CHAPTER 2: MANAGEMENT – PAST TO PRESENT

PLANNING AHEAD — CHAPTER 2 STUDY QUESTIONS

- What can be learned from classical management thinking?
- What ideas were introduced by the human resource approaches?
- What is the role of quantitative analysis in management?
- What is unique about the systems view and contingency thinking?
- What are the continuing management themes of the 21st century?

WHY STUDY MANAGEMENT HISTORY?

- Managers can use management theory to guide their actions
- Learn from the experience of others
- Capitalize on the success of others and avoid their mistakes
- Those ignorant of history are doomed to repeat it
MAJOR SCHOOLS OF MANAGEMENT THOUGHT

- **Classical Management Perspective**
  - Focus on universal principles for use in various management situations

- **Behavioural Management Perspective**
  - Focus on human needs, the work group, and the role of social factors in the workplace

STUDY Q.1: WHAT CAN BE LEARNED FROM CLASSICAL MANAGEMENT THINKING?

- Major schools of management thought (cont.):
  - **Quantitative Management Perspective**
    - Focus on the use of mathematical techniques for problem solving
  - **Modern Management Perspective**
    - Focus on the systems view of organizations and contingency thinking in a dynamic and complex environment

FIGURE 2.1 MAJOR BRANCHES IN THE CLASSICAL APPROACH TO MANAGEMENT.

- Classical approaches (Assumptions: People are rational)
  - Scientific management
    - Frederick Taylor
    - Théophile Édouard Flouquet
  - Administrative principles
    - Henry Fayol
    - Mary Parker Follett
  - Bureaucratic organization
    - Max Weber
STUDY Q.1: WHAT CAN BE LEARNED FROM CLASSICAL MANAGEMENT THINKING?

- Classical management approaches
  - Scientific Management
  - Administrative Principles
  - Bureaucratic Organization

**Assumption:**
People act in a rational manner and are driven by economic concerns

STUDY Q.1: WHAT CAN BE LEARNED FROM CLASSICAL MANAGEMENT THINKING?

- Scientific management (Frederick Taylor)
  - Develop rules of motion, standardized work implements, and proper working conditions for every job.
  - Carefully select workers with the right abilities for the job.
  - Carefully train workers and provide proper incentives.
  - Support workers by carefully planning their work and removing obstacles

STUDY Q.1: WHAT CAN BE LEARNED FROM CLASSICAL MANAGEMENT THINKING?

**Scientific Management**
- **Frederick W. Taylor**
  - "Father" of Scientific Management

- Developed four principles of scientific management:
  1. Develop a "science" for every job
  2. Carefully select workers
  3. Carefully train workers
  4. Support workers by planning their work
Work divided into simple, repetitive steps

Management set the pace of work

Increased wages

Enforced strict discipline

*VIDEO CLIP*

FORD AND SCIENTIFIC MANAGEMENT

Organization "Worker Control"

SCIENTIFIC MANAGEMENT

Frank & Lillian Gilbreth

Pioneered "Motion Studies"

Science of reducing a job or task to its basic physical motions

Wasted motions are eliminated to improve performance

ADMINISTRATIVE PRINCIPLES

Henry Fayol

Five rules of management:

1. Foresight
2. Organization
3. Command
4. Coordination
5. Control
ADMINISTRATIVE PRINCIPLES

Henry Fayol

Three principles of management:
1. Scalar chain
2. Unity of command
3. Unity of direction

BUREAUCRATIC ORGANIZATION

Max Weber

Rational and efficient form of organization found in logic, order, and legitimate authority

Attributes of Bureaucracy:
1. Clear division of labour
2. Clear hierarchy of authority
3. Formal rules and procedures
4. Impersonality
5. Careers based on merit

BEHAVIOURAL MANAGEMENT APPROACHES

- Hawthorne Studies
- Maslow’s Hierarchy of Needs
- McGregor’s Theory X and Theory Y

Assumption:
People are social and self-actualizing
THE HAWTHORNE STUDIES

- Started as scientific management experiments
- Comparing economic incentives, physical working conditions, and worker output
- No consistent relationship was found
- Conclusions: psychological factors influenced results

THE HAWTHORNE STUDIES

Elton Mayo
- Illumination Studies
- Relay Assembly Test
  - Increases in worker output arose from group atmosphere
  - Created pleasant social relations
  - Encouraged participative supervision

THE HAWTHORNE STUDIES

Lessons:
- Peoples’ feelings, attitudes, and relationships with co-workers influenced their performance
- The “Hawthorne Effect”
- Emergence of Behavioural Approaches
Abraham Maslow

Theory identifies five levels of human needs

**HIERARCHY OF HUMAN NEEDS**

- **Deficit Principle:**
  - people act to satisfy "deprived" needs

- **Progression Principle**
  - lower-level needs must be satisfied before higher-level needs

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Douglas McGregor

- Influenced by Hawthorne Studies and Maslow’s theory
- Focus on social and self-actualizing needs
- Managers must shift perspective from Theory X to Theory Y assumptions

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**HIERARCHY OF HUMAN NEEDS**

1. Food, Water, Shelter
2. Security, Stability
3. Sense of belonging
4. Respect, Recognition
5. Self-fulfillment

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**THEORY X AND THEORY Y**
### THEORY X AND THEORY Y

<table>
<thead>
<tr>
<th>Theory X</th>
<th>Theory Y</th>
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<tbody>
<tr>
<td>Managers assume</td>
<td>Managers assume</td>
</tr>
<tr>
<td>subordinates:</td>
<td>subordinates:</td>
</tr>
<tr>
<td>Dislike work</td>
<td>Willing to work</td>
</tr>
<tr>
<td>Lack ambition</td>
<td>Imaginative/creative</td>
</tr>
<tr>
<td>Are irresponsible</td>
<td>Accept responsibility</td>
</tr>
<tr>
<td>Prefer to be led</td>
<td>Capable of self-</td>
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<td></td>
<td>direction</td>
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### Lessons:

- Either assumption can create **self-fulfilling prophecies**
- Theory X managers are overly directive, narrow, and controlling; workers dependent and reluctant
- Theory Y managers encourage workers participation, responsibility, and initiative

### QUANTITATIVE MANAGEMENT APPROACHES

- Management Science  
  (Operations Research)

  **Assumption:**
  
  *Applied mathematics can improve decision-making and problem solving*
Focus on the development of mathematical models to solve management problems

- Mathematical forecasting (Budgets)
- Inventory modeling (Ordering systems)
- Queuing Theory (Customer Service)
- Simulations (Crash testing)

Assumption:
People are complex with variable needs that change over time

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 into outputs
There is no “one best way” to manage

Each organization is unique

Appropriate managerial behaviour depends on (is contingent on) unique elements of the situation

“Situational thinking” or “IF \rightarrow THEN thinking”

Management theory guides today’s managers

Different lessons from each approach

Today: Quest for excellence in quality and performance / Learn and adapt
PLANNING AHEAD — CHAPTER 1 STUDY QUESTIONS

- What are the challenges of working in the new economy?
- What are organizations like in the new workplace?
- Who are managers and what do they do?
- What is the management process?
- How do you learn the essential managerial skills and competencies?

OVERVIEW OF THE 21ST CENTURY WORKPLACE

- Organizations must adapt to rapidly changing society
- Economy is global and driven by innovation and technology
- High performing companies gain extraordinary results from people working for them
- Interdependent, knowledge based

STUDY QUESTION 1: WHAT ARE THE CHALLENGES OF WORKING IN THE NEW ECONOMY?
STUDY Q.1: WHAT ARE THE CHALLENGES OF WORKING IN THE NEW ECONOMY?

Intellectual capital:
- People are the ultimate foundations of organizational performance
- Intellectual capital is the collective brainpower or shared knowledge of a workforce that can be used to create value
- A knowledge worker adds to the intellectual capital of an organization; his or her mind is a critical asset

Globalization:
- National boundaries of world business have largely disappeared
- Globalization is the worldwide interdependence of resource flows, product markets, and business competition that characterize the new economy
- Improvements in technology (especially communication and transportation) combine with the deregulation of markets and open borders to bring about vastly expanded flows of people, money, goods, services, and information

Technology:
- Continuing transformation of the modern workplace through:
  - The Internet
  - Computers
  - Information technology
- Increasing demand for knowledge workers with the skills to fully utilize technology.
STUDY Q.1: WHAT ARE THE CHALLENGES OF WORKING IN THE NEW ECONOMY?

Diversity:
- Workforce diversity reflects differences with respect to gender, age, race, ethnicity, religion, sexual orientation, and able-bodiedness
- A diverse and multicultural workforce both challenges and offers opportunities to employers

Diversity (continued):
- The Canadian Human Rights Act is very strict in prohibiting the use of demographic characteristics in human resource management decisions
- Valuing diversity means enabling every member of your workforce to perform to his or her potential by consciously creating an environment where everyone has an equal shot at contributing, participating, and most of all advancing

Diversity shortcomings:
- Glass ceiling effect is an invisible barrier limiting career advancement of women and minority
- Study: When resumés were sent to potential employers, those with white-sounding names, like Brett, received 50% more responses than those with Black sounding names (even though the resumés were created with identical credentials)
Figure 1: Spheres of activity in managing diversity

Source: Adapted from Exhibit 1 of Managing Diversity: Implications for Organizational Competitiveness, by Taylor Cus and Stacy Blake.
STUDY Q.1: WHAT ARE THE CHALLENGES OF WORKING IN THE NEW ECONOMY?

Ethics:
• Code of moral principles
• Society requires businesses to operate according to high moral standards
• Emphasis today on restoring the strength of corporate governance, which is oversight of a company’s management by a board of directors

STUDY Q.1: WHAT ARE THE CHALLENGES OF WORKING IN THE NEW ECONOMY?

Ethics:
• Johnson & Johnson’s ethical framework:
  We are responsible to the communities in which we live and work, and to the world community as well. We must be good citizens—support good works and charities and bear our fair share of taxes. We must encourage civic improvements and better health and education. We must maintain in good order the property we are privileged to use, protecting the environment and natural resources.

STUDY Q.1: WHAT ARE THE CHALLENGES OF WORKING IN THE NEW ECONOMY?

Careers:
• Career of 21st century won’t be uniformly full-time and limited to a single large employer
• Skills must be portable and always of current value
Careers continued:

Shamrock theory:

Leaf 1:
• Core workers who pursue traditional career paths
• With maintenance of critical skills they can advance and remain employed for a long time

Leaf 2:
• Contract workers who perform specific tasks for an organization
• They sell a skill/service and work with many employers over time

Leaf 3:
• Part-time workers who are hired as needed for the number of hours needed
• Can be a training ground or point of entry to the core

Critical skills for success in the new workplace:
• Mastery
• Contacts
• Entrepreneurship
• Love of technology
• Marketing
• Passion for renewal
**Organization:**
- A collection of people working together to achieve a common purpose.
- Organizations provide useful goods and/or services that return value to society and satisfy customer needs.

**Study Q. 2: What are organizations like in the new workplace?**

- Organizations are open systems:
  - Composed of interrelated parts that function together to achieve a common purpose.
  - Interact with their environments.
  - Transform resource inputs into product outputs (goods and services).
  - Environmental feedback tells organization how well it is meeting the needs of customers and society.

**Figure 1.1 Organizations as open systems**

- The environment supplies resources: People, Money, Materials, Technology, Information.
- The organization creates work activities that transform resources into outputs.
- The environment consumes the finished goods and/or services.
- Customer and client feedback is used for improvement.

- The diagram illustrates the flow of inputs, work process, and outputs within an organizational system.
Organizational performance:

- Value is created when an organization’s operations adds value to the original cost of resource inputs.
- When value creation occurs:
  - Businesses earn a profit.
  - Nonprofit organizations add wealth to society.

Study Q. 2: What are organizations like in the new workplace?

- Productivity
  - An overall measure of the quantity and quality of work performance with resource utilization taken into account.
- Performance effectiveness
  - An output measure of task or goal accomplishment.
- Performance efficiency
  - An input measure of the resource costs associated with goal accomplishment.

Figure 1.2 Productivity & Dimensions of Organizational Performance

- High Goal attainment
- Low Goal attainment
- Neither effective nor efficient
- Efficient but not effective
- Efficient and effective
- Neither efficient nor effective
- High productivity
- Resource utilization
STUDY Q. 2: WHAT ARE ORGANIZATIONS LIKE IN THE NEW WORKPLACE?

- Workplace changes that provide a context for studying management:
  - Belief in human capital
  - Demise of "command-and-control"
  - Emphasis on teamwork
  - Preeminence of technology
  - Embrace of networking
  - New workforce expectations
  - Concern for work-life balance
  - Focus on speed

STUDY QUESTION 3: WHO ARE MANAGERS AND WHAT DO THEY DO?

- Importance of human resources and managers:
  - "Toxic workplaces" treat employees as costs.
  - High performing organizations treat people as valuable strategic assets.
  - Managers must ensure that people are treated as strategic assets.
A manager is a person in an organization who supports and is responsible for the work of others.
The people who managers help are the ones whose tasks represent the real work of the organization.

Levels of management:
- Top managers — responsible for performance of an organization as a whole or for one of its larger parts.
- Middle managers — in charge of relatively large departments or divisions.
- Project managers — coordinate complex projects with task deadlines.
- Team leaders or supervisors — in charge of a small work group of non-managerial workers.

Responsibilities of team leaders:
- Plan meetings and work schedules.
- Clarify goals and tasks, and gather ideas for improvement.
- Appraise performance and counsel team members.
- Recommend pay raises and new assignments.
- Recruit, develop, and train team members.
Responsibilities of team leaders (cont.):

- Encourage high performance and teamwork.
- Inform team members about organizational goals and expectations.
- Inform higher levels of work unit needs and accomplishments.
- Coordinate with other teams and support the rest of the organization.

Types of managers:

- **Line managers** are responsible for work activities that directly affect organization’s outputs.
- **Staff managers** use technical expertise to advise and support the efforts of line workers.
- **Functional managers** are responsible for a single area of activity.
- **General managers** are responsible for more complex units that include many functional areas.
- **Administrators** work in public and nonprofit organizations.

Managerial performance and accountability:

- Accountability is the requirement of one person to answer to a higher authority for relevant performance results.
- Effective managers fulfill performance accountability by helping others to achieve high performance outcomes and experience satisfaction in their work.
STUDY Q. 3: WHO ARE MANAGERS AND WHAT DO THEY DO?

- Quality of work life (QWL):
  - An indicator of the overall quality of human experiences in the workplace.
  - QWL indicators:
    - Fair pay
    - Safe working conditions
    - Opportunities to learn and use new skills
    - Room to grow and progress in a career
    - Protection of individual rights
    - Pride in work itself and in the organization

STUDY Q. 3: WHO ARE MANAGERS AND WHAT DO THEY DO?

- High performing managers:
  - Build working relationships with others.
  - Help others develop their skills and performance competencies.
  - Foster teamwork.
  - Create a work environment that is performance-driven and provides satisfaction for workers.

STUDY Q. 3: WHO ARE MANAGERS AND WHAT DO THEY DO?

- The organization as an upside-down pyramid:
  - Each individual is a value-added worker.
  - A manager’s job is to support workers’ efforts.
  - The best managers are known for helping and supporting.
STUDY QUESTION 4: WHAT IS THE MANAGEMENT PROCESS?

Management is the process of planning, organizing, leading, and controlling the use of resources to accomplish performance goals.

All managers are responsible for the four functions.

The functions are carried on continually.
Functions of management:

- **Planning**
  - The process of setting objectives and determining what actions should be taken to accomplish them.

- **Organizing**
  - The process of assigning tasks, allocating resources, and arranging the coordinated activities of individuals and groups to implement plans.

- **Leading**
  - The process of arousing people’s enthusiasm to work hard and direct their efforts to fulfill plans and accomplish objectives.

- **Controlling**
  - The process of measuring work performance, comparing results to objectives, and taking corrective action as needed.
Managerial activities and roles:
- Interpersonal roles
  - Involve interactions with persons inside and outside the work unit.
- Informational roles
  - Involve giving, receiving, and analyzing of information.
- Decisional roles
  - Involve using information to make decisions in order to solve problems or address opportunities.

STUDY Q. 4: WHAT IS THE MANAGEMENT PROCESS?

Characteristics of managerial work:
- Managers work long hours.
- Managers work at an intense pace.
- Managers work at fragmented and varied tasks.
- Managers work with many communication media.
- Managers work largely through interpersonal relationships.
Managerial agendas and networks:

- Agenda setting
  - Development of action priorities for one’s job.
  - Include goals and plans that span long and short time frames.
- Networking
  - Process of building and maintaining positive relationships with people whose help may be needed to implement one’s work agendas.

Essential managerial skills:

- Skill — the ability to translate knowledge into action that results in desired performance.
- Technical skill — the ability to apply a special proficiency or expertise to perform particular tasks.
- Human skill — the ability to work well in cooperation with others.
- Conceptual skill — the ability to think critically and analytically to solve complex problems.
Managerial competency:  
- A skill-based capability that contributes to high performance in a management job.  
- Managerial competencies are implicit in:  
  - Planning, organizing, leading, and controlling.  
  - Informational, interpersonal, and decisional roles.  
  - Agenda setting and networking.

STUDY Q. 5: HOW DO YOU LEARN ESSENTIAL MANAGERIAL SKILLS & COMPETENCIES?

Competencies for managerial success:  
- Communication  
- Teamwork  
- Self-management  
- Leadership  
- Critical thinking  
- Professionalism
FIGURE 1.7 UNDERSTANDING MANAGEMENT FROM THEORY TO PRACTICE

STUDY Q. 5: HOW DO YOU LEARN ESSENTIAL MANAGERIAL SKILLS & COMPETENCIES?

- Emotional intelligence:
  - Ability to manage ourselves and our relationships effectively
  - Experts hold that a person’s emotional intelligence quotient (EQ) is equally as important as their IQ and is a better predictor of success, quality of relationships, and overall happiness
  - Evolved from the concept of “social intelligence” in the 1930s to “emotional strength” in the mid-20th century, and now to its current terminology

- Emotional intelligence marks your aptitude for:
  - **Self-awareness**: ability to understand and recognize our emotions and reactions
  - **Self-management**: ability to manage, control, and adapt our emotions, mood, reactions and responses
  - **Motivation**: harness our emotions to motivate ourselves and to take appropriate action, commit, follow-through, and work toward the achievement of our goals
Emotional intelligence marks your aptitude for:

- **Empathy**: ability to discern the feelings of others, understand their emotions, and utilize that understanding to relate to others more effectively
- **Social skills**: ability to build relationships, relate to others in social situations, lead, negotiate conflict, and work as part of a team

Emotional intelligence is important for:

- **Physical health**: aids in the management of stress and the maintenance of good health
- **Mental well-being**: high EQ correlates to a positive outlook on life and can alleviate anxiety
- **Relationships**: able to communicate feelings more constructively and understand the needs and feelings of others more fully
- **Conflict resolution**: more skilled at negotiating as you are able to better perceive others’ needs and wants

Emotional intelligence is important for:

- **Success**: high EQ leads us to be stronger internal motivators, which can reduce procrastination, increase self-confidence, and improve our ability to focus on a goal; it also helps us overcome setbacks and persevere with a more resilient outlook
- **Leadership**: ability to understand what motivates others, relate in a positive manner, build stronger bonds, and strategically use the emotional diversity of their team members can encourage higher performance and job satisfaction