



Introduction to Organizational Management and Leadership

Measurable Learning Objectives

1. Define management and the value managers add to an organization.
2. Differentiate between management and leadership.
3. Define the different roles managers have within an organization. Identify tasks executed by managers in each role.
4. Explain the different types of skills that managers should possess.
5. Describe an ineffective manager.
6. Define the different levels of management within an organization. Identify tasks performed by managers in each level.
7. Identify the different environments in which a manager must operate.
8. Explain the role of stakeholders.
9. Describe how an organization is an open system.
10. Determine personal career development.
11. Integrate the concepts learned in this chapter with the Christian faith.



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WHAT IS ORGANIZATIONAL MANAGEMENT?

Management includes the functions of planning, organizing, leading, and controlling human and other resources to achieve goals efficiently and effectively. Organizational management is a subset of management and is the art of applying general principles of systematic planning and problem solving to skillfully direct and supervise united efforts to meet the organization's goals. In an effort to meet an organization's goals, management uses resources that include people, technology, raw materials, financial capital and skills. Therefore, the act of managing requires the knowledge and skills necessary for acting upon and understanding the functions of management and how those functions are completed, internally and externally, within all levels of an organization.

The Four Functions of Management

- *Planning* is the development of goals, which leads to the development of an overall strategy for achieving those goals. Planning can be performed at all levels of an organization. Supervisors are planning when a weekly work schedule is put together for hourly staff. Top executives are planning when they define the mission statement of the company and determine how the organization can maintain its competitive advantage.
- *Organizing* determines what tasks need to be done, who is to do those tasks, how tasks are to be grouped and who reports to whom.
- *Leading* deals with motivating employees, directing the activities of subordinates, and selecting the most effective forms of communicating—across all levels of the organization. Leading also entails resolving conflict. Being a leader requires an expertise in human behavior in order to understand what motivates others.
- *Controlling* is monitoring activities to ensure that they are being accomplished as planned and correcting any significant differences between a planned result and the actual result.

In addition to having expertise in all four of the functions of management, managers also need to understand the roles and duties of individual employees, which are dependent upon the organizational level in which the manager operates.

Managerial Decision Styles

There is considerable disagreement over the extent to which managers should include their subordinates in the decision-making process. While an autocratic manager is one who makes a decision and then informs the group about the decision, a democratic manager asks for input from others prior to making a decision and defers the decision to the group. A study found that subordinates whose managers used democratic decision styles had more positive attitudes; however, the autocratic decision style resulted in subordinates having a somewhat higher performance level.¹ A laissez-faire manager, one who essentially did not make any decisions, resulted in negative attitudes and lower performance.

Neither the democratic nor autocratic decision style is inherently bad, because the decision style utilized will depend on the follower, the situation and the leader. Decision making and the manager's decision making style will be discussed more thoroughly in a later chapter.

Leadership

Management and leadership are not synonymous and both are needed for an organization to succeed. While a manager must deal with planning, organizing, and controlling, the act of leadership is a separate function of management in which a manager must also address coping with change.² In *A Force for Change*, author John Kotter, separates the role of a leader from that of a manager:

[G]ood leaders produce important, positive change by providing vision, aligning people's efforts with the organization's direction, and keeping people focused on the mission and vision by motivating and inspiring them. Good leadership, like good management, helps an organization to succeed.³

Leadership is also the ability to influence others and is dependent upon whether the leader possesses that which followers seek. Leadership can be classified as either transactional leadership or transformational leadership.

The research of J.M. Burns showed that transactional leaders lead by understanding the underlying principles of management and then applying those principles in the workplace; a transactional leader will guide followers to achieve organizational goals.⁴ Transactional leaders guide and motivate their followers in the direction of established goals by clarifying roles and task requirements. Thus, transactional leaders define the purpose of the organization's existence to followers and then provide them with the plans and means to attain goals.

Bennis and Nanus studied ninety top leaders and determined that transactional leaders differed from transformational leaders.⁵ Transformational leaders channel the efforts of those in the organization by ensuring followers are aware of the issues, paying attention to the concerns of followers, and inspiring followers to achieve organizational goals. Tichy and Devanna identified many characteristics of the transformational leader: perceived visionary, risk taker, confidence in the organization's personnel, communicator of organizational goals, high learning curve, and able to handle complex and uncertain issues.⁶

Transformational leaders exhibit charisma, the ability to affect followers and inspire extraordinary accomplishment. Charismatic leaders have a vision, take risks to make their visions a reality, and are sensitive to the needs of followers. Followers of a charismatic leader are stimulated to exceptional performance and satisfaction.⁷

Effective transformational leaders rely on the expression of feelings to help convey a message; therefore, they should possess a high level of emotional intelligence. Emotional intelligence is the ability of an individual to detect the emotional cues of others and adapt his or her feelings and behaviors accordingly. Emotional intelligence consists of five dimensions:

1. Self awareness—being aware of what one is feeling.
2. Self management—the ability to manage one's emotions and impulses accordingly.
3. Self motivation—the ability to persist in the face of adversity.
4. Empathy—being able to feel another's pain or suffering.
5. Social skills—the ability to communicate effectively with others.⁸

The terms manager and leader refer to different skills and abilities. Although managers are often considered leaders, they may only direct an organization's day to day activities and not act as a change agent within the organization. Similarly, even without having a position of authority, one can be a leader, based on a special skill or knowledge. Management is

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about coping with complexity, while leadership is about coping with change. Managers overcome complexity by designing formal plans and organizational structures; leaders overcome change by developing future visions, and encouraging followers to overcome the hurdles of change.

Transactional Leader	Transformational Leader
• Apply management principles • Guides followers to achieve goals • Clarifies follower role and task requirements	• Inspires followers to achieve organizational goals • Ensures followers are aware of the issues • Charismatic • Displays emotional intelligence

Followership

A leader cannot lead without followers. Although there is an abundance of research on leadership, the importance of followership is often overlooked. One should remember that organizational success depends on both followers and leaders:

In searching so zealously for better leaders we tend to lose sight of the people these leaders will lead. . . . Organizations succeed or fail on the basis of how well their leaders lead, but also on the basis of how well their followers follow.⁹

Just because one is a manager does not mean that he or she knows how to lead, and just because one is a subordinate does not mean that he or she knows how to follow. A leader cannot expect others to follow; leaders must provide a good reason for others to follow. Effective followers do not require constant praise and share a number of essential qualities, including intelligence and self-reliance. Findings have shown that effective followers “managed themselves well . . . [were] committed to the organization and to a purpose principle, or person outside themselves . . . built their competence and focus[ed] their efforts for maximum impact . . . [and] are courageous, honest and credible.”¹⁰

Research has identified five different styles of followers:

- *Isolates*: Detached from the organization and do not care about, or respond to, their leaders. These followers support the status quo and strengthen leaders who already have an upper hand; and as a result, they can drag down their organizations. Isolates are more likely found in large organizations where they are not noticed – they do their jobs, even if marginally, and receive little recognition.
- *Bystanders*: Observe from the sidelines and disengage from their leaders and their organizations. Bystanders may go along passively when it is in their self-interest to do so, but are not motivated to engage.
- *Participants*: Engaged in the organization and care enough to try to make an impact. When they support their leaders, participants are highly sought-after.
- *Activists*: Feel strongly, one way or another, about their organization and leaders, and act accordingly. These followers are eager, energetic, engaged and are heavily invested in people and processes. Activists will work hard either on behalf of their leader or to undermine and even unseat them.
- *Diehards*: Deeply devoted to their leaders and exhibit an all-consuming dedication to someone or something they deem worthy. These followers are extreme in their devotion and can be an asset or a liability to their leaders.¹¹

Consideration of individual followership is the responsibility of leadership. And within an organization the role of followership is as important as the role of leadership.¹² By mastering the role of followership, a subordinate prepares for the role of leadership. Some rules of effective followership are:

1. Don't blame your boss for an unpopular decision or policy; your job is to support, not undermine.
2. Fight with your boss if necessary, but do it in private—avoid embarrassing situations, and never reveal to others what was discussed.
3. Make the decision, then run it past the boss; use your initiative.
4. Accept responsibility whenever it is offered.
5. Tell the truth and don't quibble; your boss will be giving advice up the chain of command based on what you said.
6. Do your homework; give your boss all the information needed to make a decision; anticipate possible questions.
7. When making a recommendation, remember who will probably have to implement it, which means you must know your own limitations and weaknesses, as well as your strengths.
8. Keep your boss informed of what's going on, as people will be reluctant to tell him or her of any problems and successes.
9. If you see a problem, fix it; don't worry about who would have gotten the blame or who now gets the praise.
10. Put in more than an honest day's work, but don't ever forget the needs of your family—if they are unhappy, you will be too, and your job performance will suffer accordingly.¹³

Noted author Warren Bennis confirms that an effective follower must be willing to tell the truth: "In a world of growing complexity, leaders are increasingly dependent on their subordinates for good information. Followers who tell the truth and leaders who listen are an unbeatable combination."¹⁴

Another writer maintains,

Good followers will actively support a leader who is good (effective and ethical) and will actively oppose a leader who is bad (ineffective and unethical). Good followers invest time and energy in making informed judgments about who their leaders are and what they espouse. Then they take the appropriate action.... Conversely, bad followers will do nothing whatsoever to contribute to the group or organization. Or they will actively oppose a leader who is good. Or they will actively support a leader who is bad.¹⁵

Trust

While leaders may wholeheartedly agree with the concept for a subordinate to fully embrace effective followership, he or she must trust in the leader/follower relationship:

[Trust is] [t]he willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other part as a positive expectation that another will not act opportunistically.¹⁶

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According to Kouzes and Posner, in *The Leadership Challenge* there are five dimensions of trust:

- *Integrity* requires honesty and trustworthiness. Of the five concepts, this is the most critical, because employees assess a leader's trustworthiness.
- *Competence* is an interpersonal and technical skill. While leaders do not have to know everything, they must exhibit a level of proficiency so that people will respect them.
- *Consistency* is the correlation between what a leader says and what a leader does and the uniformity of those actions. Managers who are inconsistent in their discipline or praise lose the respect of his/her workers. Authority is also undermined.
- *Loyalty* is the willingness to remain faithful to the interests of others and a concern for followers.
- *Openness* is about managers communicating effectively with their employees, without hidden agendas.¹⁷

At some time each day, even those in an organization's leadership take on the role of follower and must remember that being an effective follower is as important as being an effective leader.

Types of Power

One factor managers use to persuade workers to meet organizational goals is the exercise of power. Power is the ability of "A" to influence the behavior of "B"—so that "B" complies with "A's" wishes. French and Raven first discussed the five types of power a manager could have, based on the manager's position, to make workers behave a certain way.¹⁸ The five types of power are:

1. *Legitimate power* is the power held by a title, irrespective of the person who has the title. Managers have legitimate power based upon their position within an organization. However, the manager has power only as long as they have the title. Employees follow the position, not the person.
2. *Reward power* is having the ability to give something that an employee values as a reward (or to withhold a reward) to manage employee behaviors. Rewards are giving employees what they want in exchange for doing something the manager wants. Rewards do not have to be tangible but could be intangible, such as verbal praise.
3. *Coercive power* is having the ability to force compliance. This type of power does not have to have tangible results, such as threatening an employee with dismissal, but can be intangible, such as not including the employee in future staff meetings.
4. *Expert power* is power an individual has when they possess a special knowledge, skill, or ability that others lack. Those with expert power may not have a title within the organization, but people seek advice and guidance from them.
5. *Referent power* is the display of admirable characteristics that others seek to possess. An individual will choose to follow someone with referent power because the person has traits and characteristics that the individual admires. Charismatic persons and celebrities have this type of power.

Why Managers are Important

Managers are integral to the success of an organization because they are responsible for using resources, both financial and human, to increase performance and profits.

Without the proper managerial leadership, individual employees would be left alone in their attempt to meet organizational goals through their individual efforts. Employees may lack the passion, motivation, direction, and purpose required to run an organization, therefore managers must give employees at each level of the organization a vision of what is possible.¹⁹

Roles

Managerial roles are tasks a manager is expected to perform based on the position he or she holds in the organization. In 1960, Henry Mintzberg undertook a study of executives to determine what they did on their jobs. Mintzberg concluded that managers perform ten different managerial roles that are grouped into three categories: interpersonal roles, informational roles, and decisional roles.²⁰

Interpersonal. When managers perform in the interpersonal role, they perform the managerial role of the *figurehead*, *leader*, or *liaison*. Managers engage in interpersonal roles to provide direction and supervision for both the organization as a whole and the employees within the organization. The role of manager as a figurehead is inspirational in nature; the leader acts as a symbolic head of the organization and represents the organization in all formal matters. When managers take on the role of leader, they are responsible for motivating and directing employees; this role defines the relationship between leaders and employees. In the liaison role, the manager maintains a network with contacts outside of the organization.

Informational. When managers perform in the informational category, they perform the managerial role of *monitor*, *spokesperson* or *disseminator*. A manager holds a monitor role by receiving information regarding the external and/or internal environment and communicating that information to an organization's members or contacts. As the manager receives information about what the company needs to do in order to remain competitive, that individual communicates it with other members of the organization. The manager fills the spokesperson role when conveying information to the public or speaking on behalf of the organization. An example would be when a manager goes public to inform investors about the company's profitability and future plans for growth. Managers act in the role of disseminator by communicating information received from the environment to members of the organization.

Decisional. When managers perform in the decisional category, they perform the managerial role of *entrepreneur*, *disturbance handler*, *resource allocator* or *negotiator*. Growth requires action, and the responsibility for action rests with the manager. When a manager searches the organization and the industry for opportunities and anticipates choosing an opportunity to become a reality, he is acting as an entrepreneurial manager. A manager becomes a disturbance handler by taking corrective actions when the organization experiences unexpected disturbances. Disturbances could include conflict between subordinates, but in general a manager fills this role when fixing any type of problems. A manager becomes a negotiator when making organizational decisions or representing the organization at major negotiations. In the role of a decision maker, the manager is working with others, both inside and outside of the organization, to accomplish the organization's goals.

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Category	Role	Activity
Interpersonal	Figurehead	Symbolic head of the organization.
	Leader	Motivates and directs employees.
	Liaison	Maintains a network with contacts outside of the organization.
Informational	Monitor	Assessment of the external and/or internal environment.
	Spokesperson	Conveys information to the public or speaks on behalf of the organization.
	Disseminator	Communicates information received from the environment to members of the organization.
Decisional	Entrepreneur	Searches the organization and the industry market for opportunities and anticipates choosing an opportunity to become a reality.
	Disturbance handler	Takes corrective actions when the organization experiences unexpected disturbances.
	Resource allocator	Determines where in the organization to send resources, provides a budget for a project, or sets project priorities.
	Negotiator	Makes organizational decisions or represent the organization at major negotiations.

Types of Managers and Their Typical Duties

Due to the number of different tasks that are performed within an organization, many different types of managers exist. Some tasks will be common to all managers, while other tasks will only be required in a manager's specific area of expertise. Generally, two types of managers run an organization: general and functional, while the executive level of management oversees the entire organization of both functional and general managers.

General

An essential quality for any manager is the desire to lead. Without that desire, a manager will not be able to motivate others to achieve the company's objectives. Effective managers should also have the proper training and experience. A manager must understand how the business runs and possess a vision of where it is going so that he or she is competent in guiding others to success. Effective managers must also be able to handle the pressures and responsibilities for the success or failure of the business.

Yukl summarized the general duties of a manager in six points:

1. The manager should be able to agree with corporate objectives and priorities.
2. The manager must be committed to a task when difficulties are encountered.
3. Managers must be able to rally people within their organization toward a common goal.
4. Managers must be able to multi-task, utilizing the available resources and personnel.
5. This individual must be able to rally support from company stakeholders.
6. Finally, the successful manager will have clear, definable, and knowable boundaries for his or her job.²¹

Jack Welch, former Chief Executive Officer of General Electric, states that the most fundamental quality a manager must have is self-confidence. Self-confidence gives birth to the courage required to face the many trials that will be experienced by a manager.

In addition, Welch believes that if a person has courage, that individual will be more apt to take risks, which he believes is a requirement for success. A manager who is willing to take calculated risks will stretch themselves to become more talented and achieve more. However, it all starts with developing self-confidence and believing that one can achieve great things—things that seem impossible to most individuals.²²

Functional

The functional manager is responsible for oversight of the resources within one specialized department in the organization. Some examples of the functions in an organization are accounting, production, operations, research and development, finance, marketing and human resources. A few of these functions are highlighted here.

Operations. Operations management is concerned with how a company's products are produced. Individuals ranging from the CEO in the boardroom to the worker on the manufacturing floor have a stake in performing some level of operations management for the company. Managing the operations of an organization requires the skills of a general manager and the ability to communicate and identify with the average worker. Individuals who make good operations managers communicate the desires of top management to the employees in a manner that motivates and inspires. The operations of an organization include organizational design, product development, production planning, supplier management, quality assurance, distribution, and risk management.

The operations manager should have an expert knowledge of how things work in the areas for which he or she is responsible; however, being an expert in every task is not as important as realizing the potential of every piece of equipment and each employee. An operations manager must be knowledgeable of the basics of the organization itself and the business environment in which the organization operates. Care must be taken in selecting the individual to occupy this managerial position, because the manager's operational philosophy must mirror that of the organization.

Finance. Individuals managing the financial component of a business must have very specific skills to ensure that this critical facet of an organization is accurately and efficiently performed. Financial managers must have knowledge of the following concepts:

- Local, national, and international laws regarding investments, taxes, import/export procedures, and business monopolies.
- International labor and banking practices dealing with fixed vs. variable loans, debt financing, bonds, revenue sharing, tax waivers, and interest rates.
- Knowledge of depreciation of materials, employee wages, labor bonuses, accounting, budgeting, surpluses, and the economy are all critical for success as a financial manager.

Human Resources. Human resource managers address employee-related issues including the development and management of the organization's human resources and organizational development. Human resource development focuses on the improvement of individual performance, while organizational development focuses on the improvement of group performance. Human resources managers oversee the staffing and employee retention processes within an organization, including employee assistance programs, workplace issue resolution including violence and sexual harassment, recruiting, staffing, and payroll issues. Because human resource managers deal with people and their livelihood, the stress

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associated with this job is significant. Individuals who elect to manage in this area must have attributes of compassion, decisiveness, discernment, organization, administration, and commitment to the company.

Executive

While they may be considered general or functional, top managers establish organizational goals, determine how departments will interact, and monitor the performance of middle managers. Top managers gather, analyze, and organize information through the strategic management process. The strategic management process consists of three activities: (a) strategy formulation, (b) strategy implementation, and (c) strategy evaluation.

Strategy formulation is the planning stage. During this phase, strategic managers determine (a) what business to enter, (b) how to allocate resources, (c) the development of a vision statement, (d) a mission statement, and (e) the formulation of a SWOT analysis, in order to give the organization a sense of direction. The final step in strategy formulation is to set measurable objectives. This phase ensures the formulation of the organization's identity and provides long-term direction for the organization's members. Strategy implementation occurs when employees, with the guidance of top managers, begin work to accomplish the organization's strategies. Strategy evaluation compares the organization's actual performance with the organization's planned performance to determine any necessary corrective actions.

Managerial Skills

In his studies in the 1970s, researcher Robert Katz determined that managers, through education and experience, acquire three different types of skills: technical, human, and conceptual.²³

Technical skills

Technical skills are the job-specific knowledge and expertise required to perform a particular role within an organization. This requires that managers have a thorough understanding of job-specific tasks, which can be gained through both formal education and/or training programs. Because such managers provide guidance and direction to the organization's front line, operational managers should possess technical skills, which emphasize a manager's performance expertise.

Human skills

Human skills are a manager's ability to interact and work well with others. Since managers get things done through people, they must have good communication and motivational skills. A manager provides instructions to subordinates through communication; therefore, managers must communicate clearly in both written and oral formats so that subordinates understand what is required. Human skills also include understanding what motivates subordinates within the organization. These skills are important for the top, middle, and lower levels of management.

Conceptual skills

Conceptual skills are a manager's ability to see the big picture and how all parts of the organization work together as a whole. Managers use conceptual skills to identify problems, develop alternative solutions, evaluate the alternatives, and select the best alternatives. Conceptual skills are important for top managers who must deal with complex problems that involve the organization and its macroenvironment.

Conceptual	Conceptual	Conceptual
Human	Human	Human
Technical	Technical	Human
		Technical
Operational Manager	Tactical Manager	Strategic Manager

Managerial skills required at each level of the organization

Characteristics of Successful Managers

In a twelve-year study, conducted by the Hagberg Consulting group, 25 percent of executives in high technology companies were deemed to be ineffective managers.²⁴ Effective managers must be able to build trust, motivate workers, adapt to change, build relationships with internal and/or external customers, communicate effectively, and have high self-efficiency.

As already noted, successful managers are those that build relationships of trust with their subordinates. Since human effort is an organization's most important resource, mutual trust must exist between an employee and his or her manager. If an employee trusts his manager, he is more likely to perform his best while striving to achieve organizational goals.

Another characteristic of an effective manager is the ability to motivate workers. In order to motivate workers, managers must understand how to motivate according to individual preferences. In a diversified workforce, successful managers must learn to cope with individual differences, derived in part from culture and gender, and develop a way to motivate each individual accordingly.

A successful manager must also be able to adapt to change. Today's organizational environments are in a constant state of change because of technological breakthroughs, global competition and consumer demands. The development of new technology is making current processes and procedures obsolete, and as a result, managers must upgrade

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their personal technical skills and the technology utilized within their organization in order to remain competitive.

Because of changing customer demands, a manager must maintain a relationship with his or her external and internal customers in order to understand the changes in consumer preferences. The more information a manager can get from consumers concerning improvements to products and/or services, the more successful the manager will be in working towards those improvements and keeping the organization competitive.

Successful managers must be able to communicate effectively. As the one that employees look to for direction, managers must be able to communicate in such a way that subordinates comprehend what is required. In addition to being able to communicate what is required of employees, managers must also establish open communication to get the proper feedback, so that if any changes are needed to ensure effective and efficient performance, the proper actions can be taken immediately. Communication also includes the external face of the business, including how the organization communicates with its customers and other stakeholders. Managers must be aware of the newest forms of communication that are used, such as social media, and how to effectively communicate with external and internal stakeholders through those networks.

High self-esteem and self-efficacy are additional factors that determine the success of a manager. While self-efficacy and self-esteem are often used interchangeably, the two concepts differ. Managers with high self-esteem believe that they have the ability to succeed, regardless of the circumstance. Self-efficacy is a person's self-evaluation of their ability to perform a task successfully.²⁵ Experience performing a task and the level of difficulty to perform the task has an impact on whether a person's self-efficacy is high or low. By contrast, self-esteem is a global feeling about self. In practice, a person can have a low self-efficacy regarding their ability to complete a task, yet maintain a high self-esteem. Similarly, the reverse could also be true.

Mintzberg offered that successful management was a blend of craft (experience), art (insight), and science (analysis). Balanced, dedicated individuals, who practice an "engaging" style, are needed for success in management.²⁶ An engaging manager is one who is personally involved with others in the organization and believes that his purpose in the organization is to leave it stronger than when he arrived. Mintzberg believed that defining successful management as a craft implied that it could not be learned in school; rather, one has to experience the complex phenomena found in organizations first-hand to be able to understand the nuances and tacit processes of practical management.

Organizational Structure

An organizational structure represents the authoritative hierarchy and is the framework by which job tasks are divided, grouped, and coordinated. Although organizations are not structured by any standardized blueprint, an organizational chart is the visual representation of a traditional organization's structure.

The type of structure utilized within an organization depends on both the organization's environment and its technical work process. The types of organizational structures include simple structures, functional structures, divisional structures, and matrix structures (each of these structures will be discussed further in another chapter).

Simple structure

The simple structure has no formal managerial hierarchy; authority is principally the responsibility of one person. Labor does not follow strict, identified guidelines; therefore, planning and training are limited, and few rules exist. An entrepreneurial start-up would be an example of a simple, organizational structure.

Functional structure

A functional structure groups together employees that perform similar duties. In an accounting firm, the functions may be divided by the accountants whose specialty is tax preparation, auditing, forensic accounting, or financial advising. In a manufacturing plant functions may be human resources, production, marketing, accounting, and sales.

Divisional structure

A divisional structure groups employees based upon product, geographical regions, or customers. While the organization's corporate office has a centralized authority, each division is focused on a different product, region, or customer. An auto manufacturer that has different divisions for different models of cars may have one division for SUV models and another for subcompact models, as each has different target markets and manufacturing processes.

Matrix organization

A matrix organization is one that combines divisional and functional structures so that a subordinate working on a project reports to two supervisors—the functional supervisor within the department that the subordinate works and the project supervisor. However, as the number of individuals or teams reported to increases, so does the chance for error, loss of information, time, and money.

Span of control

A span of control is the number of subordinates who report directly to a manager. The span of control that managers possess depends upon the type of organization in which they operate. The optimal span of control depends upon the type of work being done and the skill level of subordinates, but Napoleon Bonaparte considered five subordinates to be the optimal number that should report to a single manager. Many managers today still believe this to be a good number.²⁷

Historically, the mindset of management was that as a company grew in size, the layers of management required to oversee the additional personnel or production would also grow by necessity. Peters and Townsend believe that most of the Fortune 500 companies are over-managed—managers have a narrow span of control—which produces wasted resources, time, and profits.²⁸ They believe that as organizations grow, management layers should not be increased. Excessive layers of management are costly and contribute to confusion and operational inefficiency.²⁹ Thus, the purpose for inserting additional managerial levels often does not produce the desired effect.

What is the optimal number of levels of corporate management? Peters and Townsend suggest that any company that has over \$50 million in annual sales should have no more than three levels for optimal performance. They believe that additional managerial levels creates layers of personnel that are not needed; and even worse, they divert the energies

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and resources of the business away from their goal of making a profit.³⁰ A critical factor in making this decision is performing an evaluation of personnel, departmental, and organizational needs.

A critical factor to the success of any business is assessing the organization's structure to ensure that personnel, departments, and management are working together toward the same goals. The different components of an organization must work together to perform efficiently.³¹ Brockman and Morgan found that the level of organizational cohesiveness was critical in the development and use of a new product.³² Thus, a flatter organization—one with fewer layers of management and wider span of control—must coordinate its various levels and function as a unit in order to enhance production and profits.

Organizational Levels

An organization is comprised of three different levels, each of which has a corresponding level of management. The three levels of management are operational managers, tactical managers, and strategic managers. Although the boundaries between levels of management are not always clear, a general picture of what comprises each level is explained here.

Strategic Management

Strategic management, business strategy, and organizational strategy are terms that are used synonymously. They focus on an organization's mission statement and external environment.

Strategic managers, also referred to as top management, are responsible for making decisions that will help the organization meet its overall mission and vision. These decisions affect the organization in the long term: three to five years. A strategic decision may determine whether the organization will enter a particular market or discontinue the production of a particular product. Examples of top managers are Chief Executive Officer (CEO), Chief Operating Officer (COO), and President.

A strategic manager assesses what the organization is doing currently and then determines what changes need to take place for the organization's goals to be accomplished. Strategic management is "[t]he set of decisions and actions that result in the formulation and implementation of plans designed to achieve an organization's objectives."³³ Strategic management includes action plans that evolve from the mission statement, the review and assessment of both internal and external environmental factors, and the reward system that will be utilized for goal attainment.³⁴

A mission statement answers the question, "What is our reason for being?" An organization's board of directors and top leaders have the responsibility of determining a clear and concise mission statement, because "[o]nly a clear definition of the mission and purpose of the organization makes possible clear and realistic [goals]."³⁵

Some tools used by strategic managers to obtain a clear picture of where an organization is and to determine strategic goals and plans are the SWOT analysis and the Balanced Scorecard. A SWOT analysis looks at an organization's strengths, weaknesses, opportunities, and threats. When reviewing strengths and weaknesses, one is looking at matters internal to the organization, which includes work processes, culture, staff, etc. Opportunities and threats are matters external to the organization and may include competitive analysis, governmental regulations, new technology, etc.

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Developed by Kaplan and Norton, the balanced scorecard (BSC) gives managers a comprehensive look at an organization.³⁶ While traditional management systems focused on profits, the BSC recognizes that if strategic managerial objectives are going to be achieved, additional factors need to be considered. Specifically, the BSC acknowledges the importance of both financial and nonfinancial issues in the realization of organizational goals and considers customers, marketing, operations, finances, growth, and personnel training. The key to the BSC's effectiveness is its ability to encompass financial and nonfinancial matters and link them to the organization's strategy. The BSC is a tool that can effectively facilitate the identification of strategic goals and the clarification of necessary procedural methods to achieve desired results.³⁷

Critical to the success of the strategic manager's duties is the ability to determine organizational goals, how those goals will be accomplished, and the skill to make strategic decisions. The effective manager utilizes tools, such as the BSC and SWOT analysis, and determines the proper time to act, what actions to take, and utilizes feedback to take any necessary corrective action.

Tactical management

Tactical managers are commonly referred to as middle managers. They supervise first line managers and find the best way to utilize both human and nonhuman resources in order to achieve the goals received from the organization's top managers. Tactical planning is performed after strategic managers have established broad strategic goals and objectives. While strategic managers establish *what* needs to be done by setting forth a strategic plan, tactical managers define *how* to implement the strategic plan. The decisions that tactical managers make will affect the organization in the next six to twenty-four months. Examples of middle managers are project managers and district managers.

Operational management

Operational managers take the goals devised by tactical managers and devise specific goals and action plans to ensure a positive outcome. Operational, or front-line, managers ensure that the day-to-day activities and operations in an organization are carried out efficiently and effectively. Although the components of a business are complex, operational management attempts to simplify potential problems in the details of business.³⁸

The flaw in many operational management strategies is that a manager cannot simply list the activities each department is required to perform. Those who oversee the company's operations must ensure that departmental activities, from who is hired to supplies for workers, are consistent with the organization's strategic and tactical goals.

Organization Environments where a Manager Must Operate

The organizational environments where management must operate differ vastly from those of even ten years ago, mainly due to globalization and the change in communication patterns brought about by the growth in social media. Because of technology the amount of information managers have to process has increased exponentially. Due to the increasingly competitive nature of business today, management faces significant pressure to make wise decisions, using the most up-to-the-minute information.

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Managers must be aware of the internal and external factors that affect the organization. Internal factors are those which reside within the business, such as the goals, corporate structures, and policies. External factors are those which are external to the organization but affect and are affected by the organization: external stakeholders, including customers, suppliers, local, state, federal, and international governmental agencies, and other competitors. The external environment is constantly changing and requires regular review, as it directly affects the decisions that organizations make. External factors can include a competitor's marketing/advertising campaign or world events that influence customers' attitudes. Different variables can prevent a supplier's ability to provide the needed materials. Governmental agencies make laws to pacify their constituents, often to the detriment of local and national businesses. Other companies are constantly seeking to discover new and creative ways to identify and connect with the consumers.

According to Jack Welch, a successful manager will be able to multi-task, handle inside politics and adversity, make tough decisions courageously, and be a team player with a staff that regularly changes.³⁹ At all levels, operational, tactical, and strategic, the manager's chief duty is decision-making, so he or she must be able to discern how to handle different situations. The emerging global economy demands that managers be aware of the corporation's totality—see the “big picture.” As the world shrinks because of technology, the business environment continues to be increasingly competitive and unstable. Therefore, a business that wishes to be successful will need to possess the ability and plan for change within the organization.⁴⁰ Due to the fluidity of markets, nations, consumer demand, and public opinion, companies must prepare for change internally and externally. Internal factors that need to be considered include corporate management structure, rules, required job skills, employee abilities, motivation, facilities, available finances, present clients, and different personnel roles. Intangible concepts, such as tradition, corporate history, bias, local culture, and personal habits must also be processed into one's managerial duties.⁴¹ Because the individual's job performance depends on the ability to work through many of these issues, managers who fail to consider this information will have a short managerial life.

While managers influence many of the internal factors, their ability to control external factors is almost zero. However, managers must be aware of external factors and use environmental scanning when making decisions. External factors include information technology, the political atmosphere, economic conditions, competitors, the public's perception, local and international laws, media habits and practices, and cultural trends. A daunting task for any manager is to remain current with the latest corporate-business technology. While managers do not have to be aware of how technology works, they must know how it can help or harm their organization. Managers must maintain an environment where the needs and desires of the stakeholder and the company's vision are considered in every decision.⁴² A manager must lead a workplace that encourages teamwork, collaboration, and information sharing. Finally, many business environments demand that the leader be an effective communicator to both individuals and management teams.

Effective managers must be aware of the social and political climate of the country in which the organization is located and where its products are sold or services provided.

Failure to attend to these variables can mean disaster. Many corporations experienced huge losses when Fidel Castro became the head of the Cuban government in 1959 and confiscated U.S. owned sugar mills in Cuba.⁴³

Total Responsibility Management

The pressure exerted on international organizations is so great that total responsibility management (TRM) teams have become commonplace. TRM teams have been given a daunting task: to balance the demand for greater profits while remaining environmentally sensitive.⁴⁴ TRM adds another layer of management to the already cluttered corporate structure, as the public demand for socially responsible organizations has grown. It is a fine line to satisfy both economic and environmental concerns among chief stakeholders, but pressure from public, private, and governmental sources demand that the effort be made.

An examination of the focus of the banking industry found that the concerns of the stakeholders in the community had become the primary core of business operations.⁴⁵ The problem with this mindset was that it caused the basics of the banking business to be neglected—namely the owners and customers. Profits were negatively affected and customers were not satisfied. In order to correct the situation, the banking industry changed its mindset from profit-making to customer-assistance. When banks satisfy customers, profits will naturally result.⁴⁶

Career Development

If one were to ask a hundred people how to build a management career, there would be one hundred different answers. While people each have their own opinion regarding the issue, everyone can agree that certain aptitudes and skills will benefit a future manager.

Those who aspire to management positions should carefully consider the following:

- Take initiative with and responsibility for the development of your career.
- Be introspective: know yourself.
- Commit to learn new skills and obtain new knowledge throughout your career. This could include communication and presentation skills or learning about another specialization in the organization. For example, if you work in the marketing department, learn about the financial component of your organization. This will increase your value to the organization.
- Build and maintain a network of business acquaintances and contacts.
- Carefully document your achievements in the workplace. This allows you to accurately promote your accomplishments and manage your reputation.

A survey of individuals who wanted to go into business and become entrepreneurs showed that the factors associated with the desire to be proprietors were both intrinsic, such as prestige, and extrinsic, such as earning power and greater independence. Results also found that the reasons for failing to start a business were lack of capital skills and confidence.⁴⁸ Therefore, if one desires to work as an entrepreneur, he or she should consider locating resources to fund business ventures, develop the skills required of a CEO, attend every workshop available, and begin each day envisioning success.

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NOTES**CONCLUSION**

One can see after reading this chapter that the question, "What is management," is still being debated. Hundreds of journals and thousands of books have been dedicated to explaining the latest trends and theories that tell how to out-perform the competition. Today's business world is not fixed but fluid and always changing. One of the characteristics of management is that no theory, strategy, or mechanism works in every type of business or situation. Therefore, organizational leadership must decide for themselves which method to use to operate an organization. The consumers will determine if the correct decision was made.

Despite the ever-evolving appearance of business, the functions of a manager have remained the same—planning, leading, organizing and controlling. However, the methods used to perform these functions vary between individuals and tasks. To lead some individuals, such as novices, requires a high degree of supervision, while professionals can often be led through a simple request. A good manager must determine the best methods to motivate so that company goals can be achieved; but due to the complexity of mankind, managers will be pondering this question for many years to come. Motivational theories and techniques abound, each seemingly having a piece of the puzzle.

A question that is individual to each manager and each organization is how many managers are needed for an organization to operate effectively? The recent managerial trend has been to downsize the levels of management within the organization, but this practice is not beneficial for all businesses. The fluid nature of business has been discussed, citing the need for flexibility in management styles and size. Because no two people are alike, one could accurately conclude that no two businesses are alike, but there are commonalities found across organizations.

Managers need to be diligent in examining the expectations of owners, workers, suppliers, customers, and communities to anticipate change. The great challenge for every company and researcher will be to predict cultural, community, and business tendencies, followed by a plan or map to help organizations achieve their goals amidst our ever changing world.

Some recommendations have been offered for the individual who wants to be successful in the business world. These suggestions would help any manager improve his or her performance, but this list is not exhaustive. Senior management would be wise to offer workshops for other senior and junior level managers where these principles and their application within the organization were taught. Management will never completely understand human behavior, but they can do their best to acquire the best information available and apply it to their personnel. This will be a constant challenge and frustration due to the inconsistency of human behavior.



History of Management

Measurable Learning Objectives

1. Summarize the historical background of the study of management.
2. Discuss Scientific Management theories and theorists and identify their impact on modern management. Identify the contributions of Taylor and the Gilbreths.
3. Discuss Administrative Management theories and theorists and identify their impact on modern management. Identify the contributions of Fayol and Weber.
4. Discuss Quantitative Management theories and theorists and identify their impact on modern management. Identify the contributions of Owen, Musterberg, Parker Follett, Barnard, Mayo, Maslow, McGregor, and Argyris.
5. Describe trends and theories that are affecting modern management practices.
6. Identify management gurus that are affecting modern management practices.
7. Discuss the impact of management theories on an organization, the manager and employees. Identify the contributions of Deming, Juran and Senge.
8. Integrate the concepts learned in this chapter with the Christian faith.

NOTES**INTRODUCTION**

The roots of current management practices are found in the historic events of the past few centuries. This chapter follows the evolution of management theory from its beginnings in the eighteenth century to modern theories of today, with changes driven by economic, environmental, political, and cultural factors. Theorists and innovators met the forces of change by challenging the status quo and seeking new methods in order to be more efficient and productive. Management emphasis shifted from one of rules and authority to industrial psychology, from a focus on production and the product or service produced to the employee, from a hierarchical management structure to one that is flat, and from a static organization to one that is flexible.¹

In 1776, Adam Smith (1723-1790) of Scotland published *The Wealth of Nations*, a defense of free-market policies, in which the economic focus was shifted to efficient production through specialized tasks and the division of labor. At the time of its publication, industry consisted almost entirely of small farms and home-based factories where owners were trying to earn an income to support their families. Smith believed that there were two requirements necessary for work to be productive: the work must create both a tangible end product and a surplus that would be reinvested in production.

Smith was the first to recognize the connection between job specialization and efficiency.² To explain the relationship, he used as illustration the manufacturing of pins. While one worker could make only ten pins a day, Smith concluded that ten workers could produce approximately forty-eight thousand pins daily if each performed only a specialized task in the manufacturing process. This illustration emphasized that division of labor increased an employee's manual dexterity and speed, resulting in increased production.

INDUSTRIAL REVOLUTION

The onset of the industrial revolution in eighteenth-century Great Britain saw the economy move away from an agricultural focus to one of commerce; it was a time of transfer from human and animal power to machine power—a time of technological and economic growth. With new sources of energy, raw materials, and a migration of the population to urban areas, labor shifted from farms located in rural areas to factories located in metropolitan areas. Consequently, it was much cheaper to produce goods in factories than in homes. That shift of workers from small farms to large factories encouraged economic growth and brought about new challenges that arose from managing large numbers of employees. Managers were needed to assign jobs, direct employees, order raw materials, and coordinate activities across the factory. In other words, managers were needed to plan, lead, organize, and control a large-scale operation. As much of the labor focused on repetitive tasks, management focused on machine-like control of how employees performed their specific jobs.³ Technological advances during the industrial revolution led to the invention of specialized equipment and machinery to support mass production. Invention was not only occurring within the factory. The invention of the steam engine and its use in steamboats and railroads allowed quick transport of manufactured goods to consumers.⁴

SCIENTIFIC MANAGEMENT

On the heels of the industrial revolution, scientific management emerged in the latter part of the nineteenth century. Primarily an American trend, scientific management focused on increased efficiency and productivity of the individual employee. The replacement of small home-based businesses with large organizations brought about opportunities, but not without problems. When the small work shop was replaced with factories, which employed large numbers of people, those factories were run by managers who may have possessed technical skills but had no idea how to address personnel issues that arose. Scientific management utilized scientific methods to determine the “one best way” for a job to be accomplished, and all workers were expected to complete their work using the “one best way.”

Frederick W. Taylor

Frederick Winslow Taylor (1856-1915), is considered the father of scientific management. As an engineer, Taylor established the guidelines associated with scientific management in his book *Principles of Scientific Management*, where he believed that tasks could be planned in such a way as to increase productivity. Unlike later management theorists, such as Henri Fayol or Max Weber, Taylor's interest was in efficiency, not authority. Taylor studied the different physical motions involved in jobs performed at Philadelphia's Midvale and Bethlehem Steel Companies and was shocked at the inefficiencies of workers performing their jobs. Taylor used time and motion studies to determine the one best way to complete a task, which was what he believed to be the most efficient way to complete each job. Like a cog in a machine, each employee had a specific function. The more precise the cog, or in Taylor's case the employee, the better the factory ran.

Taylor believed that successful management entailed sustained profitability for the employer and substantial wages for the worker. The goal was for both the employer and the employee to work together to increase the profitability of the organization. Taylor felt that a manager had two responsibilities: coordinating employee functions by assigning tasks and monitoring employees' work, and providing clearly defined guidelines for employees to be successful. The guidelines were necessary because Taylor believed that workers deliberately worked well below their capacity on the job—a term he called soldiering. To eliminate soldiering, Taylor's theory espoused four guidelines that he believed would promote efficiency:

The principles at the heart of scientific management were clear: break jobs down into their simplest parts; select the most suitable workers to fit the available jobs; turn those workers into specialists, each an expert in his own appointed task; arrange these specialized jobs along an assembly line; and design the right package of incentives (including bonuses and prizes) to ensure that the workers did indeed work.⁵

Rules and clearly defined roles were central to scientific management, so processes were documented as written rules and standard operating procedures. The responsibility of the manager was to assure that the worker was appropriately trained to function within the parameters that had been created. Finally, an established acceptable level of performance, which was associated with a specific level of pay, had to be set. However, Taylor believed that pay should be linked to productivity, so workers were able to earn

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more than those who worked in factories that did not follow scientific management. Over a number of years, Taylor performed various experiments to determine the best procedures and methods to determine the one best way that tasks should be performed and proposed the following duties for managers:

<i>Principle 1</i>	Replace 'rule of thumb' with 'one best way' based upon scientific study of tasks.
<i>Principle 2</i>	Scientifically select, train and develop workers according to their skill sets that complement the tasks required of the position. Train workers to function within the rules and standard operating procedures.
<i>Principle 3</i>	In cooperation with workers, management must ensure that all work is being done according to scientific principles.
<i>Principle 4</i>	Equal division of work between management and workers. Managers apply scientific management principles and workers perform the tasks.

Scientific management improved productivity, but the application of Taylor's guidelines were not always implemented as planned. By the early 1900s, Taylor's four guidelines were being utilized throughout the United States to increase efficiency. Organizations raised performance expectations; but in some cases, management neglected to reward employees when they exceeded pre-determined expectations. Instead of receiving monetary bonuses, the workers were simply rewarded with more work and higher expectations. Also, the repetitive nature of the "one best way" alienated workers and caused a decrease in the skill level of those who performed the same task day after day. The backlash towards the implementation of Taylor's scientific management principles led to his methods falling out of favor.

Frank and Lillian Gilbreth

Frank (1868-1924) and Lillian Gilbreth (1878-1972) pioneered motion studies and the psychology of management. They had a large family, and as parents of twelve children, the Gilbreth philosophy of efficiency carried over to their personal lives. They separated the home into designated work centers, and the family recorded and displayed tasks and methods on charts. Unquestionably unique, two of the Gilbreth children lovingly commemorated the use of their family as guinea pigs and the household's organizational structure in the book, *Cheaper by the Dozen*.⁶

The Gilbreths took the job-study ideas of Frederick Taylor to the next level and worked to eliminate useless effort by studying hand and body motions that a worker used to complete a task. They studied each movement performed by a worker as a job was done and then developed a plan to improve performance by eliminating or moving where tasks fell in the job process. The Gilbreths reduced all hand motions into eighteen basic gestures, such as "grasp" and "hold" and named the motions Therbligs. Therbligs, an anagram of the name Gilbreth, were developed as a system of categorizing basic tasks within a process and were symbols for a specific movement or action that a worker would make to

perform his or her job. Workers were observed, and every task performed was dissected into individual movements. The movements were timed, filmed, and examined—frame by frame—to study every stroke.

Each motion was assigned a Therblig. Each of the eighteen Therbligs was color coded and associated with a specific icon. An example of the Therblig is “Search.” “Search” was represented by the color black and associated with an icon that looked like an eye, which signified the time spent searching for items to perform a specific task, such as paper, tool, or switch. The Gilbreths discovered that colors, shapes, and embossed symbols made finding the items easier. The Therbligs were hand recorded on a Simultaneous Motion (SIMO) chart, which was the precursor to a flow chart. The chart was then reviewed to discover easier ways to perform tasks. The intent of using Therbligs was not to save time but to promote efficiency and avoid wasted movements.⁷ Through chart evaluation, the Gilbreths could eliminate the Therbligs that were unnecessary or reposition in the flow of the task those Therbligs that decreased efficiency or caused worker fatigue. By studying the SIMO chart, areas of delay also became obvious. By streamlining processes in this manner, the Gilbreths assumed that the process would naturally take less time and decrease worker fatigue.

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ADMINISTRATIVE MANAGEMENT

Administrative management theory is the study of an organization based on efficiency and effectiveness. Efficiency is measured by how well resources are utilized to achieve set productivity goals. Effectiveness measures the appropriateness of the goals set by the organization and how well the goals are achieved. An organization utilizes efficiency and effectiveness by measuring performance according to these combined standards. Businesses continually seek ways to achieve efficient and effective processes as a matter of competitive survival.

Henri Fayol and Max Weber played important roles in the development of the theoretical structure of Administrative Management. Administrative management is different from scientific management. Administrative management focuses upon concentrating on the efficiency of large numbers of individuals in an organization, whereas the scientific approach concentrates on the efficiency of the individual.⁸

Henri Fayol

Henri Fayol (1841-1925) was a French engineer, the CEO of a mining company, and is known as the “father of modern management.” After his retirement in 1916, Fayol published a book in which he utilized his management experiences to identify four functions and fourteen principles of management. The functions of management included the processes of planning, organizing, leading, and controlling, while the principles of management were intended to be used as guidelines in managerial decision making and in the development and improvement of management skills. The fourteen principles are as follows:

1. *Division of work* increases efficiency by promoting job specialization. In order for this to be effective, the employee must not be allowed to become bored with his job and should be encouraged to assume different responsibilities.

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2. *Authority and responsibility* are components not only directed to the manager but also to those employees with informal authority associated with increased expertise or natural leadership skills.
3. *Discipline* of employees is an entitlement of leadership and authority. Employees must obey the rules of the organization.
4. *Unity of command* means that employees should answer to only one person in authority. Having more than one authority figure could lead to disarray and confusion.
5. *Scalar chain*. (Line of authority) The chain of command should align from top to bottom and provide a clear hierarchy so all employees in the organization understand and play their part.
6. *Centralization of authority* assures that decision making is centralized at the top of the chain of command.
7. *Unity of direction* gives the workers and managers a single path to follow; a single vision.
8. *Equity* represents the entitlement of all employees to be treated fairly.
9. *Order* is the alignment of positions and materials to a specific place.
10. *Initiative* is making a plan and acting on the steps required to carry out the plan.
11. *Remuneration of personnel* is accomplished through the practice of provision of fair wages, bonuses and incentives.
12. *Tenure of personnel* offers job security for good workers by encouraging skill development to promote retention and decrease turnover.
13. *Subordination of individual interests to the common interest* indicates that the success of the organization is the primary goal, and all other goals are secondary. When at work, all thoughts and actions should be focused on work.
14. *Esprit de corps* is the driving force to camaraderie and enthusiasm that unifies and energizes the organization.⁹

Fayol adamantly believed that authority was based on a manager's position in the organization, as well as his or her intelligence, performance, and moral fortitude. His organizational model was depicted "as a pyramid of people with both personal power and formal rules as principles of organization."¹⁰ Fayol's theory is considered controversial because it is not based upon scientific study but on anecdotes of his own experiences. Many have challenged his principles because they claim that Fayol thought the principles were sweeping truths for management; however, Fayol wanted the principles to be flexible in their application.¹¹

Max Weber

Max Weber (1864-1920) was a German scholar, professor of economics, and sociologist, who in his book, *The Theory of Social and Economic Organizations*, developed a concept of bureaucracy that he considered to be ideal for large organizations.¹² The power behind Weber's theory was found in the rules of the organization, which provided structure and efficiency and defined the power of the manager.¹³ Over time, Weber's strict view of authority and command met with controversy, but components of the basic structure of bureaucracy have held firm.

Weber's works became a foundation for current theories regarding charismatic leadership and the magnetic pull that a charismatic leader has on followers. According to

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Weber, charisma occurs when there is a social crisis, a leader attracts followers who believe in the vision, they experience some successes that make the vision appear attainable, and the followers come to perceive the leader as extraordinary.¹⁴

Weber believed in well-defined rules and a strong hierarchy and supported his viewpoint with the theory of an ideal bureaucracy. Weber's bureaucracy was a set of guidelines intended for large groups rather than individuals and was divided into division of labor, authority, formal rules, impersonality, and career orientation.

1. *Division of labor* assured that the job was done by an expert so that the end result would be consistent and completed more quickly and efficiently.
2. *Authority* assured a clearly defined chain of command.
3. *Formal rules* assured that employees followed the same pattern of tasks so that the same level of performance was maintained. The expectation of compliance to rules was applied to managers as well as workers.
4. *Impersonality* removed emotion and camaraderie from the equation. Rules were equitably enforced, regardless of the employee's rank or status so that favoritism held no credence in the organization.
5. *Career orientation* designated that company owners should not manage departments. Instead, that task should be done by professional managers, hired by the organization.

BEHAVIORAL MANAGEMENT

Behavioral management theory focuses on the behaviors utilized by managers to motivate employees to work effectively and demonstrate commitment to the organization's goals. Behavioral management became popular in the 1930s following the introduction of industrial psychology, but the roots can be traced back to the 1800s. Theorists Robert Owen, Hugo Munsterberg, Mary Parker Follett, Chester Barnard, Elton Mayo, Abraham Maslow, Douglas McGregor and Chris Argyris are all considered behaviorists.

Robert Owen

Robert Owen (1771-1858) was a Welsh businessman and factory owner, noted as a reformer, idealist, and entrepreneur. He married the daughter of the owner of New Lanark Mills and managed the mill's operations, where he worked passionately to improve working hours and overall conditions for laborers. Owen sought to improve public education (at a time when many were illiterate), furnish company meals for workers, and provide organizational support for community programs. One of Owen's most exhausting battles was his fight to abolish the use of child labor; he believed that children should not work in the mills before they were ten-years-old. He chastised businesses for treating their machines better than their workers.

Owen's opinion that labor is a source of wealth and that workers have certain rights contributed to the labor movement and the development of a new working class. Owen did not, however, understand or promote class struggle, feeling that a transformation to a cooperative, egalitarian society would be peaceful and natural.¹⁵

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Hugo Munsterberg

German-born psychologist Hugo Munsterberg (1863-1916) is considered the “father of industrial psychology” and a champion for behaviorism. As a Harvard professor, he identified methods to improve employee selection through the utilization of psychological testing and the development of the best training techniques and methodologies for individual motivation. In 1913, he pioneered job analysis based on his study of streetcar operators.¹⁶

Munsterberg was able to establish a connection between scientific management and industrial psychology. He believed that both scientific management and industrial psychology increased organizational efficiency through alignment of a worker's skills with the requirements of a job.

Mary Parker Follett

Mary Parker Follett (1868-1933), a social philosopher and social worker, based her theories around groups and community. A graduate of Radcliffe College, her ideas and opinions were well ahead of others of her time. Follett may be best known for her pursuit of the human relations side of management. She appreciated the advantages offered through diverse groups and transferred this to her theory, which attributed the success of organizations to group interaction, ethics, and teams—as opposed to hierarchal structures or rules. Follett believed in self-governance in the workplace and that power is developed and cultivated, not used to control. Follett believed that individuals control with power because they are too impatient to wait for the educational process to bring about expertise and intelligence. In her 1924 book, *Creative Experience*, she presented her circular theory of power in which power flows from one individual to another, not from a hierarchal position but from intelligence and expertise.

As a lecturer and writer, she shared her views on developing a social conscience in the workplace. Follett compared the workings of an organization to that of a democratic community that thrived with cooperative socialization—managers and employees should work together instead of one giving orders and the other receiving orders. Many did not readily accept her viewpoints in her lifetime; however, other theorists elaborated upon them later in the twentieth century. One such person was Peter Drucker, who discovered Mary Parker Follett's writings in the 1950s and found them to be highly influential. Follett's ideas were visionary and contributed to the promotion of the concepts of searching for win-win solutions and appreciation for diverse cultures.¹⁷

Chester Barnard

Chester Barnard (1886-1961) worked at American Telephone and Telegraph and later became the president of New Jersey Bell. The writings of Max Weber influenced him in his early years, and after Barnard became familiar with the Hawthorne studies, he took Weber's theories one step further by adding human relationship aspects of management to the mix. In 1938, Barnard published *The Functions of the Executive*, where his underlying theme was that, “organizations are by nature cooperative systems but require sensitive management to maintain them in states of equilibrium.”¹⁸ Barnard believed that cooperation is the glue that holds organizations together and that cooperation was an inherent function

that should be adopted to support an organization's survival. Barnard recognized that the structure of an organization is a community of people. Individuals convene to become groups, and the groups make up the organization. Managers carry the responsibility of motivating the individuals and groups to follow a single set of goals for the benefit of the organization. The leader, then, is responsible to provide training, support, and employee incentives. Barnard stated in *The Functions of the Executive*,

I believe that the expansion of coöperation and the development of the individual are mutually dependent realities, and that a due proportion or balance between them is a necessary condition of human welfare. Because it is subjective with respect to both a society as a whole and to the individual, what this proportion is I believe science cannot say. It is a question for philosophy and religion.¹⁹

In addition to his theory of equilibrium, Barnard was troubled that the life of organizations was typically short lived, with most organizations lasting less than a century. He believed that the brevity of an organizational life cycle occurs because they do not operate efficiently and effectively.

Elton Mayo

Elton Mayo (1880-1949), a Harvard professor and researcher, studied the effects of groups on individual behavior. Mayo's studies revealed the impact of the informal organization—the social groups that exist inside all organizations. Mayo has been recognized for his research associated with the Hawthorne Studies of Western Electric in Chicago. The original experiment was conducted by Western Electric industrial engineers who studied the effects of the physical environment of the work area on productivity. The initial experiment was to determine whether the level of workplace illumination had an effect on worker productivity.

The control group worked in an area where the lighting levels remained constant. As lighting increased, so did productivity. However, to the surprise of the researchers, in the experimental group, lighting in the work area was increased, productivity increased. The result was the same when the illumination was decreased. Only when the illumination was adjusted to the level of moonlight was there a decrease in productivity. The results of the illumination studies baffled researchers and led to the conclusion that multiple factors influence productivity in the workplace.

Mayo participated in a subsequent, five-year experiment—the Relay Assembly Test-Room Studies. In this experiment, a research assistant observed six employees in an area removed from the mainstream employee population. The experimental group of six workers was segregated from the rest of the factory, and various changes were introduced: monetary incentives, refreshments, changes in work hours and rest periods. In almost every case, productivity improved. Even after the employees returned to their original work areas, the trend of increased productivity continued. However, the experimental group differed from the rest of the factory in that communication was fluid and the group had created a cohesive bond. Researchers concluded that the recognition of the employees as a select group and the interpersonal dynamics, combined with a perceived elite status, led to the increased productivity.²⁰

This groundbreaking study, which established a pattern for the examination of group behavior, led to a series of studies about the feelings and attitudes of workers and supervisors in relation to their output.²¹

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Abraham Maslow

Abraham Maslow (1908-1970) is noted for his motivational theory—depicted as a hierarchy of needs—which he developed in 1943. The needs are frequently depicted in the form of a pyramid with the lowest motivating need.

Maslow's pyramid consists of five levels: physiological, safety, social, esteem, and self-actualization. The lowest motivational needs are physiological and are the basic needs—such as food, water, and shelter. Safety needs are security-oriented in the form of protection from physical or mental harm. Social needs include emotional stability in the form of affection and belonging and can be met through family and friends. Esteem needs include self-respect, autonomy, and recognition and arise from status and titles. Self-actualization involves meeting one's potential through the achievement of a victory or taking on a challenge. Maslow's hierarchy of needs is further separated into two levels: lower-order and higher-order. Physiological and safety needs are categorized as lower-order needs, which are satisfied through external conditions. Social, esteem, and self-actualization represent higher-order needs that are satisfied internally.²² The theory essentially states that man will be motivated to embrace the next level of achievement only after meeting the needs of the current level.²³ Although used as the basis for many management decisions, the hierarchy of needs was not established through any scientific research but based on anecdotal evidence gathered by Maslow.



Maslow's Hierarchy of Needs

Clayton Alderfer

Clayton Alderfer (1940-) expanded Maslow's hierarchy into three needs: existence, relatedness, and growth—the ERG theory. Maslow's lower-order needs of physiological and safety were categorized by Alderfer into Existence needs. Alderfer categorized social needs as Relatedness needs, while self-actualization and esteem needs were classified as Growth needs. Unlike Maslow's theory, Alderfer believed that the hierarchy of needs did not have to be met sequentially from the lower-order needs to the higher order, and different levels of needs could be pursued simultaneously, and the order of the needs could be different

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for different people. So, while Maslow's needs are based upon a progressive hierarchy, Alderfer's ERG theory, with an adaptable order of needs, a person can be motivated by needs at more than one level at a time.

Douglas McGregor

Douglas McGregor (1906-1964), a social psychologist and professor at Massachusetts Institute of Technology, was known for his human relations approach to management. In 1960, McGregor described his theories in his book, *The Human Side of Enterprise*. His Theory X and Theory Y are two methodologies for managing people. Theory X managers assume that employees are basically lazy, dislike work and responsibility, and will avoid work whenever possible. According to a Theory X manager, an employee will function only if threatened or coerced.²⁴ Theory Y managers assume a positive approach and believe that employees enjoy their work, can be self-directed, are creative, and will accept and seek responsibility. Theory X managers rule with an iron hand and allow employees no room for individualized thought process or innovation—management is all about control. Conversely, Theory Y managers foster motivation by empowering staff with the opportunity to assist in decision making. Employees experience greater autonomy and the manager acts as a facilitator and advisor, resulting in greater job satisfaction for both. McGregor believed that the only true management option to follow was Theory Y.

Chris Argyris

Chris Argyris (1923-) is an organizational psychologist, former professor at Yale, Professor Emeritus at Harvard, and author of the book, *Personality and Organization*. He proposed that the management approaches supported by Classical Management theories were not consistent with the personality of mature adults.²⁵ Argyris argued that employees who realize their full potential benefit not only themselves but the organization as a whole. This led Argyris to conclude that the lack of focus on the employee, the use of autocratic management, and pyramidal corporate organizational structures hindered intellectual growth and creativity potential in employees. Argyris suggests that encouragement, reinforcement, and training opportunities foster growth. Furthermore, Argyris believed that allowing employees and managers the opportunity to offer input into decision-making increases job performance and satisfaction.

As a major influence of the human relations movement, Argyris found that although many managers stated that they communicated openly, they did not actually practice an open communication style, thus their actual response differed from their espoused response: "When someone is asked how he would behave under certain circumstances, the answer he usually gives is his espoused theory of action for that situation. This is the theory of action to which he gives allegiance, and which, upon request, he communicates to others. However, the theory that actually governs his actions is this theory-in-use."²⁶

Argyris partnered with Donald Schon and proposed the concepts of single and double-loop learning.²⁷ Single loop learning involves modifying the actions of individuals or groups as a response to their errors or expected outcomes. Single-loop learning involves an action and a reaction. In double-loop learning, the individuals or groups solve complex problems by modifying the values and norms of the organization.²⁸ Double-loop learning involves the analysis of why the reaction occurred and uncovers the root cause of the issue.

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To explain, Argyris uses the example of a thermostat set to sixty-eight degrees. When the room temperature drops below the setting, the heat turns on. This is a simple example of single-loop learning. In the case of double-loop learning, several questions would be prompted: Why was the thermostat set at sixty eight? Is the house insulated? Were the doors and windows closed?

QUANTITATIVE MANAGEMENT

Appropriate utilization of resources is pivotal to successful business management. Quantitative theory, also known as management science theory, utilizes mathematical processes to assist a manager in planning and making decisions concerning an organization's resources. Management science provides organizations with the decision-making tools to project fiscal planning, such as production volumes, target markets, and direction for capital investment. The quantitative processes covered in this chapter are (a) operations research, (b) mathematical forecasting, (c) inventory modeling, (d) queuing theory, and (e) simulation.

Operations Research

First utilized during World War II to plan military initiatives, operations research, also referred to as management science, is used to evaluate all phases of the operations of industry and the military. Established by the British in the 1930s and utilized soon thereafter by the United States, operations research began as a team approach within each branch of the military. By the 1950s, operations research was taught in universities across the United States. Technology has promoted wide-scale use of specialized computer programs to assist in the process and widen the field from military to medical and broad business usage.

Forecasting is used in strategic planning to project demand for goods or services based on historical data and a myriad of variables. Components of forecasting include fixed and variable costs, sales projections, seasonal variation, projected profit margins, and demand forecasting, which all bring the attributes of science to the field of management. Some of the variables that should be considered when forecasting are the current economic environment, target market, available resources, and whether the product or service is a luxury or staple. Managerial decisions regarding production and marketing are based on the results of mathematical forecasting.

Inventory Modeling

Inventory modeling is the process by which the appropriate amount of inventory required for an organization is available at all times. This means that enough of a product has been stocked to supply customers without the cost of storing more than necessary on the shelves. Inventory can be controlled by automatic delivery, based on normal usage or processes such as just in time inventory management, which keeps minimum supplies available to promote optimum usage and decrease capital tied up in slow moving inventory.

Queuing Theory

Queuing theory involves the use of mathematical tools, such as models, theorems, and algorithms to analyze systems to decrease customer waiting time and costs associated with customer service. The systems are analyzed under conditions of randomly varying demand. Queuing theory is utilized where holding patterns or lines of customers may occur due to lack of control over the demand. This theory requires observation of the process.²⁹

One application of the queuing theory evaluates the average arrival rate of customers, the amount of time it takes to wait on the customer after arrival, and the estimated cost of the wait, which determines customer satisfaction or dissatisfaction. One of the early uses of the theory was to estimate the number of operators needed to handle manual telephone switchboards. The average number of calls that arrived during given timeframes was evaluated, as well as how long it took the operators to connect calls. Queuing theory is still used today to monitor customer service and estimate the number of attendants needed, especially in areas where customers form a line, such as drive through businesses and retail stores.

Simulations

Simulations are management models that are used to test different solutions under various assumptions through computer programs or role playing. Simulations are usually based on the systems approach and utilize groups who converge to practice analytical skills in making managerial decisions. The participants are challenged to utilize quantitative processes to make such decisions as future pricing, marketing, product development, or capital investment.

Simulations can involve role play and group problem solving. Prior to the simulation, participants are given background information and business documents. They are assigned roles to enact and make decisions—just as they would in a real organization. Rather than having role play, computers can be used to run simulations, as variables can be easily changed for numerous predictions regarding possible future outcomes.

MODERN MANAGEMENT THEORIES

Modern management theory extends beyond conventional, top-to-bottom management and focuses on decreasing the number of hierarchical layers in an organization. Management's aim is to discover the creative talents in a worker and cultivate those gifts. Modern management turns to the employee for input in efficient work processes and utilizes the expertise of multifunctional groups to develop ideas in the business focus.

Systems Approach

The systems approach to management looks beyond the boundary of the organization to explain how it interacts with its environment. Systems theory recognizes that an organization is connected to its larger environment and is constantly interacting with that environment. Outputs from the organization and inputs to the organization ultimately affect both the organization and its environment. In his 1938 book, *Functions of the*

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Executive, Chester Barnard identified organizations as a sequence of systems that integrated the efforts of individuals to accomplish a common purpose.³⁰

A systems approach to management has been defined as “the ability of the organization in either absolute or relative terms to exploit its environment in the acquisition of scarce and valued resources.”³¹ This particular approach recognizes that corporations do not operate in a vacuum; rather, they interface with their external environments—suppliers, customers, cultures, etc.—and form mutually beneficial relationships to produce better products or services. An organization operating in an open system has four stages: inputs, transformation, outputs, and feedback. Individuals outside the organization provide supplies, service, and/or personnel to enable business operations to function. Tangible output of an organization generally includes products or services, but output also includes intangibles such as the organization’s reputation, influence of others, and knowledge of people or organizations.³²

Organizational stakeholders are “persons or groups that have or claim ownership, rights, or interests in a corporation and its activities, past present, or future.”³³ A stakeholder is an individual or group who has an effect or is effected by the success of a business enterprise.³⁴ The number of individuals and groups classified as stakeholders is essentially endless. Commonly labeled stakeholders are the consumers, employees, suppliers, special interest groups, political groups, other competing businesses, etc. Thus, in a systems approach, anyone with whom the organization interacts is a stakeholder.

One of the more complicated problems facing managers today is the fact that in an open system, the needs, wants, and demands of every stakeholder are in a constant state of change due to their interaction with new information.³⁵ As stakeholder’s expectations change, so do the goals of the organization. Managers must monitor the satisfaction levels of stakeholders to enable the best product or service to those who are invested in a company.

Resource Inputs

The resource inputs that each organization must interface with are suppliers and the communities in which the organization operates. Researchers have identified the needs for small and large businesses to make a profit and be socially responsible. Corporate social responsibility is, “a company’s commitment to operating in an economically sustainable manner while recognizing the interests of its stakeholders.”³⁶ Organizations that are perceived to care about their social and physical environment are often thought to have a greater identification with consumers. While countries differ in the amount of governmental regulation of corporate social responsibility, many corporations have found it to be good business to be labeled environmentally or socially sensitive.³⁷ Companies should include corporate social responsibility in its strategy, because businesses should be accountable for their actions in society and the environment.

Transformation Process

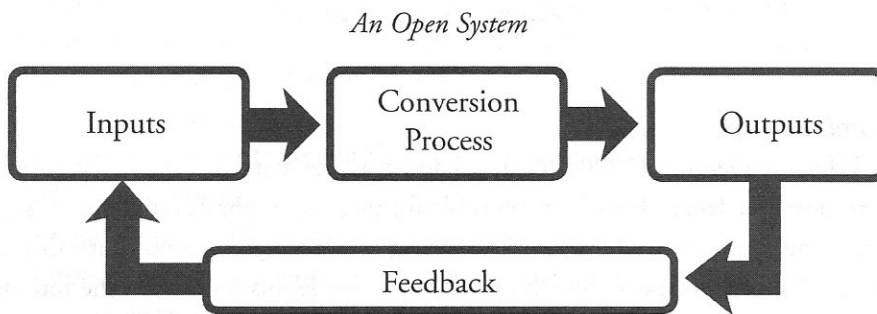
With the inputs received from the environment, an organization utilizes its management expertise and technology to add value to the product or service, converting the inputs into outputs.

Product Outputs and Feedback

An organization's output includes not only the product or service produced but also the financial gains, losses, or reputation that is generated through the organization's actions in both the local and global communities.

The final stage of systems theory is the feedback stage. Organizations obtain feedback from the environment regarding their product or service, which subsequently affects inputs. Sales and customer opinions are gathered and evaluated to determine what changes, if any, must be made to the system.

Although classical management viewed organizations as closed systems, business organizations cannot operate as such, because closed systems are self-contained and not affected by events that occur outside of the system. An organization having any interaction with the environment would be considered an open system.

*Contingency Theories*

In the early years of management theory, many believed that there was a single best method for solving issues and motivating employees; however, new theories have shown that is not the case. In the 1960s, contingency thinking was introduced and proposed that different people approach issues with different values and varied levels of expertise and that organizations vary in size, mission, and overall culture. What motivates one individual may not motivate another, and what works in one organization may not work in all organizations. Therefore, contingency thinking does not have one best solution. The methods used by managers are contingent upon each situation and dependent upon the characteristics and culture of the organization. Several theories have been developed regarding contingency thinking.

Fiedler's Contingency Model

The first model of situational leadership, in which the success of different leadership styles depends upon the situation, was the Fiedler Contingency Model, developed by Fred E. Fiedler (1922 -).³⁸ Fiedler believed that leadership effectiveness was dependent upon two factors: the extent of influence and control held by the leader in the situation and the leader's personal style. Fiedler's Analysis of Situations looked at leader-member relations, the task structure of the organization, and the power held by the leader to determine whether a task-motivated leadership style or a relationship-motivated leadership style would be most effective in each situation.

Fiedler measured leadership style by using his Least Preferred Coworker scale (LPC). Each manager considers all of the individuals with whom he or she had ever worked and completes a questionnaire that describes the person with whom the manager would least

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like to work with a series of sixteen pairs of opposite characteristics, for example, tense/relaxed, distant/close. The responses to those answers are summed and averaged. A low LPC score suggests the manager has a task orientation, while a high LPC score indicates the manager has a people orientation. The inference is that specific group types perform better when matched with specific leadership styles.

According to Fiedler, the effectiveness of a leader is determined by the degree of match between a dominant trait of the leader and the favorableness of the situation for the leader. The dominant trait is a personality factor causing the leader to either relationship-oriented or task-orientated.³⁹

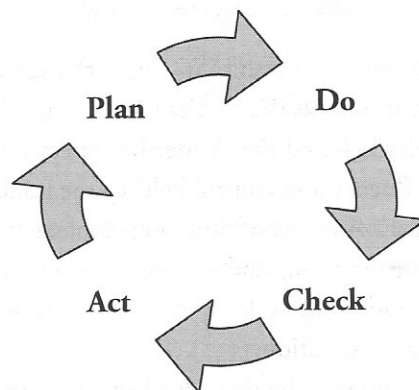
Fiedler did not believe that a task-oriented leader could be easily transformed to a relationship focus; therefore, certain leaders were best suited for certain situations.

Quality Management Gurus

W. Edwards Deming

W. Edwards Deming (1900-1993) is known as the statistical expert who brought quality to post-war Japan. He was responsible for placing emphasis on quality instead of quotas to increase production output.⁴⁰ According to Deming, organizations must have a defined mission that is clear to all who work there, as the mission acts as the foundation for the organization's purpose. Deming also stated that senior leadership was responsible for defining the aim and energizing the masses to obtain it.⁴¹

The essence of Deming's quality improvement model is to plan, do, check, and act (PDCA).⁴² Many variations on the quality cycle have been proposed, but all are generally based on this model. The *plan* phase begins with identification of the issues. Once the problem is identified, the investigation begins with the gathering of data. The plan involves identifying underlying process issues and determining possible solutions to the problem. A test plan is developed. The next phase, the *do* phase of the cycle, involves carrying out the proposed plan. During the *check* phase, the results of the pilot are checked for successes and failures. If the plan did not work, the areas of challenge are reviewed and evaluated. The end result is evaluated in the *act* phase, where success is determined or the plan is revised and the PDCA process is repeated.⁴³



Plan	Define the problem. Gather data. List possible solutions. Devise a plan to test the proposed solution.
Do	Activate the plan.
Check	Analyze the results. Identify barriers obstructing the plan's success.
Act	Based on the results, accept or revise the plan.

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Deming compiled fourteen points that he believed were the basis of industry transformation. The points stressed constant innovation and training in quality assurance. The fourteen points are as follows:

1. Constancy of purpose.
There must be clarity among those in an organization of "what we are doing and why we are doing it."
2. Adopt the new philosophy.
Improvement is an ongoing process. Organizations can no longer tolerate acceptable levels of defective materials and workmanship.
3. Cease dependence on mass inspection.
Quality does not come from inspection; it comes from improvement of the process.
4. End the process of awarding contracts on price alone.
Meaningful measures of quality should be required in addition to price.
5. Improve every process.
Continuous improvement is a process that never ends.
6. Institute training on the job.
A trained worker is more productive and produces more quality products, so, organizations should provide training and development to its workers.
7. Institute leadership. Leadership is not the same as supervision. Leadership should be focused on helping employees do a better job.
8. Drive out fear. Build trust, collaboration and cooperation and stop using management principles of command and control.
9. Break down barriers. Employees across all departments should work as a team and focus on what is good for the organization.
10. Eliminate exhortations. Organizations should abolish slogans and posters which ask for compliance with quality improvement goals.
11. Eliminate arbitrary numeric targets.
The focus should be on the quality of the products, not the quantity. The focus should not be on how many are made, but on how well a product is made.
12. Permit pride in workmanship. Involve people at all levels of the organization to take part of the improvement process. Stop annual merit rankings, as employees must have pride in their work, not pride in their merit ranking.

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13. Encourage education. Continued improvement extends to employees, thus self-improvement should be encouraged.
14. Top management commitment and action. Management should actively reinforce the fourteen points and the organization's commitment to quality.

Deming is also known for the "85-15 rule." He believed that when problems occur, an individual worker was at fault only 15 percent of the time. He felt that a majority of the time (85 percent) the problem was with the system, which could include not only machinery but management rules and systems. Deming believed managers often blamed employees when things went wrong, when it was actually the system that was causing the problem.

Joseph M. Juran

Joseph M. Juran (1904-2008), known as the "father of quality," was born in Romania and came to the United States as a young child. Poor but hard working and extremely bright, he earned his engineering degree in 1924 from the University of Minnesota. After college, he worked at the Hawthorn Works in Chicago, where he participated in a training program and became one of two engineers chosen to work for the Inspection Statistical department. In 1937, Juran "conceptualized the Pareto principle, which millions of managers rely on to help separate the 'vital few' from the 'useful many' in their activities. [Many] commonly referred to [this concept] as the 80-20 principle."⁴⁴ The Pareto principle is commonly considered a "rule of thumb" in business—80 percent of an organization's sales come from 20 percent of its customers, or 20 percent of its customers submit 80 percent of complaints.

In 1951 Juran published his book, *Quality Control Handbook*, in which he summarized a quality trilogy that incorporated the concepts of quality planning, quality improvement, and quality control.⁴⁵ In quality planning the organization has to identify its customers, determine the needs of those customers, and develop a product that could meet those needs. Quality improvement included development of a process to produce the product. Quality control attempted to prove that the process developed during the quality improvement stage could actually produce the product with only minimal inspection.

The Quality Trilogy

Quality Planning	Identify Customers Identify Internal and External Needs Create Quality Measures
Quality Improvement	Establish Quality Goals
Quality Control	Create Processes to Meet Goals

The focus of Juran's theory was on training management to control quality. In quality management, the expectation is for upper management to control the strategic positioning of the organization, while middle management is expected to handle the operational tasks and oversee the workforce. The workforce is then responsible for the actual labor and getting the job done.

Peter Senge

Peter Senge (1947-) is a graduate of Stanford and Massachusetts Institute of Technology and has had a major influence on modern business management, especially through his idealistic theories and promotion of flexibility in adapting to change. His book, *The Fifth Discipline* (1990), introduced the theory of learning organizations. The five disciplines of the learning organization are:

1. *Personal mastery* requires probing within one's inner beliefs to be objective in accepting the reality of the environment and promote self-awareness and mental preparation for change. It is a state of continually learning.
2. *Mental models* are also internal reflections that determine individual comprehension and reaction to external forces. This is where the individual must avoid previous assumptions and start with a clean slate.
3. *Shared vision* entails the ability to cast aside simple compliance and redirect those energies to commitment. The individual has the enthusiasm to achieve.
4. *Team learning* breaks down barriers to communication and builds strength in group interaction and communal thinking. It is the culmination of the shared vision.⁴⁶
5. *Systems thinking* integrates the first four disciplines-shared vision, personal mastery, mental models and team learning-to create synergy. Systems thinking then is "a conceptual framework for understanding patterns of events and behaviors to help see how to change them."⁴⁷ Systems thinking can be briefly defined as the study of patterns of behavior and events to concentrate on developing processes necessary for change.⁴⁸ Systems-thinking is a concept that usually focuses on long-term issues and emphasizes how all of the disciplines are dependent upon the others and are needed to solve complex issues. In systems-thinking large patterns are dissected into small parts, which are analyzed to define their interdependence. Change occurs when the process' norms and assumptions are challenged. "The basic contribution of the fifth discipline of systems thinking is the art of seeing the forest *and* the trees."⁴⁹

Senge proposes that the success of an organization depends on its ability to adapt to change; it must become a learning organization. In a 1991 interview, Senge described the innovative process of learning:

In the innovation stage you are learning to do something that is reliable and replicable. I think that is where we are now with learning organizations. We are developing the key understandings, practices, and tools. There are four levels of this process as it unfolds: The highest is the level of values and vision. The second encompasses the skills and capabilities. Third are the methods we use to develop those skills and capabilities. The fourth is the infrastructure. By that I mean the design of an organization such that continual practice of the methods continually develops the skills and reinforces the values and vision.⁵⁰

Senge admits that becoming a learning organization is not an easy process. Like people, organizations have learning disabilities. Individuals tend to focus on their own roles instead of the global results of their actions. The external environment is often blamed for organizational shortcomings because leadership neglects internal reflection. Instead of being proactive, the organization's leaders become engulfed in short term

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issues and often rely on past experiences, rather than engaging in strategic forecasting. To these organizations, challenge is viewed as a negative force instead of an opportunity for improvement.⁵¹

Senge emphasizes the need for individual reflection and action to promote human values and learning for all managers and employees within an organization. Internal reflection, growth, and collaboration foster the agility of an organization. The ability for organizations to thrive instead of survive is based on the forward thinking and ability to change direction quickly. The agile organization is one that will thrive.

CONCLUSION

This chapter presented the accomplishments of engineers, economists, social psychologists, professors, sociologists, and entrepreneurs. All were visionaries whose work became the foundation for the management practices of today. Many did not achieve recognition until after their death, and others were recognized during their lives and then nearly forgotten, but all contributed ideas to improve functionality in the workplace. Management theories and practices were created through personal experiences, careful observation, intuitive thought processes, and determination. It was not enough to merely accomplish their goals, but these theorists felt compelled to share the knowledge they acquired, which allowed others to reap the benefits of their labors.

Management theory impacts organizations because how it is implemented impacts people. Through the years, paradigms have shifted and the focus has changed from a hierarchal pyramid of management structure to a flattened, inverse pyramid model.

In his book, *The Essential Drucker*, Peter Drucker wrote, "Management's concern and management's responsibility are everything that affects the performance of the institution and its results whether inside or outside, whether under the institution's control or totally beyond it."⁵² He also wrote that "in a traditional workforce the worker serves the system; in a knowledge workforce the system must serve the worker."⁵³

Today's corporate systems have evolved into thinking and learning organizations to survive in an increasingly complex and competitive market. Obstacles become challenges; challenges become opportunities.

The workforce is recognized as an integral key to company success from the contributions of those who operate at the ground-level who participate in performance improvement. The realization that processes can be improved by consulting with those who perform the tasks has led to the formation of diverse work groups that combine members with different sets of talents, collaborating to achieve a shared mission. All of this has occurred because individuals existed in history who challenged the status quo. The individuals discussed in this chapter were instrumental in the evolutionary process of management theory.