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Chapter 2 Management Thought: Past and Present

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

1. Discuss why knowledge of the evolution of management theories is important to managers
2. Explain the contributions of the following:
3. Classical schools of management thought
4. Behavioral school of management thought
5. Quantitative school of management thought
6. Systems school of management thought
7. Contingency school of management thought
8. Quality school of management thought

KEY TERMS

behavioral school	operations management
bureaucracies	operations research
chaos theory	OR/MS
classical administrative school	quality school
classical management theory	quantitative school
classical scientific school	reengineering
complexity theory	synergy
contingency school	systems
kaizen	systems school
learning organization	theory
management science	

CHAPTER OUTLINE

- I. INTRODUCTION
- II. HISTORY AND THEORY OF MANAGEMENT
 - A. Value of History
 - B. Ancient History
 - C. Value of Theory
- III. CLASSICAL MANAGEMENT THEORY
 - A. Classical Scientific School
 - 1. Assessment
 - B. Classical Administrative School
 - 1. Early Contributors
 - 2. Assessment
- IV. BEHAVIORAL MANAGEMENT THEORY
 - A. Behavioral School Proponents
 - 1. Assessment
- V. QUANTITATIVE MANAGEMENT THEORY
 - A. Operations Management
 - B. Management Information Systems
 - C. Assessment
- VI. SYSTEMS MANAGEMENT THEORY
 - A. Systems School
 - B. Cumulative Energy of Synergy
 - 1. Systems and Synergy
 - 2. Assessment
- VII. CONTINGENCY MANAGEMENT THEORY
 - A. Assessment
- VIII. QUALITY MANAGEMENT THEORY
 - A. Kaizen Approach
 - B. Reengineering Approach
 - C. Major Contributors to Quality Management
 - D. Assessment

Enrichment Vignette

If I am not a manager yet, how can I make practical everyday use of what is covered in this chapter? What if I never become a manager—how can I ever apply the concepts to my life? In particular, how can concepts developed long ago—such as those developed in the classical school of management—be applied to me in the twenty-first century?

We will be looking at such questions in these vignettes as we go through the text.

For now, note that managers are responsible for getting as much output (positive results) as possible from the resources (inputs) they have available. For many centuries, it was assumed this meant that managers had to make their subordinates work harder and longer. Those in the classical school of thought pioneered ways to work smarter, rather than just harder or longer. The concept of “productivity” (getting more output per unit of input) will be covered in more detail later.

Just as a manager must make effective use of his or her resources (time, money, people, technology, etc.) in order to achieve organizational goals, you also have things that

are important to you. You can become your own manager and can use concepts covered in this course to achieve things “without working harder or longer, just smarter.” Maybe there are times that working smarter is not enough, but perhaps you have already found that doubling the amount of time spent studying a course does not necessarily double your understanding—the secret to success lies in the management strategy you use in doing your studying.

As you go through the text, think of how you could apply the concepts to your personal management challenges. On occasion, these vignettes will provide you with some suggestions in that regard.

LECTURE OUTLINE

The outline below (the lecture outline) is referenced to the above chapter outline and contains supplementary material to enhance your discussion of the chapter, but it is organized somewhat differently. As a result, you have a choice: by using what is in the outline below, (1) you may present the above chapter outline material in a different sequence, or (2) you may use the chapter outline references in the outline below to present the lecture outline material in the same sequence as the chapter outline..

- I. INTRODUCTION (CHAPTER OUTLINE: SECTION I)
- II. HISTORY AND THEORY OF MANAGEMENT (CHAPTER OUTLINE: SECTION II)
 - A. Value of History
 1. Studying the history of management enhances its current understanding.
 2. The study of management is relatively young.
 3. The practice and techniques of management are centuries old.
 4. Management is an ongoing phenomenon, and updating of knowledge and understanding is critical.
 - B. Ancient History
 1. Graphic records such as ancient clay tablets give testimony and evidence to the age-old concept of management practices.
 2. Modern management has evolved from and updated aspects of ancient practice.
 3. Over the years the contributions of many people have given us several theories about what management is and how to approach it.
 - a. Each has its own value.
 - b. Each has a different emphasis.
 - c. A manager is faced with different types of problems that may require the application of theories and their different insights.
 4. Management did not start with the Industrial Revolution.
 - a. People have functioned and been managed as groups throughout history.
 - b. Rulers and military men saw the value of concepts that would allow them to plan, organize, staff, lead, and control the use of both human and material resources.

C. Value of Theory

1. Throughout history, numerous examples of management and organizational activities are evidenced, e.g., architectural structures and designs.
2. The success of management is dependent upon the understanding and knowledge of diverse and complex issues and theories.

III. CLASSICAL MANAGEMENT THEORY (CHAPTER OUTLINE SECTION III)

The classical management theory originated during the Industrial Revolution. It has two branches—classical scientific and classical administrative.

A. Classical Scientific School

The classical scientific branch arose as a result of a need to increase productivity.

1. The emphasis was to try to find the one best way of getting work done by examining the way work was accomplished, the sequence of steps, and the skills of the workers in order to increase efficiency.
2. Major contributions include Frederick Taylor and Henry Gantt.
3. The emphasis on job specialization and time and motion studies are the foundations for efficiency in work.
4. These theorists provided a rational approach for examining work-related problems.
5. Assessment: many of the school's theories, principles, and methods (such as time and motion study) are with us today, but have been modified to include other things such as people skills.

B. Classical Administrative School

The classical administrative branch grew out of the need for guidelines to manage the complex organizations that emerged from the Industrial Revolution. It focused on productivity also.

1. The emphasis was on the development of managerial principles rather than work methods.
2. This school accommodates a belief in studying the flow of information.
3. These theorists aimed at understanding how an organization operated.
4. Major contributors included Henri Fayol and Chester Barnard.
5. Fayol provided fourteen principles of management based on his management experiences. These principles provide modern-day managers with general guidelines to organize and administer.
6. Assessment: the school's bureaucratic approach has both benefits and limitations, but the school paved the way for the behavioral or human relations school.

IV. BEHAVIORAL MANAGEMENT THEORY (CHAPTER OUTLINE: SECTION IV)

A. Behavioral School

1. The behavioral management school took management another step forward.
2. Modern-day managers now view employees as individuals, as resources, and as assets to be developed and worked with—not as machines.
3. Major contributors included Robert Owen, Mary Parker Follett, Elton Mayo, and Douglas McGregor.
4. Assessment: the school integrated ideas from sociology, anthropology, and psychology with management theory, but its major limitation is its complexity.

Enrichment Vignette

The “Behavioral School Proponents” portion of this chapter (see chapter outline above) mentions the studies at the Hawthorne Works of Western Electric near Cicero early in the last century. The studies yielded great insight as to how to improve productivity, and the insights from those studies have a broad range of applications. For thousands of years, managers tried to get more output from workers by either using fear or financial rewards. Later, managers found that they could improve productivity through better methods and technology.

However, the Hawthorne experiments yielded a new way to improve productivity: provide people with recognition and dignity in a group environment. The result: recognition of the potential when people do things not just because they have to do so but because they want to do so. History has many examples of a military force that may have been inferior in numbers and technology but which overcame what would seem to be a superior force because it was highly motivated but its enemy was not. During the past twenty years, many corporations that were global giants have since gone into bankruptcy, were taken over by others, or are now only a fraction of what they once were, while smaller organizations with dedicated people have taken the place of the former giants.

The moral of the story is not that motivation is more important than methods, technology, or financial resources. However, an organization’s potential is greatly enhanced if one combines a motivated workforce with its other resources and capabilities.

V. QUANTITATIVE MANAGEMENT THEORY (CHAPTER OUTLINE: SECTION V)

A. Operations Management

1. Models, simulations, and games that are applied to manufacturing or service industries are primary to this area of work.
2. Various production measuring techniques such as inventory models, break-even analysis, and queuing theory constitute operations management.

B. Management Information Systems

1. MIS is a computer-based system that provides decision-making information to managers.

2. For quite some time American companies lost sight of customers and quality by being preoccupied with quantitative theories.

C. Assessment

1. Quantitative tools can be useful in making decisions but do not eliminate the need for sound judgment and experience.

VI. SYSTEMS MANAGEMENT THEORY (CHAPTER OUTLINE: SECTION VI)

A. Systems School

1. The internal systems of an organization are its subsystems.
2. Many of the functional areas of an organization are its subsystems.
3. All subsystems interact with each other.
4. Managers control subsystems.
5. Most external systems are beyond the control of management.
6. Groups, other organizations, and the government influence or place pressure on many businesses.

B. Cumulative Energy of Synergy

1. Systems and Synergy: The whole is greater than the sum of its parts.

C. Assessment

This school helps managers to view the interrelationships within organizations, but considering the complexity of organizations may result in being overly cautious.

VII. CONTINGENCY MANAGEMENT THEORY (CHAPTER OUTLINE: SECTION VII)

A. Contingency School

1. Variables, flexibility, and adaptation are ingredients in contingency management.
2. Using the past to predict the can be used in contingency thinking.

B. Assessment

1. The approach helps managers to develop fallback positions and think creatively. It has contributed to quality management theory.

VIII. QUALITY MANAGEMENT THEORY (CHAPTER OUTLINE: SECTION VIII)

A. Kaizen Approach

1. Japanese in origin.
2. Small incremental steps of improvement.
3. Quality pays for itself over time.

B. Reengineering Approach

1. Change is constant. It will always occur.
2. Setting direction through vision.
3. Rapid and radical changes may be needed.
4. Companies must ask: "What do we do best?"

C. Assessment

1. This school has its roots in the other schools and is the most current.

SUGGESTED RESPONSES TO REVIEW QUESTIONS

1. How can knowledge of past schools of management thought benefit today's managers?

The history of management and management theory can be a very arduous study. Management historians believe that a better knowledge of the past will lead to a more productive future. They contend that students of management who fail to understand the evolution of management thought are destined to repeat past mistakes. Specifically, historians and managers alike believe that one needs to know where management has been if one is to understand where it is and where it is going.

2. What are the major contributions of the two schools of classical management thought?

- a. The scientific school focused upon the factory floor and the primary aspects of manufacturing and the work associated with it.
- b. The administrative school honed in on the flow of information and how organizations should operate.

3. How are the contributions of the behavioral school of management thought exhibited where you work? Where you attend school?

The behavioral school may or may not be readily apparent to many students at work and/or school. Answers will vary significantly. The behavioral school refocused and took aim at the human side of business. Individual needs and individualized elements of motivation are at the foundation of this school. It was discovered that people worked for inner satisfaction and not materialistic rewards such as money alone. Students may reflect upon this when they discuss their work.

4. What areas of business activity can benefit most from the contributions of the quantitative school of management thought? Are there any areas that cannot benefit? Why or why not?

The quantitative school may benefit medicine, engineering, and many other professions depending upon the nature of the industry. The quantitative school is a study of complex systems of people, money, equipment, and procedures. Operations research (OR) and management information systems (MIS) are at the base of this theory. Again, the pros and cons from student discussions will vary.

5. In your experience, how have the concepts introduced in the systems school of management thought been illustrated?

Student responses will vary due according to their levels of personal and business experience. It is important that the students understand that the systems school advocate contends that sets of interrelated parts work together or mesh to allow managers and the organization to accomplish goals and function accordingly. The internal (subsystems) and the external systems constitute elements that influence and/or pressure daily organization existence.

6. What are the major contributions of the contingency school of management thought?

This school of belief relies on the premise that actions, approaches, and behaviors depend upon the situational nature of changing conditions and variables.

7. Why is the quality school of management thought so popular?

The primary driving forces of the new millennium business environment center around service, customers, and excellence as well as quality of work life and consumer items. These ingredients or themes are the popular mainstay of this decade that business must continuously address. The following comparative matrix is provided to allow the instructor to identify strengths and weaknesses of some of the management schools.

School	Strength	Weakness
Classical Scientific	Improved productivity/ effectiveness of manufacturing practices	Limited in scope and overlooked the human element of work
Classical Administrative	Provided opportunity for organization structure and efficiency	Aspired to the creation of bureaucratic empires and institutions
Behavioral	Entertained the idea of individual needs and interrelationship within the organization	Does not address the processes and “mechanics of organizational life
Quantitative	Systematized decision making with scientific and mathematical processes	Customers and quality can suffer with a predominance of effort for this school
Systems School	Interactions and relationships of parts that make up the whole can be studied	Allegiance to this school can become too refined and over- conclusive
Contingency	Recognizes that conditions, situations, and variables are unique	Many variables are uncertain, inconclusive, and difficult to predict

INSTRUCTIONAL EXPLANATION: DISCUSSION QUESTIONS FOR CRITICAL THINKING

These thought-provoking questions are provided by the authors for each chapter as primers for student discussion. This method of questioning ensures that the students have read the assigned materials or content. These questions are presented to generate thinking and discussion. They can be used as supplemental homework assignments and/or class discussions that center around specific critical thinking issues and applications.

It is important that students are able to respond from their experiences and through their perceptions as well as incorporate the specific course content into their reasoning, explanations, descriptions, and individualized contributions. Most of these questions cannot be answered in a right/wrong fashion. Instead, student responses and/or group discussions should be encouraged by the instructor to bring out individualized critical thinking.

SUGGESTED RESPONSES TO INTERNET EXERCISES

1. Compare the workplace of today with work in the last century. What differences exist? What similarities exist?

<http://www.hrdq.com/content/articles/article2.htm>

Answer: Student responses may vary. Students visiting this site can view “The Last 100 Years of Work: Lots of Changes, Some Surprises Similarities” by Co-Development International.

2. Prepare a basic outline of complexity theory and explain its relevance to business.

http://www.cio.com/archive/enterprise/041598_qanda_content.html

Answer: Complexity theorists argue that managers should allow creativity and efficiency to emerge naturally within organizations rather than imposing their own solutions on their employees. How people relate to one another affects what emerges in the organization—the culture, the creativity, and the productivity.

3. Compare Mary Parker Follett’s thinking of the behavioral school to the contingency school of management thought.

<http://www.follettfoundation.org>

Answer: Follett’s terms, such as “the circular response” and “constructive conflict,” describe today’s empowerment and cooperative forms of work relations. She was part of the Behavioral School and emphasized the human element in organizations and the need to discover and enlist individual and group motivation. Her ideology emphasized cooperation, negotiation, “constructive conflict,” and consensus making. Contingency school states that manager’s preferred actions or approaches depend on the variables of the situation they face. Follett’s emphasis on the human element would mean that the manager’s actions or approaches should depend on the employee’s training, decision-making abilities, and situations.

SUGGESTED RESPONSES TO APPLICATION CASE: FORD MOTOR COMPANY

1. Which schools of management thought are illustrated in this case?

The student should be able to identify the classical, quantitative, systems, and quality schools of thought. The instructor may wish to see if any might be able to argue that they used the contingency and/or behavioral approaches. For example, was the establishment of the Leadership Development Center an example of contingency management?

2. Bill Ford encourages his employees to “think like a small company.” How can a smaller company with fewer employees, fewer plants, and fewer paying customers be more innovative?

This should provide an excellent opportunity to discuss the affect of bureaucracy and need for controls with growth in organizational size versus the impact on human relationships. Some will point to the potential for flexibility in a smaller organization and the need for flexibility in a rapidly changing world and people should be encouraged to think about how larger organizations might organize in such a manner that they can be equally flexible and innovative.

3. What caused Ford to begin its Piquette Project?

The case used the project to exemplify Ford’s openness to new and innovative ideas. Students might wish to discuss the potential value to Ford and society if the company was successful in developing a car that is a recycled reusable car.

ADDITIONAL CASE PROBLEMS WITH SUGGESTED ANSWERS**The Norton Company versus 3M**

While its young, small competitor, 3M (originally Minnesota Mining and Manufacturing Company), was struggling for survival in the early 1900s, the Norton Company, a manufacturer of industrial abrasives, was prospering and nearly ten times larger. By the late 1940s, however, the two companies were approximately equal in size. By 1990 3M dominated several industries and had revenues more than ten times greater than Norton’s. A large French company, Compagnie de Saint-Gobain, acquired Norton that year.

Born during the classical school of management thought, Norton had built a tall bureaucratic structure to house its product divisions and its many staff managers who churned out detailed reports to aid the company’s in-depth controlling and planning efforts. Its upper-level and middle managers built “increasingly sophisticated systems as the lifelines that linked them to their distant operations.” (Bartlett and Ghoshal, 1995). Decisions were made at the top (requests for spending of \$1,000 or more required the board of directors’ approval) and the company became increasingly self-satisfied and inflexible. It had ceased, for all practical purposes, to actively sense the need for or to initiate change.

Beginning in the 1940s and into the 1960s, the quantitative and systems school of management thought were warmly embraced by a number of large and small U.S. firms, Norton among them. “No company participated in the [quantitative] managerial revolution more enthusiastically than the Norton Company.” (Bartlett and Ghoshal, 1995). The company adopted a variety of quantitative methods, including computer modeling, to focus on the best

ways to expand its existing product lines. It decided to acquire several existing companies in its industry and to continue profit maximization efforts for its several original product divisions. It did little, however, to enter new markets or to develop new product lines.

As the abrasives market began to mature in the 1950s, Norton's response to lagging sales and profits was to focus on reducing costs and becoming more efficient. "During the late 1950s, Norton made a few feeble attempts to branch away from the maturing abrasives industry, but most of these were thwarted by lack of resources and institutional encouragement" (Collins and Porras, 1994). Unlike 3M, its attempts to diversify were concentrated on acquiring companies—to buy its way into new directions.

"Throughout the 1970s and 1980s, 3M continued to evolve into new arenas by encouraging individual initiative. Norton, in contrast, relied primarily on studies and planning models handed down from its consultants" (Collins and Porras, 1994). "If Norton was [a definitive example] of a systems-driven company, 3M [was a definitive example of] a people-centered entrepreneurial model. That model is essential to competing in today's postindustrial [information-centered], global markets" (Bartlett and Ghoshal, 1995).

Sources: Christopher A. Bartlett and Sumantra Ghoshal, "Changing the Role of Top Management: Beyond Systems to People," *Harvard Business Review* (May–June 1995), pp. 132–135; James C. Collins and Jerry I. Porras, *Built to Last: Successful Habits of Visionary Companies* (New York: Harper Business, 1994), pp. 160–163; 3M, <http://www.3m.com>.

QUESTIONS

1. Which schools of management thought are illustrated in this case?

Student responses will vary. However, as a minimum, students should identify the classical administrative, quantitative, systems, behavioral, and quality schools. The instructor should encourage students to specifically identify the particular school(s) and explain their school choices.

2. What caused Norton to decline in the very market it dominated for so long?

Norton's attempts to stay current and/or ahead were few and feeble. Norton didn't stay ahead, it tried haphazardly to catch up at times. Ask students why!

3. Using this case and 3M's history, what do you think explains 3M's success over its rival, Norton?

The success of 3M is the antitheses of Norton, i.e., it stayed current and ahead of its competitors. Again, ask students why they believe this happened.

Kim Tanumi

Kim Tanumi is about to celebrate her first year as an entrepreneur in the printing business. Her Ms. Print Shop is a franchise that operates throughout two midwestern states. Until recently, she has been operating with herself as the sole voice of authority and has relied on two part-time employees from two local schools as her chief assistants. Though she has trained them to operate the offset press and the other pieces of equipment, Kim has done everything else on her own. All decisions on pricing jobs, scheduling work, judging quality, and purchasing supplies are made by her.

Lately, however, her business has grown so much that Kim has found this arrangement unsatisfactory. Instead of using her part-timers interchangeably on the equipment, Kim is planning to let Roger concentrate on offset and duplicating and to let Kyle handle the other machines. They would have their jobs expanded to include performing maintenance, ordering needed supplies, and delivering finished work to neighborhood business customers. When she proposed these changes to her employees, they resisted them. Kyle felt that if their jobs were to grow their pay should, too. Kim responded that their pay was fixed by the going rate for part-timers in the community. Roger wanted to learn more about the ways in which the business's other operations were handled, not just the machines. Kim resisted his demand also. The result was that both employees were very unhappy.

Within two weeks following Kim's rearrangement of the workload, Kyle quit. Roger stayed on, but his attitude changed from cheerful to surly. After interviewing several people, Kim hired a retired man who had worked all of his life in printing and just wanted to keep his skills sharp and his days full. Ben worked out just fine, and after a few weeks, Kim took him on full-time and made him shift manager in charge of all printing operations and Roger. All reporting was then done by Roger through Ben and Kim. Kim reserved the right to go directly to Roger when emergencies arose. This was a source of irritation to both Roger and Ben on more than one occasion during the next few weeks.

QUESTIONS

1. Identify the principles of management that Kim is using. Provide examples from the case to support your decisions.

Kim is using the following principles:

- Division of work. Before her reorganization, Kim allowed for part-timers to specialize by running various machines. She kept all non-machine functions for herself. After the reorganization, Kim planned to let Kyle and Roger restrict their duties to specific machines and to allow them to expand into performing maintenance, ordering supplies, and making deliveries. Kim further practiced this principle with the addition of Ben, who would run the shop's entire printing operations and supervise Roger.
- Authority. Kim initially kept all supervisory authority for herself. She gave authority for running specific pieces of equipment to her subordinates. In her reorganization, Kim decentralized her control by giving Kyle and Roger expanded duties. Kyle reacted to a change in his authority base by leaving. Authority to supervise Roger and the shop was partially given to Ben.
- Subordination of the individual to the general interest. Kim did not grant all the wishes of Kyle and Roger, subordinating their interest to what she perceived to be

the best methods for her organization. While her changes had and may have negative consequences, it is her business and her decision to run it her way.

2. Identify the principles of management that Kim is violating. Provide examples from the case to support your decisions.

Kim is violating the following principles:

- Unity of command. After her reorganization, Kim set up a reporting relationship with Roger that could compromise this principle by undercutting Ben's authority to give Roger orders, instructions, and evaluations.
- Unity of direction. By asking Roger to accept orders and instructions from both Kim and Ben, Kim violates this principle.
- Remuneration of personnel. Kim claims that regardless of a person's duties and in light of her expansion of her employees' duties, the wage she should pay is that of the prevailing minimum wage in her community. She should consider additional factors such as the types of skills her people will need to exercise, the cost of living, and the availability of people with the know-how she needs to operate sophisticated equipment.
- Scalar chain. Again, Kim may undercut this principle by placing Ben in charge of Roger but allowing herself to go directly to Roger in cases where emergencies, in her eyes, exist. Links should be skipped only when superiors approve and when a real need to do so exists.
- Equity. Kim decided to expand the job descriptions of her part-timers but held fast to the wage level she was willing to pay them. Kyle did not see equity and responded by quitting. Roger responded to Kim's changes by becoming a surly worker.
- Stability of tenure. The violation of the equity principle seems to have led to employee turnover. Whether inefficiencies and additional expenses will result remains to be seen.
- Esprit de corps. The spirit of the group at the shop has been damaged by Roger's change in attitude and may be further damaged as Kim tries to circumvent Ben when dealing with Roger.

INSTRUCTIONAL TIP

Additional case problems such as the above are provided in selected chapters throughout this instructor's manual. These case activities can be used as homework or in-class exercises for individual or group assignments. These "down-to-earth" cases directly relate to the text material as well as generate active participation and discussion within the classroom.

ON THE JOB VIDEO CASE SOLUTIONS: ORIGINAL PENGUIN BECOMES A LEARNING ORGANIZATION

Discussion Questions and Suggested Answers:

1. As the organization has grown from just three employees, Chris Kolbe has had to delegate more decisions to others. How important is this transition to Original Penguin's success as a learning organization? Explain.

While student answers to the above question may vary, students should also see the need to be a learning organization if delegation is to be successful.

2. Do you think that Kolbe views knowledge among his employees as an important resource? Why or why not?

Students may debate the question due to lack of discussion of any focus on specific academic type knowledge but they may note that the approach used by Kobe enables knowledge among employees to be better shared and utilized than would be the case in a more traditional organization.

3. What steps might Original Penguin as a company take to ensure the satisfaction of its employees?

Students may have a variety of responses to the question. The key thing is for them to back up their responses with analysis based on concepts covered in the chapter.

TEAM ACTIVITY

Divide the class into teams in which each team is assigned a school of management thought. Their objective is to develop an argument as to why a school of management thought would be especially appropriate for a particular industry or organization: private or governmental, profit or non-profit. They do not have to show that the school of thought would be the best for the organization but may argue based on the nature of the industry, the environment, the employees, or the customers.

BIZ FLIX VIDEO CASE APPROACH: BACK TO THE FUTURE

What to watch for and ask yourself:

The questions provide a guide to viewing the video and will produce varied responses. The important thing is for the student to explain the reason for his or her response in view of the material covered in this chapter.