expertise of her consultants.

3. *Why is it important that entrepreneurial enterprises like those run by Carolyn Kepcher and Sara Blakely be being learning organizations?*

**Answer:** All organizations today, new and small businesses included face several challenges, especially globalized marketplace and competition and fast-paced change because of the Internet. Managers must be able to speedily launch businesses, develop products, appreciate the value of skilled employees, build societal goodwill, and make decisions based on evidence.

## SUPPLEMENTAL FEATURES



Please see the following collections on the Asset Gallery online by going to the Online Learning Center (OLC) or website at [www.mhhe.com/kw6e](http://www.mhhe.com/kw6e). Under Course-wide Content, go to Asset Gallery. Instructor teaching notes are located there as well.

## ONLINE SELF- ASSESSMENT EXERCISE(S)

There are no online Self-Assessments for this chapter.

## TEST YOUR KNOWLEDGE EXERCISES

Students should complete the following Test Your Knowledge Exercise(s) for this chapter.

- **Management's Historical Figures**

## MANAGER'S HOT SEAT

There are no Manager's Hot Seat exercises for this chapter.