

## Chapter 2:

# MANAGEMENT LEARNING PAST TO PRESENT

### CHAPTER 2 LEARNING OBJECTIVES

- 2.1 List the characteristics and principles of each of the three classical management approaches.
- 2.2 Describe the principles of the various behavioural management approaches.
- 2.3 Explain the foundations of modern management thinking.

### CHAPTER 2 STUDY REVIEW

After studying this chapter, students should be able to:

- State the underlying assumption of the classical management approaches.
- List the principles of Taylor's scientific management.
- List three of Fayol's "principles" for guiding managerial action.
- List the key characteristics of bureaucracy and explain why Weber considered it an ideal form of organization.
- Identify possible disadvantages of bureaucracy in today's environment.
- Explain Follett's concept of organizations as communities.
- Define the term Hawthorne effect.
- Explain how the Hawthorne findings influenced the development of management thought.
- Explain how Maslow's hierarchy of needs operates in the workplace.
- Distinguish between Theory X and Theory Y assumptions, and explain why McGregor favoured Theory Y.
- Explain Argyris' criticism that traditional organizational practices are inconsistent with mature adult personalities.
- Define system, subsystem, and open system.
- Apply these concepts to describe the operations of an organization in your community.
- Define contingency thinking, knowledge management, and a learning organization.
- List characteristics of learning organizations.
- Describe evidence-based management and its link with scientific methods.
- Understand trends in twenty-first century leadership.

### CHAPTER 2 OVERVIEW

Historical records indicate that people have been "getting things done through others" since at least biblical times. In all likelihood, prehistoric people also practiced management in order to secure shelter, direct hunting expeditions, and cultivate the land. The systematic study of management through the use of the scientific method, however, is a relatively recent development. Contemporary managers can benefit from the organized body of knowledge we call "management." It is a source of theories that managers can use to guide their actions.

This chapter outlines the historical evolution of management thought. The systematic study of management as a science began in earnest with the classical management approaches. Individuals such as Frederick Taylor, Frank and Lillian Gilbreth, Henri Fayol, Mary Parker Follett, and Max Weber contributed greatly to the development of the scientific management, administrative

principles, and bureaucratic organization branches of classical management. The theories and ideas of these individuals are discussed in detail along with the lessons that were learned from these branches of the classical approach. Many of these lessons have value for managers in contemporary businesses.

With the advent of the human resources (or behavioural management) approaches, the assumptions of management theory shifted away from the notion that people are rational toward the idea that people are social and self-actualizing. The Hawthorne studies and Abraham Maslow's hierarchy of needs provided the impetus for this shift. Douglas McGregor's Theory X and Theory Y and Chris Argyris' ideas regarding worker maturity further refined the notions regarding the social and psychological motivations of workers. W. Edwards Deming brought about the quality movement in management, leading to the emergence of total quality management with the concept of continuous improvement. The chapter provides a thorough discussion of the contributions and insights of these behavioural management approaches.

The chapter then examines modern approaches to management. Decision sciences and operations management investigate how quantitative techniques can improve managerial decision making. Systems theory contributes to the modern perspective by providing managers with an appreciation for the complexity and dynamic interplay of organizations and their environments. Contingency thinking tries to match management practices with situational demands. Learning organizations continuously change and improve, using the lessons of experience. Finally, high-performance organizations consistently achieve excellence while creating a high-quality work environment.

## CHAPTER 2 LECTURE OUTLINE

**Teaching Objective:** The purpose of this chapter is to expose students to the historical roots of management theory and practice. By understanding the theoretical foundations for modern management, students can develop a greater appreciation of the concepts advanced in subsequent chapters.

**Suggested Time:** A minimum of 2 hours of class time is required to thoroughly present this chapter.

### **Learning Objective 2.1: Classical Management Approaches**

- Scientific management
- Administrative principles
- Bureaucratic organization

### **Learning Objective 2.2: Behavioural Management Approaches**

- Follett's organizations as communities
- The Hawthorne studies
- Maslow's theory of human needs
- McGregor's Theory X and Theory Y
- Argyris' theory of adult personality

### **Learning Objective 2.3: Modern Management Foundations**

- Quantitative analysis and tools
- Organizations as systems
- Contingency thinking
- Quality management
- Knowledge management and organizational learning

Evidence-based management  
21<sup>st</sup>-century leadership

## CHAPTER 2 SUPPORTING MATERIALS

### Textbook Inserts

#### *Learning From Others*

- There are many pathways to goal achievement

#### *Learning About Yourself*

- Learning Style

#### *Figures*

- Figure 2.1: Major Branches in the Classical Approach to Management
- Figure 2.2: The classic bureaucracy
- Figure 2.3: Foundations in the behavioural or human resource approaches to management
- Figure 2.4: Maslow's hierarchy of human needs
- Figure 2.5: Simplified Gantt chart for apartment complex
- Figure 2.6: Organizations as complex networks of interacting subsystems
- Figure 2.7: Contingency thinking—environment and structure
- Figure 2.8: Google Inc. operates with an information-rich culture driven by creativity and knowledge
- Figure 2.9: Goal setting and academic performance

#### *Thematic Boxes*

- Management Smarts 2.1: Practical Lessons From Scientific Management
- Real Ethics: CEO Golden Parachutes Fly in Face of Public Outrage
- Follow the Story: Former Microsoft Executive Finds Fulfillment Fighting Illiteracy
- Research Brief: Setting Personal Goals Improves Academic Performance

#### *Applications*

- Self-Test
- Self-Assessment
- Team Exercise: Evidence-Based Management Quiz
- Career Situations for Today: What Would You Do?
- Case Study: Zara International: Fashion at the Speed of Light

## CHAPTER 2 LECTURE NOTES

*LEARNING FROM OTHERS* describes the success of Facebook and its approach to employee hiring.

*LEARNING ABOUT YOURSELF* explains that every person has a particular way of learning, be it by watching, doing, experimenting, or thinking. Students are asked to think about the implications of their learning style and how it affects their relationships with others.

Today's managers can draw on management theory to guide their actions; they can learn from the insights of people throughout history who have thought about effective management.

Early management thinking began with the ancient Sumerian civilization in 5000 B. C. and evolved through many subsequent civilizations.

During the industrial revolution, Adam Smith established the principles of specialization and division of labour. Henry Ford and others further popularized these principles through their emphasis on mass production.

### ***DISCUSSION TOPIC***

One way to introduce this chapter is to ask students, “Why do we bother to study management history?” Students are quick to point out that we can learn from the experiences of others, and can capitalize on their successes and avoid their mistakes. After all, those who are “ignorant of history are doomed to repeat it.”

### **LEARNING OBJECTIVE 2.1: LIST THE CHARACTERISTICS AND PRINCIPLES OF EACH OF THE THREE CLASSICAL MANAGEMENT APPROACHES.**

## **CLASSICAL MANAGEMENT APPROACHES**

**FIGURE 2.1** from the text depicts the major branches of the classical approach to management, which include scientific management, administrative principles, and bureaucratic organization.

Classical approaches share a common assumption: People at work act in a rational manner that is primarily driven by economic concerns. Workers are expected to rationally consider opportunities made available to them and to do whatever is necessary to achieve the greatest personal and monetary gain.

## **SCIENTIFIC MANAGEMENT**

Frederick Taylor is known as the “father” of **scientific management**, which emphasizes careful selection and training of workers and supervisory support. He advocated the following four principles of scientific management

1. Develop for every job a “science” that includes rules of motion, standardized work implements, and proper working conditions.
2. Carefully select workers with the right abilities for the job.
3. Carefully train workers to do the job and give them the proper incentives to cooperate with the job “science.”
4. Support workers by carefully planning their work and by smoothing the way as they go about their jobs.

### ***ENRICHMENT ACTIVITY***

Students can appreciate Taylor's work better if they understand that since his youth he looked for the “one best way” of doing things. For example, he searched for the “best way” to take cross-country walks. At Bethlehem Steel, Taylor searched for the “best way” to do various jobs. He studied the job of loading 92 pound “pigs of iron ore,” found a husky volunteer named Schmidt,

and showed him the “best way” to load the ore. Interestingly, he told Schmidt to rest 58% of the time. The amount he could load rose from 12.5 to 47.5 tons per day and his wages rose 60%.

In telling this story, ask a muscular student to load a mock pig of ore (use a moderately heavy object) before showing how to do so using fewer motions. This example illustrates the power of scientific management. Taylor popularized this approach, and its impact on manufacturing is still apparent.

(Source: Wren, D.A. *The Evolution of Management Thought*, New York: The Ronald Press Company, 1972, pp. 112-133.)

**MANAGEMENT SMARTS 2.1** in the text summarizes the following practical lessons from scientific management:

- Make results-based compensation a performance incentive.
- Carefully design jobs with efficient work methods.
- Carefully select workers with the abilities to do these jobs.
- Train workers to perform jobs to the best of their abilities.

Frank and Lillian Gilbreth pioneered **motion study** — the science of reducing a job or task to its basic physical motions. Wasted motions are eliminated to improve performance. As the text indicates, United Parcel Service currently uses many of the techniques developed by the Gilbreths to achieve maximum efficiency in its package sorting centers and with its delivery drivers.

### **DISCUSSION TOPIC**

You may also want to point out to students that Henry Gantt, another contemporary of Frederick Taylor, made important contributions, including: (a) an innovative task and bonus wage scheme in which workers and supervisors received bonuses for exceeding standards; and (b) the Gantt chart which graphically depicts the scheduling of tasks required to complete a project.

## **ADMINISTRATIVE PRINCIPLES**

Henri Fayol's rules and principles of management

Fayol was a French executive who advanced the following five “rules” of management:

1. Foresight — to complete a plan of action for the future.
2. Organization — to provide and mobilize resources to implement the plan.
3. Command — to lead, select, and evaluate workers to get the best work toward the plan.
4. Coordination — to fit diverse efforts together and ensure information is shared and problems solved.
5. Control — to make sure things happen according to plan and to take necessary corrective action.

Note the similarity of these “rules” to the contemporary management functions of planning, organizing, leading, and controlling.

Fayol believed that management could be taught, and formulated principles to guide management practice.

Fayol introduced the following key principles of management (among others):

1. Scalar chain principle — there should be a clear and unbroken line of communication from the top to the bottom of the organization.
2. Unity of command principle — each person should receive orders from only one boss.
3. Unity of direction principle — one person should be in charge of all activities that have the same performance objective.

## BUREAUCRATIC ORGANIZATION

Max Weber, a German intellectual, introduced bureaucracy as an organizational structure that promotes efficiency and fairness.

Weber viewed a **bureaucracy** as an ideal, intentionally rational, and very efficient form of organization founded on principles of logic, order, and legitimate authority.

Characteristics of bureaucratic organizations include the following

- Clear division of labour: Jobs are well defined, and workers become highly skilled at performing them.
- Clear hierarchy of authority: Authority and responsibility are well defined for each position, and each position reports to a higher-level one.
- Formal rules and procedures: Written guidelines direct behaviour and decisions in jobs, and written files are kept for historical record.
- Impersonality: Rules and procedures are impartially and uniformly applied, with no one receiving preferential treatment.
- Careers based on merit: Workers are selected and promoted on ability and performance, and managers are career employees of the organization.

Possible disadvantages of bureaucracy:

- Excessive paperwork or “red tape.”
- Slowness in handling problems.
- Rigidity in the face of shifting customer or client needs.
- Resistance to change.
- Employee apathy.

### *DISCUSSION TOPIC*

Modern management theory does not consider bureaucracy to be appropriate or inappropriate for all situations; instead, the bureaucratic structure is recommended for simple and stable environments, while more flexible structures are suggested for dynamic and complex environments. Ask students to explain why a bureaucratic organization would be an inappropriate structure for organizations operating in very dynamic and complex environments.

## **LEARNING OBJECTIVE 2.2: DESCRIBE THE PRINCIPLES OF THE VARIOUS BEHAVIOURAL MANAGEMENT APPROACHES.**

### **BEHAVIOURAL MANAGEMENT APPROACHES**

Behavioural approaches to management maintain that people are social and self-actualizing. People at work are assumed to seek satisfying social relationships, respond to group pressures, and search for personal fulfillment.

**Figure 2.3** of the text depicts the foundations of the human resource approaches to management. These are the Hawthorne studies, Maslow's theory of human needs, McGregor's Theory X and Theory Y, Follett's organizations as communities and Argyris' theory of adult personality.

## FOLLETT ON ORGANIZATIONS AS COMMUNITIES

Mary Parker Follett describes organizations as communities within which managers and workers should labour in harmony, without one party dominating the other and with the freedom to talk over and truly reconcile conflicts and differences.

## THE HAWTHORNE STUDIES

These studies started off as scientific management experiments designed to determine how economic incentives and the physical conditions of the workplace affected the output of workers. Despite repeated efforts, however, no consistent relationship was found. The researchers concluded that psychological factors had influenced the results.

### Relay Assembly Test-Room Studies

Elton Mayo and his associates manipulated physical work conditions to assess their impact on output. Experiments were designed to minimize the "psychological factors" associated with previous experiments in the Hawthorne studies. Once again, output increased regardless of the changes made.

Mayo and his colleagues concluded that increases arose from a *group atmosphere* that fostered pleasant social relations, and from the *participative supervision* found in the experimental groups.

### Employee Attitudes, Interpersonal Relations, and Group Processes

Interviews with employees revealed that some things (*e.g.*, wages or working conditions) satisfied some workers but did not satisfy other workers.

The final study showed that workers would restrict their output to satisfy group norms, even if this meant reduced pay.

## DISCUSSION TOPIC

To the Hawthorne researchers' surprise, the workers in the Bank Wiring Room established an informal group norm regarding the quantity of output that was below the standard set by management. Output was restricted despite a group incentive plan that rewarded each worker on the basis of the total output of the group. Group members enforced this output restriction norm by using disciplinary devices such as sarcasm, ridicule, ostracizing co-workers, and "binging."

For fun, ask the students if they know what "binging" means; chances are they won't. Then find a volunteer for a demonstration. Pretend that you are going to "bing" the student by punching him or her in the arm but stop short before making contact. This amuses the class while

demonstrating the lengths that groups will go to in enforcing norms. Wrap up the demonstration by noting the contribution of the Hawthorne Studies in revealing these subtle group processes.

### Lessons from the Hawthorne Studies

People's feelings, attitudes, and relationships with co-workers influence their performance.

The **Hawthorne effect** was identified as a tendency of people who are singled out for special attention to perform as anticipated merely because of expectations created by the situation.

The Hawthorne studies contributed to development of the **human relations movement** during the 1950s and 1960s, which asserted that managers who use good human relations in the workplace would achieve productivity. In turn, the human relations movement became the precursor of contemporary **organizational behaviour**, the study of individuals and groups in organizations.

### MASLOW'S THEORY OF HUMAN NEEDS

**FIGURE 2.4** from the text illustrates Maslow's hierarchy of needs.

A **need** is a physiological or psychological deficiency that a person feels compelled to satisfy.

Maslow's hierarchy identifies five levels of human needs: physiological, safety, social, esteem, and self-actualization.

The *deficit principle* states that people act to satisfy "deprived" needs — that is, needs for which a satisfaction deficit exists; conversely, a satisfied need is not a motivator of behaviour.

The *progression principle* states that the five needs exist in a hierarchy of prepotency, and that a need at any level only becomes activated once the preceding lower-level need is satisfied.

The deficit and progression principles cease to operate at the self-actualization level.

### MCGREGOR'S THEORY X AND THEORY Y

The Hawthorne studies and Maslow's theory of human needs heavily influenced Douglas McGregor, the developer of Theory X and Theory Y. He argued that managers should devote more attention to people's social and self-actualizing needs at work. McGregor asserted that managers must shift their perspective from Theory X assumptions to Theory Y assumptions.

**Theory X** managers assume that subordinates:

1. Dislike work.
2. Lack ambition
3. Are irresponsible
4. Resist change.



5. Prefer to be led rather than to lead.

**Theory Y** managers assume that subordinates are:

1. Willing to work.
2. Capable of self-control.
3. Willing to accept responsibility.
4. Imaginative and creative.
5. Capable of self-direction.

### ***DISCUSSION TOPIC***

Once you have presented the assumptions held by Theory X and Theory Y managers, ask students to think about supervisors they worked for and to indicate if the supervisors seemed to make Theory X or Theory Y assumptions about their subordinates. Then ask: “How did these supervisors treat their employees?” “Do you consider them to be good or bad managers?”

McGregor believed that managers who hold either set of assumptions can create **self-fulfilling prophecies** — that is, through their behaviour, they create situations where subordinates act to confirm their expectations.

Theory X managers create situations where workers become dependent and reluctant.

Theory Y managers create situations where workers respond with initiative and high performance.

Theory Y assumptions are central to contemporary ideas about employee participation, involvement, empowerment, and self-management.

## **ARGYRIS' THEORY OF ADULT PERSONALITY**

Argyris asserts that some classical management principles such as task specialization, hierarchy of authority, and unity of direction inhibit worker maturation by discouraging independence, initiative, and self-actualization. Thus, these classical management principles are inconsistent with the mature adult personality.

Argyris' advice is to expand job responsibilities, allow more task variety, and adjust supervisory styles to allow more participation and promote better human relations. He believes that the common problems of employee absenteeism, turnover, apathy, alienation, and low morale may be signs of a mismatch between management practices and mature adult personalities.

## **LEARNING OBJECTIVE 2.3: EXPLAIN THE FOUNDATIONS OF MODERN MANAGEMENT THINKING.**

### **MODERN MANAGEMENT FOUNDATIONS**

#### **QUANTITATIVE ANALYSIS AND TOOLS**

The terms *management science* and *operations research* are often used interchangeably to describe the scientific applications of mathematical techniques to management problems.

**Management science** and **operations research** use quantitative analysis and applied mathematics to solve problems.

Management science applications include:

- *Mathematical forecasting* which helps make future projections that are useful in the planning process.
- *Network models* break large tasks into smaller components to allow for better analysis, planning, and control of complex projects.
- *Inventory analysis* helps control inventories by mathematically establishing how much to order and when.
- *Queuing theory* which helps allocate service personnel or workstations to minimize customer waiting time and service cost.
- *Linear programming* which is used to calculate how best to allocate scarce resources among competing uses.

**Operations management** is the study of how organizations produce goods and services.

## ORGANIZATIONS AS SYSTEMS

**A system** is a collection of interrelated parts that function together to achieve a common purpose.

**A subsystem** is a smaller component of a larger system.

**An open system** interacts with its environment in a continual process of transforming inputs from suppliers into outputs for customers.

**FIGURE 2.6** from text shows the organization as complex networks of interacting subsystems.

## CONTINGENCY THINKING

**Contingency thinking** tries to match managerial responses with the problems and opportunities specific to different situations, particularly those posed by individual and environmental differences.

Contingency approaches to management assert that there is no one best way to manage. Instead, managers should understand situational differences and respond to them in appropriate ways.

## QUALITY MANAGEMENT

W. Edwards Deming is the cornerstone of the quality movement in management. His approach to quality emphasizes constant innovation, use of statistical methods, and commitment to training in the fundamentals of quality assurance.

**Total quality management** is a process of making a commitment quality part of all operations.

**Continuous improvement** is a process of always looking for new ways to improve.

**ISO certification** indicates conformity with a rigorous set of international quality standards.

## KNOWLEDGE MANAGEMENT AND ORGANIZATIONAL LEARNING

**Knowledge management** is the process of using intellectual capital for competitive advantage and it consists of such things as patents, intellectual property rights, trade secrets, special processes and methods, and the accumulated knowledge and understanding of the entire workforce.

A **learning organization** continuously changes and improves, using the lessons of experience.

According to Peter Senge, the core ingredients of a learning organization are the following:

- Mental models — everyone sets aside old ways of thinking.
- Personal mastery — everyone becomes self-aware and open to others.
- Systems thinking — everyone learns how the whole organization works.
- Shared vision — everyone understands and agrees to a plan of action.
- Team learning — everyone works together to accomplish the plan.

### *DISCUSSION TOPIC*

Using the above core ingredients of learning organizations, have students analyze a business firm, a volunteer organization, or a college/university with which they are familiar. Make sure that they provide examples to illustrate each of the core ingredients. Also, you may wish to have them discuss how the presence or absence of these core ingredients seems to have affected the focal organization's effectiveness, efficiency, and ability to compete.

*RESEARCH BRIEF* describes how setting personal goals improves academic performance.

## EVIDENCE-BASED MANAGEMENT

High-performance organizations are able to consistently achieve excellent results while creating high quality work environments for their members.

High performance organizations are often described as:

- People oriented—they value people as human assets, respect diversity, empower members to fully use their talents, and are high in employee involvement.
- Team oriented—they achieve synergy through teamwork, emphasize collaboration and group decisions, and allow teams to be self-directing.
- Information oriented—they mobilize the latest information technologies to link people and information for creative problem-solving.

- Achievement oriented—they are focused on the needs of customers and stakeholders, and committed to quality operations and continuous improvement.
- Learning oriented—they operate with an internal culture that respects and facilitates learning, innovation, and constructive change.

**Evidence-based management** involves making decisions based on hard facts about what really works.

## 21ST-CENTURY LEADERSHIP

Managers of the 21st century will have to excel as never before to meet the expectations held of them and of the organizations they lead. Importantly, we must all recognize that new managerial outlooks and new managerial competencies appropriate to the new times are requirements for future leadership success. At the very least, the 21st-century manager must display these attributes:

- *Global strategist*—understanding the interconnections among nations, cultures, and economies; planning and acting with due consideration of these interconnections.
- *Master of technology*—comfortable with information technology, understanding technological trends and their implications, able to use technology to best advantage.
- *Inspiring leader*—attracting highly motivated workers and inspiring them with a high-performance culture where individuals and teams can do their best work.
- *Model of ethical behaviour*—acting ethically in all ways, setting high ethical standards for others to follow, building a work culture that values ethics and social responsibility.

## CHAPTER 2 SUMMARY OF LEARNING OBJECTIVES

**Learning Objective 2.1: List the characteristics and principles of each of the three classical management approaches.**

- Frederick Taylor's four principles of scientific management focused on the need to carefully select, train, and support workers for individual task performance.
- Henri Fayol suggested that managers should learn what are now known as the management functions of planning, organizing, leading, and controlling.
- Max Weber described bureaucracy with its clear hierarchy, formal rules, and well-defined jobs as an ideal form of organization.

FOR DISCUSSION: Should Weber's notion of the ideal bureaucracy be scrapped, or is it still relevant today?

**Learning Objective 2.2: Describe the principles of the various behavioural management approaches.**

- The behavioural approaches shifted management attention toward the human factor as a key element in organizational performance.

- Mary Parker Follett describes organizations as communities within which people combined talents to work for a greater good.
- The Hawthorne studies suggested that work behaviour is influenced by social and psychological forces and that work performance may be improved by better “human relations.”
- Abraham Maslow’s hierarchy of human needs introduced the concept of self-actualization and the potential for people to experience self-fulfillment in their work.
- Douglas McGregor urged managers to shift away from Theory X and toward Theory Y thinking, which views people as independent, responsible, and capable of self-direction in their work.
- Chris Argyris pointed out that people in the workplace are adults and may react negatively when constrained by strict management practices and rigid organizational structures.

FOR DISCUSSION: How can a manager, even today, benefit by insights from Maslow’s hierarchy of needs theory?

### **Learning Objective 2.3: Explain the foundations of modern management thinking.**

- Advanced quantitative techniques in decision sciences and operations management can help managers solve complex problems.
- Organizations are open systems that interact with their external environments, while consisting of many internal subsystems that must work together in a coordinated way to support the organization’s overall success.
- Contingency thinking avoids “one best way” arguments, recognizing the need to understand situational differences and respond appropriately to them.
- Quality management focuses on making a total commitment to product and service quality throughout an organization, maintaining continuous improvement and meeting world-wide quality standards such as ISO certification.
- Knowledge management is a process for developing, organizing, sharing, and using knowledge to facilitate organizational performance and create an environment for ongoing learning.
- Evidence-based management uses findings from rigorous scientific research to identify management practices for high performance.

FOR DISCUSSION: Can system and subsystem dynamics describe performance problems for an organization in your community?

## **CHAPTER 2 KEY TERMS**

**Bureaucracy:** a rational and efficient form of organization founded on logic, order, and legitimate authority.

**Contingency thinking:** attempts to match management practices with situational demands.

**Continuous improvement:** a process of always looking for new ways to improve work quality and performance.

**Evidence-based management:** involves making decisions based on hard facts about what really works.

**Hawthorne effect:** the tendency of persons singled out for special attention to perform as expected.

**High performance organization:** consistently achieves excellence while creating a high-quality work environment.

**Human relations movement:** based on the viewpoint that managers who used good human relations in the workplace would achieve productivity.

**ISO certification:** indicates conformance with a rigorous set of international quality standards.

**Knowledge management:** the process of using intellectual capital for competitive advantage.

**Learning organization:** an organization that continuously changes and improves, using the lessons of experience.

**Management science:** uses quantitative analysis and applied mathematics to solve problems. This is also known as operations research.

**Motion study:** the science of reducing a task to its basic physical motions.

**Need:** a physiological or psychological deficiency that a person wants to satisfy.

**Open systems:** interacts with its environment and transforms resource inputs into outputs.

**Operations management:** the study of how organizations produce goods and services.

**Operations research:** uses quantitative analysis and applied mathematics to solve problems. This is also known as management science.

**Organizational behaviour:** the study of individuals and groups in organizations.

**Scientific management:** emphasizes careful selection and training of workers and supervisory support.

**Self-fulfilling prophecies:** occurs when a person acts in ways that confirm another's expectations.

**Subsystems:** a smaller component of a larger system.

**System:** A collection of interrelated parts working together for a purpose.

**Theory X:** assumes people dislike work, lack ambition, are irresponsible, and prefer to be led.

**Theory Y:** assumes people are willing to work, accept responsibility, and are self-directed and creative.

**Total quality management:** is managing with an organization-wide commitment to continuous improvement, product quality, and customer needs.

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## SUGGESTED TEAM EXERCISE

Assign students to read the article "Is the MBA Overrated?" from the March 20, 2006 edition of Business Week. (The article is located online at:  
[http://www.businessweek.com/magazine/content/06\\_12/b3976089.htm](http://www.businessweek.com/magazine/content/06_12/b3976089.htm))

Ask groups to take a stand on MBA degrees and debate the pros and cons.

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## SELF TEST ANSWERS

1. The assumption that people are complex with widely varying needs is most associated with the management approaches.  
  
(a) classical (b) neoclassical (c) \*behavioural (d) modern
2. The father of scientific management is:

- (a) Weber (b) \*Taylor (c) Mintzberg (d) Katz
3. When the registrar of a university deals with students by an identification number rather than a name, which characteristic of bureaucracy is being displayed and what is its intended benefit?
- (a) division of labour . . . competency (b) merit-based careers . . . productivity (c) rules and procedures . . . efficiency (d) \*impersonality . . . fairness
4. If an organization was performing poorly and Henri Fayol was called in as a consultant, what would he most likely suggest to improve things?
- (a) \*teach managers to better plan and control (b) teach workers more efficient job methods (c) promote to management only the most competent workers (d) find ways to increase corporate social responsibility
5. One example of how scientific management principles are applied in organizations today would be:
- (a) \*a results-based compensation system. (b) a bureaucratic structure. (c) training in how to better understand worker attitudes. (d) focus on groups and teamwork rather than individual tasks.
6. The Hawthorne studies are important because they raised awareness of the important influences of on productivity.
- (a) structures (b) \*human factors (c) physical work conditions (d) pay and rewards
7. Advice to study a job, carefully train workers to do that job, and link financial incentives to job performance would most likely come from.
- (a) \*scientific management (b) contingency management (c) Henri Fayol (d) Abraham Maslow
8. The highest level in Maslow's hierarchy includes needs.
- (a) safety (b) esteem (c) \*self-actualization (d) physiological
9. Conflict between the mature adult personality and a rigid organization was a major concern of
- (a) \*Argyris (b) Follett (c) Gantt (d) Fuller
10. When people perform in a situation as they are expected to, this is sometimes called the

- \_\_\_\_\_ effect.
- (a) \*Hawthorne (b) systems (c) contingency (d) open-systems
11. Resource acquisition and customer satisfaction are important when an organization is viewed as a(n):
- (a) bureaucracy (b) closed system (c) \*open system (d) pyramid
12. When your local bank or credit union is viewed as an open system, the loan-processing department would be considered a
- (a) \*subsystem (b) closed system (c) resource input (d) value center
13. When a manager notices that Sheryl has strong social needs and assigns her a job in customer relations, while also being sure to give Kwabena lots of praise because of his strong ego needs, the manager is displaying
- (a) systems thinking (b) Theory X (c) motion study (d) \*contingency thinking
14. In a learning organization, as described by Peter Senge, one would expect to find
- (a) priority placed on following rules and procedures (b) promotions based on seniority (c) \*employees who are willing to set aside old thinking and embrace new ways (d) a strict hierarchy of authority
15. The key outcomes of high-performance organizations are both consistent high performance and
- (a) high public support (b) \*high-quality work life environments (c) effective cost controls (d) high turnover
16. Explain how McGregor's Theory Y assumptions can create self- fulfilling prophecies consistent with the current emphasis on participation and involvement in the workplace.
- Theory Y assumes that people are capable of taking responsibility and exercising self-direction and control in their work. The notion of self-fulfilling prophecies is that managers who hold these assumptions will act in ways that encourage workers to display these characteristics, thus confirming and reinforcing the original assumptions. The emphasis on greater participation and involvement in the modern workplace is an example of Theory Y assumptions in practice. Presumably, by valuing participation and involvement, managers will create self-fulfilling prophecies in which workers behave this way in response to being treated with respect. The result is a positive setting where everyone gains.*
17. How do the deficit and progression principles operate in Maslow's hierarchy-of-needs theory?



*According to the deficit principle, a satisfied need is not a motivator of behaviour. The social need will only motivate if it is not present, or in deficit. According to the progression principle, people move step-by-step up Maslow's hierarchy as they strive to satisfy needs. For example, once the social need is satisfied, the esteem need will be activated.*

18. Define contingency thinking and give an example of how it might apply to management.

*Contingency thinking takes an "if-then" approach to situations. It seeks to modify or adapt management approaches to fit the needs of each situation. An example would be to give more customer contact responsibility to workers who want to satisfy social needs at work, while giving more supervisory responsibilities to those who want to satisfy their esteem or ego needs.*

19. Explain why the external environment is so important in the open-systems view of organizations.

*The external environment is the source of the resources an organization needs to operate. In order to continue to obtain these resources, the organization must be successful in selling its goods and services to customers. If customer feedback is negative, the organization must make adjustments or risk losing the support needed to obtain important resources.*

20. Enrique Temoltzin has just been appointed the new manager of your local college bookstore. Enrique would like to make sure the store operates according to Weber's bureaucracy. Describe the characteristics of bureaucracy and answer this question: is the bureaucracy a good management approach for Enrique to follow? Discuss the possible limitations of bureaucracy and the implications for managing people as key assets of the store.

*A bureaucracy operates with a strict hierarchy of authority, promotion based on competency and performance, formal rules and procedures, and written documentation. Enrique can do all of these things in his store, since the situation is probably quite stable and most work requirements are routine and predictable. However, bureaucracies are quite rigid and may deny employees the opportunity to make decisions on their own. Enrique must be careful to meet the needs of the workers and not to make the mistake—identified by Argyris—of failing to treat them as mature adults. While remaining well organized, the store manager should still be able to help workers meet higher-order esteem and self-fulfillment needs, as well as assume responsibility consistent with McGregor's Theory Y assumptions.*

## **DISCUSSION QUESTIONS FOR CHAPTER 2 CASE STUDY: ZARA INTERNATIONAL: FASHION AT THE SPEED OF LIGHT**

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

*The classical management approach consists of scientific management, administrative management, and bureaucratic management. Zara's shows evidence of following this approach in a number of ways. Some examples are shown below:*

- *By coordinating production facilities with store inventories, Zara's experiences a quick turn-around time for new fashions. This is an example of both organization and coordination found in the administrative management area.*
- *One of the "rules" followed by Zara's is selling "what's hot" and dropping "what's not." This rule is applied uniformly across the chain, which demonstrates the bureaucratic principle of formal rules and procedures.*
- *By subcontracting garment production to specialist companies, which have the expertise in making Zara's garments, shows the scientific principle of selecting those with the ability to do the job.*

2. What elements of the behavioural management approaches are being used by Zara's management team?

*Some of the elements of behavioural management used by Zara's include*

- *Follett's organizations as communities – Zara's various subsystems all work together to ensure the most current fashions are available to customers. An example is stylists sending photos of new store fronts and layouts to store managers, who implement the designs.*
- *McGregor's Theory X and Y – Even though not specifically addressed by the case in detail, Zara's lets store managers decide what garments to carry in their stores, rather than dictating store inventory from the company headquarters. This demonstrates Zara's focus toward Theory Y away from Theory X.*

*By using the two examples shown above, student should also be able to relate these to both Maslow and Argyris' theories.*

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

*Zara's flexibility and ability to quickly adapt to changing tastes in fashion is an example of contingency thinking approach to management. Rather than hoping people will buy what is offered in its stores, Zara tracks sales and will replace items that are not selling with something new and different. Zara's also changes store fronts every couple of week, again based on staying ahead in the fashion industry.*

*Behind Zara's ability to respond quickly to market demands is an organization (system) that includes a number of subsystems. You have the designers, the garment workers, the distribution centres, and the stores, all working in concert with each other to get the latest designs into the hands of the consumers. Each subsystem is integral to the overall success of Zara's and if any one should fail to do its job, then Zara's would not dominate the fast fashion scene.*

## REVIEW QUESTIONS FOR VIDEO CASE 1: WHOSE LIFE IS IT ANYWAY?

1. How can employers like Scotts Miracle-Gro justify the expense of providing employees with free access to doctors, pharmacy, gyms, and personal trainers?

*The policy is justified by saving money and curbing healthcare costs. Smoking costs employers an estimated \$4,000 a year in healthcare costs and lost productivity per smoker. Scotts' CEO Jim Hagedorn also explains that he's concerned about each employee's health and longevity.*

2. What lifestyle changes might employers do in the future to increase performance efficiency and performance effectiveness?

*Here's an opportunity to find out what students are thinking. Students may suggest drug testing, mandatory participation in wellness programs, employer sponsored child or elder care, screening for diseases like colon and breast cancer, forced vacation leave, or even genetic testing.*

3. Should employers regulate your behaviour after work hours? Why or why not?

*Employment law experts advocate that once you leave, it is not an employer's business what employees do in their personal lives. Hagedorn believes that employees will be more productive and healthier if they quit smoking.*

4. As stated in Chapter 1, there is more emphasis on respecting people as valuable strategic assets to be nurtured and developed, not as costs to be controlled. Do you believe the programs and policies at Scotts nurture and develop employees or treat them as costs to be controlled?

*There seems to be a conflict here. In the short term, it seems to be more about controlling healthcare costs and lost productivity. Viewing the policies from a long term perspective, Scotts is concerned about nurturing and ensuring the healthy futures of their employees.*

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