

ONE

Managers and Management

LEARNING OBJECTIVES

After completing Chapter 1, you should be able to:

Define: what is meant by the term *management*.

State: the four basic management functions and provide an activity that is performed in each function.

Describe: the different meanings of management.

Explain: the contributions and limitations of the classical, behavioral, and management science approaches to management.

Discuss: the systems theory and contingency approaches to management and their importance in practicing management today.

John Risen captains a large transport ship and exchanges food products for furniture and silk goods in foreign ports. On his way to these ports of call, John usually encounters storms, lulls, and crew members who sometimes seem to be slowing down the business instead of helping. Unless John has a plan, uses his experience, and practices sound navigational procedures, his ship may waste valuable time, flounder, or even become lost before it reaches safe harbor.

The above metaphor includes a number of crucial assumptions. First, the voyage is considered a success if John's ship reaches the port of destination and not some other. Second, the faster and straighter the ship sails, the better. Third, getting to the specific ports of call requires skill, patience, and experience. Fourth, there is no single, best way for John to get to the ports. He must develop his own management plan.

This book deals with the functions that managers must perform to be successful. A manager of an organization, like the ship captain above, must integrate the efforts of people to be successful. The primary objective in this textbook is to help managers and students of management perform more effectively. By studying this book, you will gain an increased understanding of the attributes of organizations and leaders that help them achieve their mission. The book's thesis is that to be successful, a manager must use an integrated approach. In other words, the successful captains of ships and captains of industry do not rely on a single management skill or principle to achieve their goals. They use a combination of existing tools and principles.

Peter Drucker, a management consultant and philosopher, postulates three major tasks of management: (1) to decide the purpose and mission of the organization, (2) to make work productive, and (3) to manage social impacts and responsibilities. About the second task, Drucker has stated: "The second task of management is to make work productive and the worker achieving."¹ In essence, Drucker has claimed, and we agree, that the one true resource of any organization is the *human resource*. Managers must work effectively with their subordinates to achieve maximum performance.

¹Peter F. Drucker, *Management: Tasks, Responsibilities, Practices* (New York: Harper & Row, 1973), p. 41.

MANAGEMENT INFLUENCES EVERYONE

In our society, important work is done by individuals with such titles as restaurant manager, production manager, marketing manager, chairperson, dean, superintendent, ship captain, mayor, and governor. These individuals may work in different types of organizations with different purposes, but they all have one thing in common: They practice management. Furthermore, our society depends on the goods and services provided by the organizations these individuals manage.

Each of us is influenced by the actions of managers every day because we come into contact with organizations every day. Our experiences may be as students in a college, patients in a hospital, customers of a business, or citizens of a state. Whether we are *satisfied* with our experiences, however, depends greatly on the individuals who manage the organization. *All* organizations are guided and directed by the decisions of one or more individuals who are designated *managers*.

MANAGEMENT HAS DIFFERENT MEANINGS

The term *management* can have different meanings, and it is important that you understand these different definitions. They will be the focus of the remainder of this chapter. First, however, they will be introduced and briefly examined, so you can put them into perspective.

Management as a process. Have you ever said, “That is a well-managed company” or “That organization has been mismanaged”? If you have, what did you mean by such statements? They seem to imply that: (1) management is some type of work or set of activities; and (2) sometimes the activities are performed quite well, and sometimes not so well.

You may not be able to define management exactly, but you are saying that it is a *process* involving certain functions and activities that managers must perform. Managers also use principles in managing which are generally accepted tenets that guide their thinking and actions. This is what managers do. They engage in the process of management. This book, *Management: Principles and Functions* focuses on this management process, the functions managers perform, and the principles they apply in managing organizations.

Management as a discipline. If you say that you are a student of management or majoring in management, you are referring to the discipline of management. Classifying management as a discipline implies that it is an accumulated body of knowledge that can be learned. Thus, management is a subject with principles, concepts, and theories. A major purpose of studying the discipline of management is to learn and understand the principles, concepts, and theories of management and how to apply them in the process of managing.

Management as people. Whether you say, “That company has an entirely new management team” or “She* is the best manager I’ve ever worked for,” you are

*As yet, there is no convenient, generally accepted pronoun that means either *he* or *she*. Therefore, we will use, on a random basis, either the masculine or feminine pronoun to refer to both genders.

referring to the people who guide, direct, and, thus, manage organizations. The work *management* used in this manner refers to the people, *managers*, who engage in the process of management. Managers are the people primarily responsible for seeing that work gets done in an organization.

The perspective of management as people has another meaning. It refers to, and emphasizes, the importance of the employees who managers work with and manage in accomplishing an organization’s objectives. People are an organization’s lifeblood; successful organizations—indeed the well-being of society—require a strong, mutually satisfying partnership of managers and the people they manage.

Management as a career. “Mr. Johnson has held several managerial positions since joining the bank upon his graduation from college.” “After receiving her degree in business, Ms. Teruya entered the company’s management training program.” Such statements imply that management is a career. People who devote their working lives to the process of management progress through a sequence of new activities and, often, new challenges. More than ever before, today’s business environment is fast-changing and competitive, posing challenges, opportunities, and rewards for individuals pursuing management as a career. Chapter 20 of this book is devoted entirely to the career of management.

A DEFINITION OF MANAGEMENT

The different meanings of the term *management* can be related as follows: *People* who wish to have a *career* as a manager must study the *discipline* of management as a means toward practicing the *process* of management. Thus, a book about managing for performance must emphasize the process. In this textbook, we define management as follows:

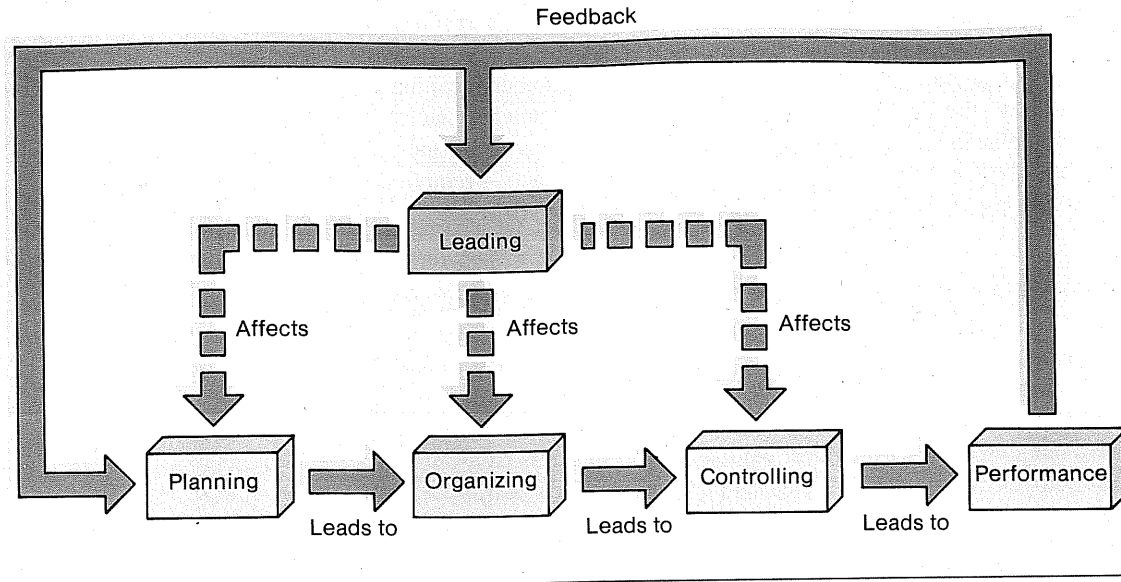
Management is the process undertaken by one or more persons to coordinate the activities of other persons to achieve results not attainable by any one person acting alone.

THE PROCESS OF MANAGEMENT

The process of management consists of certain basic *management functions*. The entire process and the individual management functions are presented in Figure 1–1.

Figure 1–1 indicates that the management process is an integrated whole. However, something as complex as the management process is more easily understood when it is described as a series of separate activities or functions making up the entire process. The model of management used throughout this book identifies the management functions as *planning*, *organizing*, and *controlling*, linked together by *leading*. Planning determines *what* results the organization will achieve; organizing specifies *how* it will achieve the results; and controlling determines *whether* the results are achieved. Throughout planning, organizing, and controlling, managers exercise leadership.

Figure 1-1 The managerial process.



Planning

The planning function is the capstone activity of management. Planning activities determine an organization's objectives and establish the appropriate strategies for achieving those objectives. The organizing, leading, and controlling functions all derive from planning in that these functions carry out the planning decisions.

Planning is done by all managers at every level of the organization. Through their plans, managers outline what the organization must do to be successful. While plans may differ in focus, they are all concerned with achieving organizational goals in the short and long term. Taken as a whole, an organization's plans are the primary tools for preparing for and dealing with changes in the organization's environment.

Organizing

After managers develop objectives and plans to achieve the objectives, they must design and develop an organization that will be able to accomplish the objectives. Thus, the purpose of the organizing function is to create a structure of task and authority relationships that serves this purpose.

The organizing function takes the tasks identified during planning and assigns them to individuals and groups within the organization so that objectives set by planning can be achieved. Organizing, then, can be thought of as turning plans into action. The organizing function also provides an organizational structure that enables the organization to function effectively as a cohesive whole.

Leading

Once objectives have been developed and the organizational structure has been designed and staffed, the next step is to begin to move the organization toward the objectives. The leading function serves this purpose. Sometimes called *directing* or *motivating*, leading involves influencing the members of the organization to perform in ways that accomplish the organization's objectives.

The leading function focuses directly on the people in the organization, since its major purpose is to channel human behavior toward accomplishing organizational goals. Effective leadership is a highly prized ability in organizations and is a skill that some managers have difficulty in developing. The ability requires both task-oriented capabilities and the ability to communicate, understand, and motivate people.

Controlling

Finally, a manager must make sure that the actual performance of the organization conforms with the performance that was planned for the organization. This is the controlling function of management, and it requires three elements: (1) established *standards* of performance, (2) *information* that indicates deviations between actual performance and the established standards, and (3) *action* to correct performance that does not meet the standards. Simply speaking, the purpose of management control is to make sure the organization stays on the path that was planned for it.

At this point, you should note that the management process does not involve four separate or unrelated activities but a group of closely related functions. Also, the four functions do not necessarily occur in the sequence we have presented. In fact, the only time they might do so is when a new organization is being formed. In reality, various combinations of the four activities usually occur simultaneously.

LEARNING HOW TO MANAGE

Reading a book is not the only way to learn about management. It is unlikely that a book alone can make you a manager. This text, however, can provide you with the *knowledge, attitudes, and skills to apply to your experience once you become a manager*. You would probably learn these attitudes and skills on the job, but the process would certainly take longer and not be as well organized. The important thing to remember is that no one is born with management knowledge. So, while this book may not make you an effective manager by itself, it will help you accomplish this goal. At this point, then, it seems appropriate to discuss the major sources of the management knowledge on which this book is based.

MANAGEMENT KNOWLEDGE—THE EVOLVING DISCIPLINE OF MANAGEMENT

Knowledge about management comes from the field of management itself as well as many other fields. Most of the early writers were practicing executives who described

their own experiences from which they developed broad principles. They wanted to share with others the practices that seemed to work for them. A great deal of management knowledge comes from the autobiographies and memoirs of people who practiced management.

On the other hand, many individuals whose interest in management was or is strictly scientific have contributed knowledge to the field. Many psychologists, sociologists, and anthropologists consider management to be a very important social phenomenon and managers to be an important social resource. Their interest, then, is strictly scientific; they want to understand and to explain the process of management. Numerous other professions such as mathematics, accounting, economics, law, political science, engineering, and philosophy also have contributed to the discipline of management.

With so many individuals with different purposes, and so many diverse fields of study contributing to our knowledge of management, we face a problem: How can we approach the study of the discipline of management in some coherent way? We must organize the knowledge so that it is meaningful to the student of management.

Contemporary management knowledge is the product of three basic approaches: the *classical approach*, the *behavioral approach*, and the *management science approach*. We believe that the ideas of each approach contribute positively to the total body of knowledge of the discipline of management. Through these three approaches, you can see an evolution of what *is* known and what *should be* known about management. Let us examine each one.

The Classical Approach

Serious attention to management began in the early years of this century. One of the critical problems facing managers at that time was how to increase the efficiency and productivity of the work force. The effort to resolve these issues marked the beginning of the study of modern management. It was eventually labeled *the classical approach*, as is usually the case with the beginning efforts of every field of study.

We believe that the classical approach to management can be better understood by examining it from two perspectives. These two perspectives are based on the problems each examined. One perspective concentrated on the problems of lower-level managers dealing with the everyday problems of the work force. This perspective is known as *scientific management*. The other perspective concentrated on the problems of top-level managers dealing with the everyday problems of managing the entire organization. This perspective is known as *classical organization theory*. For the student of management, the contributions of the classical approach are critical. These insights, in fact, constitute the core of the discipline of management and the process of management and comprise a major part of this book. Let us briefly examine each.

Scientific management. At the turn of the 20th century, business was expanding and creating new products and new markets, but labor was in short supply. Two solutions were available: (1) substitute capital for labor or (2) use labor more efficiently. Scientific management concentrated on the second solution.

Probably the greatest contributor to scientific management was Frederick W. Taylor. Taylor joined the American Society of Mechanical Engineers in 1886 and used this

organization to develop and test the ideas he formulated while working in various steel firms. It was in one of these firms, Midvale Steel Company, that he observed men producing far less than their capacities. Taylor believed this waste was due to ignorance of what constituted a fair day's work. At that time, there were no studies to determine expected daily output per worker (work standards) and the relationship between work standards and the wage system. Taylor's personal dislike for waste caused him to rebel at what he interpreted as inefficient labor and management practices based solely on hunch, common sense, and ignorance.

Taylor tried to find a way to combine the interests of both management and labor to avoid the necessity for sweatshop management. He believed that the key to harmony was seeking to discover the one best way to do a job, determine the optimum work pace, train people to do the job properly, and reward successful performance by using an incentive pay system. Taylor believed that cooperation would replace conflict if workers and managers knew what was expected and the positive benefits of achieving mutual expectations.²

To the modern student of management, Taylor's ideas may not appear to be pioneering. Given the times in which he developed them, however, his ideas were, and continue to be, lasting contributions to the way work is done at the shop floor level. He urged managers to take a more systematic approach in performing their job of coordination. His experiments with stopwatch studies and work methods stimulated many others at that time to undertake similar types of studies.³

An interesting fact about scientific management is that if it were evaluated in terms of its impact on management practice at the time of its development, it would receive a low grade. While some firms adopted scientific management, the methods of Taylor and his followers were largely ignored. One cause of the seeming failure is the fact that Taylor and other supporters of scientific management failed to understand fully the psychological and sociological aspects of work. For example, scientific management made the implicit assumption that people are motivated to work primarily by money. In the late 19th century, this was undoubtedly a valid assumption. To assume this today, however, is far too simplistic.

Classical organization theory. As noted above, another body of ideas developed at the same time as scientific management. These ideas focused on the problems faced by top managers of large organizations. Since this branch of the classical approach focused on the management of organizations while scientific management focused on the management of work, it was labeled *classical organization theory*. Its two major purposes were to (1) develop basic principles that could guide the design, creation, and maintenance of large organizations and (2) identify the basic functions of managing organizations.

²Lyndall Urwick, *The Golden Book of Management* (London: Newman Neame, Ltd., 1956), pp. 72-79.

³Frederick W. Taylor, *Principles of Scientific Management* (New York: Harper & Row, 1911), pp. 36-37. Also see Claude S. George, Jr., *The History of Management Thought* (Englewood Cliffs, N.J.: Prentice-Hall, 1968); and Edwin A. Locke, "The Ideas of Frederick W. Taylor: An Evaluation," *Academy of Management Review*, January 1982, pp. 14-24.

Engineers were the prime contributors to scientific management; practicing executives were the major contributors to classical organization theory. As with scientific management, there were many contributors to classical organization theory. Henri Fayol should be singled out for discussion, however, because his ideas reflect classical organization theory.⁴

For 50 years, Henri Fayol practiced management and reflected on just what it was that he did as managing director of a French coal company. He began writing articles about his experiences around 1916 and published a book in 1925, translated into English in 1929.⁵

Fayol wanted to develop principles of management that would be flexible and adaptable to a wide variety of circumstances. Deciding which principle to use was, in Fayol's judgment, the art of managing. He believed that a great number of principles might exist and described the ones that he most frequently applied in his own experience. In addition to *principles*, Fayol also presented what he believed were *functions* of managers. We shall discuss them in that order.

Principles of management. Fayol proposed 14 principles to guide the thinking of managers in resolving problems. He never suggested total obedience to the principles but suggested that a manager's "experience and sense of proportion" should guide the degree of application of any principle in a particular situation. They are presented in capsule form in Figure 1-2. As with scientific management, the reader should keep in mind the time in which Fayol developed his principles and his intent. His work probably was the first major effort devoted to problems of managing large-scale business organizations. At that time in our history, they were relatively new phenomena.

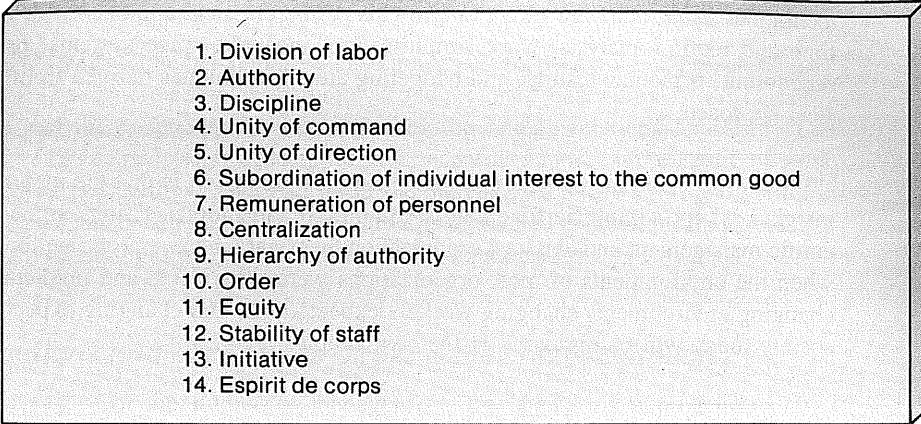
Functions of management. Fayol was perhaps the first individual to discuss management as a process with specific functions that all managers must perform. He proposed four management functions:

1. **Planning.** Fayol believed that managers should make the best possible forecast of events that could affect the organization and draw up an operating plan to guide future decisions.
2. **Organizing.** Fayol believed that managers must determine the appropriate combination of machines, material, and humans necessary to accomplish the task.
3. **Commanding.** In Fayol's scheme, commanding involved directing the activities of subordinates. He believed that managers should set a good example and have direct, two-way communication with subordinates. Finally, managers must continually evaluate both the organizational

⁴Other very important contributors to classical organization theory include James D. Mooney and Alan C. Reiley, who wrote *Onward Industry* (New York: Harper & Row, 1931), and Lyndall F. Urwick, who wrote *The Elements of Administration* (New York: Harper & Row, 1943).

⁵Henri Fayol, *General and Industrial Management*, trans. J. A. Combrough (Geneva: International Management Institute, 1929). Another more widely available translation is by Constance Storrs (London: Pitman Publishing, 1949).

Figure 1-2 Fayol's 14 principles of management.

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1. Division of labor
 2. Authority
 3. Discipline
 4. Unity of command
 5. Unity of direction
 6. Subordination of individual interest to the common good
 7. Remuneration of personnel
 8. Centralization
 9. Hierarchy of authority
 10. Order
 11. Equity
 12. Stability of staff
 13. Initiative
 14. Esprit de corps

structure and their subordinates, and they should not hesitate to change the structure if they consider it faulty, or to fire subordinates who are incompetent.

4. **Controlling.** Controlling ensures that actual activities are consistent with planned activities. Fayol did not expand the idea except to state that everything should be "subject to control."

The reader can see that Fayol's description of the management process is very similar to the one presented in Figure 1-1 as the focus of this book. Fayol's *commanding* function is our *leading* function.

Contributions and Limitations of the Classical Approach

Contributions. The greatest contribution of the classical approach was that it identified management as an important element of organized society. Management has, if anything, increased in importance today. The fact that management skills must be applied in schools, government, and hospitals, as well as business firms, will be stressed throughout this book. Advocates of the classical approach believed that management, like law, medicine, and other occupations, should be practiced according to principles that managers can learn.

The identification of management functions such as planning, organizing, and controlling provided the basis for training new managers. The manner in which the management functions are presented often differs, depending upon who is presenting them. But any listing of management functions acknowledges that managers are concerned with *what* the organization is doing, *how* it is to be done, and *whether* it was done.

The contributions of the classical approach, however, go beyond the important work of identifying the field of management and its process and functions. Many management techniques used today are direct outgrowths of the classical approach. For example, time and motion analysis, work simplification, incentive wage systems, production scheduling, personnel testing, and budgeting are all techniques derived from the classical approach.

Limitations. One major criticism of the classical approach is that the majority of its insights are too simplistic for today's complex organizations. Critics argue that scientific management and classical organization theory are more appropriate for the past, when the environments of most organizations were very stable and predictable. The changing environment, changing workers expectations, and changing expectations of society today will be discussed in the next chapter.

The Behavioral Approach

The behavioral approach to management developed partly because practicing managers found that following the ideas of the classical approach did not achieve total efficiency and workplace harmony. Managers still encountered problems because subordinates did not always behave as they were supposed to. Thus, an increased interest in helping managers become more effective grew.

The behavioral approach to management has two branches. The first branch, the *human relations approach*, became very popular in the 1940s and 1950s. The second branch, the *behavioral science approach*, became popular in the 1950s and still receives a great deal of attention today.

The human relations approach. The term *human relations* refers to the manner in which managers interact with subordinates. To develop good human relations, followers of this approach believed, managers must know why their subordinates behave as they do and what psychological and social factors influence them.

Students of human relations brought to the attention of management the important role played by individuals in determining the success or failure of an organization. They tried to show how the process and functions of management are affected by differences in individual behavior and the influence of groups in the workplace. Thus, while scientific management concentrated on the *physical* environment of the job, human relations concentrated on the *social* environment.

Human relations experts believe that management should recognize the need of employees for recognition and social acceptance. They suggest that since groups provide members with feelings of acceptance and dignity, management should look upon the work group as a positive force which could be utilized productively. Therefore, managers should be trained in people skills as well as in technical skills.

The behavioral science approach. Other individuals who were university trained in social sciences such as psychology, sociology, and anthropology began to study

people at work. They had advanced training in applying the scientific approach to the study of human behavior. These individuals have become known as *behavioral scientists* and their approach is considered to be distinct from the human relations approach.

The individuals in the behavioral science branch of the behavioral approach believe that man is much more complex than the "economic man" description of the classical approach and the "social man" description of the human relations approach. The emphasis of the behavioral science approach concentrates more on the nature of work itself, and the degree to which it can fulfill the human need to use skills and abilities. Behavioral scientists believe that an individual is motivated to work for many reasons in addition to making money and forming social relationships.

Contributions and Limitations of the Behavioral Approach

Contributions. For the student of management, the behavioral approach has contributed a wealth of important ideas and research results on the people-managing aspect of the discipline of management. The basic rationale is that since management must get work done through others, management is really applied behavioral science, because a manager must motivate, lead, and understand interpersonal relations.

Limitations. The basic assumption that managers must know how to deal with people appears valid. But management is more than applied behavioral science. For the behavioral approach to be useful to managers, it must make them better practitioners of the process of management. It must help them in problem situations. In many cases, this objective has not been achieved because of the tendency of some behavioral scientists to use technical terms when trying to communicate their research findings to practicing managers. Also, in some situations, one behavioral scientist (a psychologist) may have a different suggestion than another (a sociologist) for the same management problem. Human behavior is complex and is studied from a variety of viewpoints. This complicates the problem for a manager trying to use insights from the behavioral sciences.

The Management Science Approach

The management science approach is in one sense a modern version of early emphasis on the "management of work" by those interested in scientific management. Its key feature is *the use of mathematics and statistics to aid in resolving production and operations problems*. Thus, the approach focuses on solving technical rather than human behavior problems. The computer has been of tremendous value to this approach because it has enabled analyses of problems that would otherwise be too complex.

The management science approach has only existed formally for approximately 45 years. It began during the early part of World War II when England was confronted with some complex military problems that had never been faced before, such as

antisubmarine warfare strategy. To try to solve these kinds of problems, the English formed teams of scientists, mathematicians, and physicists. The units were named *operations research* teams, and they proved to be extremely valuable. When the war was over, American business firms began to use the approach.

Today the operations research approach has been formalized and renamed the management science approach. Basically, it involves mixed teams of specialists from whatever fields the problem being attacked calls for. The team members analyze the problem and often develop a mathematical representation of it. Thus, they can change certain factors in the equations to see what would happen if such a change was actually made in the real world. The results of their work often become useful to management in making a final decision. One of their important purposes is to provide management with *quantitative bases* for decisions.

Contributions and Limitations of the Management Science Approach

Contributions. Today, the most important contributions of management science are in the areas of production management and operations management. *Production management* focuses on manufacturing technology and the flow of material in a manufacturing plant. Here, management science has contributed techniques that help solve production scheduling problems, budgeting problems, and maintenance of optimal inventory levels.

Operations management is very similar to production management except that it focuses on a wide class of problems and includes organizations such as hospitals, banks, government, and the military, which have operations problems but do not manufacture tangible products. For these types of organizations, management science has contributed techniques to solve such problems as budgeting, planning for work force development programs, and aircraft scheduling.

Limitations. We noted in our discussion of the behavioral approach that management is more than applied behavioral science. At this point, we should stress that management science is not a substitute for management. The techniques of the management science approach are especially useful as aids to the manager performing the management process. However, while it is used in many problem areas, management science does not deal with the people aspect of an organization.

ATTEMPTS TO INTEGRATE THE THREE APPROACHES TO MANAGEMENT

Recently, there have been some attempts to aid managers in integrating the three approaches to management. One of these attempts, the *systems approach*, stresses that organizations must be viewed as total systems with each part linked to every other part. The other, the *contingency approach*, stresses that the correctness of a managerial

practice is contingent on how it fits the particular situation to which it is applied; in other words, it “depends on the situation.” Let us briefly examine each approach.

The Systems Approach

The systems approach to management is essentially a way of thinking about organizations and management problems. The approach views an organization as a group of interrelated parts with a unified purpose: surviving and ideally thriving in an environment.

From the systems perspective, management involves managing and solving problems in each part of the organization but doing so with the understanding that actions taken in one part of the organization affect other parts of the organization. For example, implementing a solution to a problem in the production department of a company will likely affect other aspects of the company such as marketing, finance, and personnel. Each part is tightly linked to other organizational parts; no single part of an organization exists and operates in isolation from the others. Thus, in solving problems, managers must view the organization as a dynamic whole and try to anticipate the unintended as well as the intended impacts of their decisions.

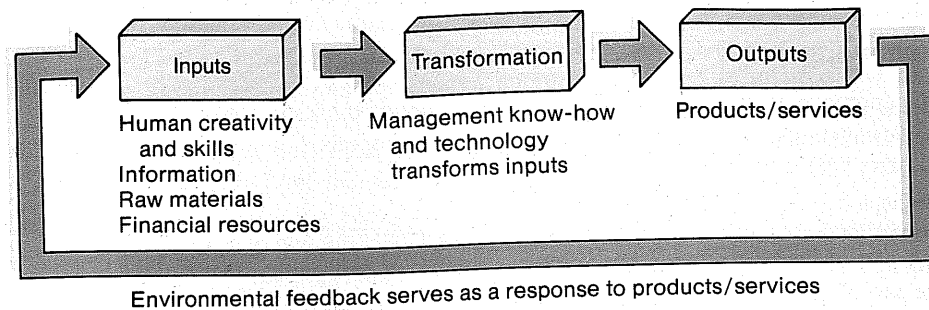
The systems approach views the elements of an organization as interconnected. The approach also views the organization as linked to its environment. Organizational effectiveness, even survival, depends on the organization’s interaction with its environment. To further your understanding of these ideas, let’s consider Apple Computer, Inc., as an example. As a computer manufacturer, Apple Computer is an *open system* that actively interacts with its environment. (For now, consider the environment as comprised of such factors as customers, competitors, financial institutions, suppliers, and the government. The environment will be discussed in more detail in Chapter 2.) The basic elements of Apple Computer as an open system are shown in Figure 1–3.

Active interaction means that Apple both obtains resources from and provides resources to its environment. For example, in order to function, Apple must obtain *inputs* from the environment. The company needs motivated and skilled employees with the ability to design and manufacture innovative, high-quality personal and business computers. Apple obtains this resource from the environment—specifically from the graduating classes of universities nationwide, from competitors, and from other organizations.

Financial resources (money) are needed to build manufacturing facilities, to fund Apple’s R&D efforts, and to meet any number of other expenses. Apple obtains the funds from the environment—from banks, other lending institutions, and from people who buy shares of Apple’s stock. Raw materials (e.g., computer parts) are obtained from outside suppliers in the environment. Information about the latest computer product technology and about the latest products developed by Apple’s competitors is also needed. This information substantially influences the design and manufacture of Apple’s computers. Information is obtained from the environment; that is, from research journals, computer conferences, and other external contacts.

These inputs are employed, used, coordinated, and managed in a *transformation* process that produces *output*—in this case, personal and business computers. However,

Figure 1-3 The four parts of an open system organization (e.g., Apple Computer, Inc.).



the company's task is not complete. Apple provides this resource (output) to the environment by delivering its computers to retail outlets for sale to customers. Does the company survive? Only if the customer reacts to Apple's computers and decides to purchase the product. The customer's decision to buy or look elsewhere (for an IBM, AT&T or Compaq computer) provides Apple with *feedback*.

If the feedback is positive (the customers buy Apples), the environment provides a critical input to Apple—cash which the company uses to obtain other inputs from the environment such as top-quality employees, materials, and knowledge. Negative feedback (no sales) provides Apple with a serious problem. Regardless, Apple Computer must closely monitor feedback and act upon it (e.g., changing a failing product's design or features based on customer responses). As an open system in a dynamic environment, Apple cannot afford to ignore the environment. Neglecting developments in the environment (e.g., technological innovations, competitor's moves) will, over time, doom the company.

However, not all organizations are open systems. Some, like a Catholic monastery, are *closed systems*. The organization pays little attention to the environment. A monastery, for example, obtains some resources from the Catholic Church. However, beyond this relationship, the monastery has little need to closely monitor its environment. Its members remain in the monastery for their adult life, with no active interaction with the outside world. Developments in the outside world have little impact on the organization.

Importantly, today most organizations must operate as open systems to survive, and utilize a systems perspective to management. Managers must think broadly about a problem and not concentrate only on the desired results because these results will impact other problems and parts of the organization and even in the environment beyond the organization. The age-old confrontation between the production objective of low manufacturing costs (achieved by making one product in one color and style) and the marketing objective of a broad product line (requiring high production costs) is a good example. Both objectives cannot be achieved at the same time. In this situation, a compromise is necessary for the overall system to achieve its objective.

And in seeking a compromise, the organization must always be mindfully aware of the environment (e.g., will customers accept fewer models?). The objectives of the individual parts must be compromised for the objective of the entire firm.

Using the systems approach in the above example, you can see that individual managers must adopt a broad perspective. With a systems perspective, managers can more easily achieve coordination between the objectives of the various parts of the organization and the objectives of the organization as a whole.⁶

The Contingency Approach

The systems approach to management advocates that managers recognize that organizations are systems comprised of interdependent parts and that a change in one part affects other parts. This insight is important. Beyond this, however, it is useful for managers to see how the parts fit together. The contingency approach can help you better understand their interdependence.

Our discussion of the contingency approach is presented within the context of a continuum of views on management effectiveness which is shown in Figure 1-4. Much of the theory in the management discipline has differed on a major question: whether there exists a "one best way" to apply principles and to conduct the functions of management to achieve organizational effectiveness. For example, managers are interested in determining if there is one superior way to lead and motivate individuals, to structure an organization, or to institute change in an organization.

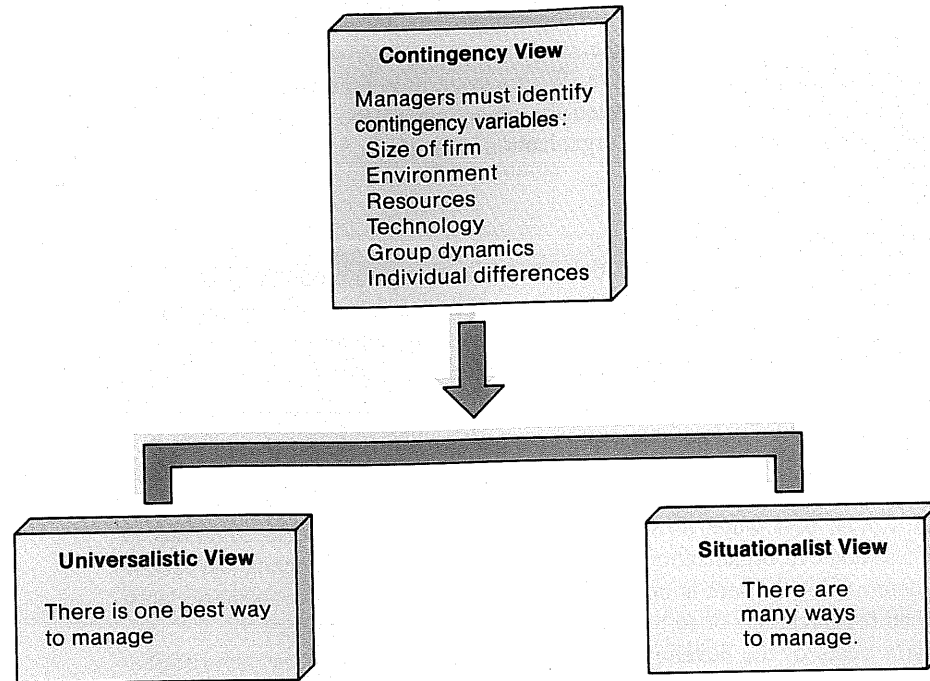
In the early years of the development of management theory, some theorists advocated the "universalistic" view of management effectiveness. They argued that there indeed exists a one best way to perform different management functions. In their view, the task of management theorists is to identify these superior management prescriptions by developing and then testing theory via research.

However, other management theorists, who can be referred to as *situationalists*, disagreed. In the view of situationalists, no one best approach to management exists because each situation that a manager faces is too different. No one principle or prescription is supremely applicable across totally unique situations. In fact, very few principles and concepts are useful across situations. Because each managerial situation is unique, a manager must approach each situation with few if any guidelines to follow. Management effectiveness first requires that a manager evaluate each situation from scratch before deciding which action to take.

The contingency approach attempts to bridge the extreme points on this continuum of views. Like the situationalists, contingency theorists do not subscribe to any one best approach to management. In their view, the situations that managers face do differ and thus prohibit any one best prescription. However, the contingency theorists stop short of asserting that all managerial situations are totally unique. Rather, they argue that situations are often similar to the extent that some principles of management can

⁶See Fremont E. Kast and James E. Rosenzweig, "General Systems Theory: Applications in Organizations and Management," *Academy of Management Journal*, December 1972, pp. 447-65; and Daniel Katz and Robert L. Kahn, *The Social Psychology of Organizations* (New York: John Wiley & Sons, 1966).

Figure 1-4 A continuum of views on approaches to management effectiveness.



be effectively applied. However, the appropriate principles must be identified. This is done by first identifying the relevant *contingency variables* in the situation and then evaluating those factors.⁷

For example, consider a manager's frequent and often perplexing task of determining an effective leadership approach in a particular situation. According to research, subordinate characteristics (individual differences in Figure 1-4) is a relevant contingency variable. The characteristics of the subordinate's task is another contingency factor to consider. Certain principles of leadership apply when the task is well structured; others apply when the task is unstructured (where there are many alternative ways to perform the job).

International Business Machines Corp. (IBM) is one example of a company where management has applied the contingency approach in implementing major organizational change. In recent years, the computer giant has experienced an earnings slump in the intensely competitive computer industry. This problem is due to many factors,

⁷See Fred Luthans, "The Contingency Theory of Management: A Path out of the Jungle," *Business Horizons*, June 1973, pp. 63-72; and Harold Koontz, "The Management Theory Jungle Revisited," *Academy of Management Review*, April 1980, pp. 175-88.

notably a bureaucratic organizational structure that has hindered the company's ability to quickly develop and market new products. In many observers' view, IBM was also losing touch with its customers' computer needs and problems.

In his effort to turn around IBM, CEO John Akers did not apply any one best approach. Nor did he start from scratch, analyzing the situation without any guidelines to follow. Instead, Akers identified key contingency variables in the situation and applied principles based on his evaluation of the contingency variables factors. For example, the environment is a primary contingency variable in IBM's situation. The computer industry is a dynamic environment where change is fast-paced (in product characteristics, competitors' strategies, and product prices). A primary management principle concerning the environment is that an organization's structure must be flexible in a dynamic environment, enabling a firm to quickly adapt and respond to changes in the environment. Akers applied this principle. He decentralized the company, delegating decision-making authority to managers in the lower levels of the organization. With this change, decisions are more quickly made by individuals who are closer to the company's product markets and customers. Akers also trimmed the "fat" from the company's structure by eliminating redundant jobs (without any employee layoffs).

IBM has identified and evaluated other important contingency variables before implementing organizational changes. For example, individual differences and group dynamics have influenced actions taken to promote an entrepreneurial spirit among managers and employees.⁸ IBM is one of many organizations that have used a contingency approach to management. Managers in all organizations need to know and consider contingency variables in managing their organizations.

In essence, the contingency approach to management involves identifying the important contingency variables in different situations, evaluating the variables and then applying appropriate management knowledge and principles in selecting an effective approach to the situation. Principles and guidelines do exist in the management discipline; the task is knowing when and how to use them. Contingency variables are vital in this regard. One major purpose of this book is to develop your understanding of these variables and the knowledge and principles that are relevant to them.

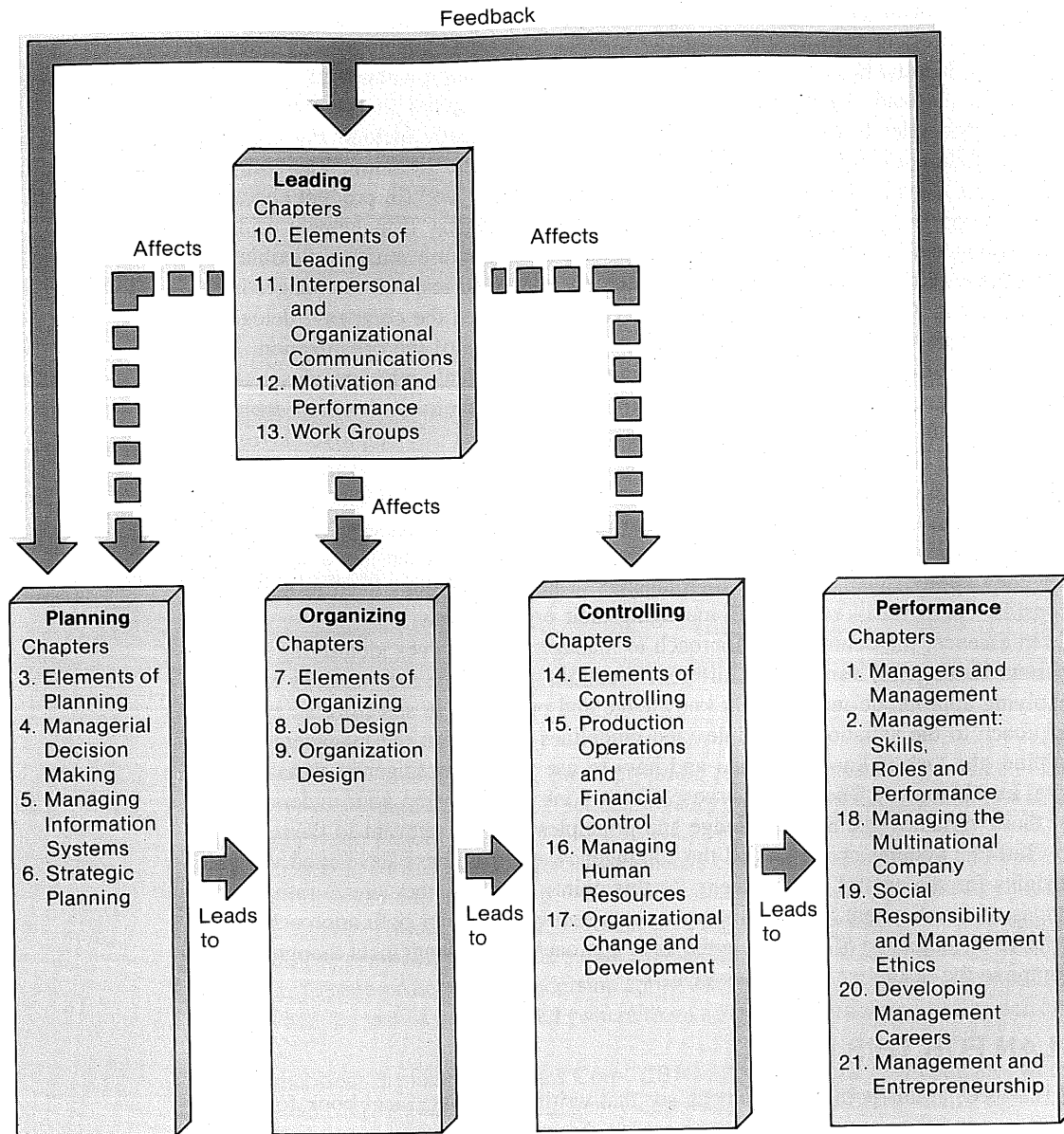
Both the systems approach and the contingency approach have developed valuable insights for students of management. At this point, however, they are in rather early stages of development. Thus, it is too soon to know if either or both approaches will achieve the objective of integrating the three approaches of management thought which comprise the discipline of management.

PLAN FOR THIS BOOK

It is hoped, at this point, that you can see that writing a management book for future managers is not an easy task. Management is a discipline in continual evolution. Three well-established approaches—classical, behavioral, and management science—have made contributions to our ability to manage different aspects of organizations, namely work and organizations, people, and production and operations.

⁸Geoff Lewis, "Big Changes at Big Blue," *Business Week*, February 15, 1988, pp. 92-98.

Figure 1-5 Plan for the book.



Thus, it would be virtually impossible to write a management book without including contributions from all approaches. In addition, wherever possible, the book should try to encourage “systems thinking” and a “contingency perspective.” The plan for our book is outlined in Figure 1-5, which is an expansion of Figure 1-1.

Figure 1-5 indicates that the *process* of management is the focus of the book. Indeed it should be. This contribution of the classical approach produced the core *functions* of management and has endured throughout the evolution of the discipline of management. Figure 1-5 indicates that the bulk of the material in the book is organized around the management functions of planning, organizing, leading, and controlling. Throughout our discussions of the management process and each of the management functions, the contributions of the classical approach will be evident. Indeed, those contributions have produced much of the knowledge that is specific to the discipline of management as opposed to being drawn from other disciplines.

Figure 1-5 indicates that the contributions of the behavioral approach should in no way be viewed separately from the classical approach. Examining the topics covered indicates that the behavioral approach has made contributions to the human aspects of the *organizing*, *leading*, and *controlling* functions. In subsequent chapters on career development, motivation, leadership, communications, organizational change, and performance evaluation, we will draw upon the contributions of the behavioral approach.

The contributions of the management science approach are seen in various facets of the *planning* and *controlling* functions. In subsequent chapters on planning, decision making, managerial control and information, and production/operations and financial control, we will draw upon the contributions of the management science approach.

In summary, the management process is the focus of our book. We have selected only that knowledge which we believe will help improve the performance of a management function. Thus, while management draws upon relevant aspects of other disciplines, it also has certain identifiable characteristics, such as the process and functions of management, that are its own.

You should know that merely learning the many techniques and concepts that other disciplines have contributed to the discipline of management will not necessarily produce an effective manager. To be effective you must know which technique is appropriate for which situation. This view is clearly stated by Peter Drucker:

Managers practice management. They do not practice economics. They do not practice quantification. They do not practice behavioral science. These are tools for the manager. . . . As a specific discipline, management has its own basic problems . . . specific approaches . . . distinct concerns. . . . A man who only knows the skills and techniques, without understanding the fundamentals of management, is not a manager; he is, at best, only a technician.⁹

When you finish this book, you will be equipped with the knowledge, attitudes, and skills that will enable you to evaluate which management practice fits which situation.

⁹Drucker, *Management*, p. 17.

MANAGEMENT SUMMARY

- A successful manager does not rely on a single managerial skill, but rather a combination of skills.
- Management can be thought of as multi-dimensional in nature. It can be defined as a process, a discipline, people, and a career.
- Four key functions make up the process of management: planning, organizing, leading, and controlling.
- The discipline of management is continually evolving and is addressed through three primary approaches to the subject. They are the classical approach, the behavioral approach, and the management science approach.
- The classical approach focuses on ways to increase the efficiency and productivity of workers; the behavioral approach focuses on the human dynamics of the workplace. The management science approach addresses the use of math and statistics in solving production and operations problems.
- More recently, attempts have been made to integrate the three approaches to the study of management. These integrative approaches are known as the systems approach and the contingency approach.
- The systems approach stresses the interrelatedness of all aspects of organizations and the links between the organization and its environment. The contingency approach emphasizes the need to evaluate contingency variables in selecting approaches to managerial situations.

REVIEW AND DISCUSSION QUESTIONS

1. What does Drucker mean when he states that "A man who only knows the skills and techniques, without understanding the fundamentals of management, is not a manager; he is, at best, only a technician"?
2. Clearly distinguish between the process of management and the functions of management. How are they related?
3. Why is there no one best way to manage?
4. List the organizations that influence your life. In what ways do they influence you?
5. Someone has said that managers are a very important social resource in the United States. Why do you think this person made this statement? Do you agree or disagree? State your reasons.
6. Apply the systems theory concepts to an organization with which you are familiar. What are the inputs and outputs? How are the outputs transformed? What are the challenges in managing an organization from the systems theory perspective?
7. Can you think of any reasons why three approaches to management thought comprise the discipline of management?
8. Have you ever been a manager? Can you think of a situation in which you played a managerial role? Outline your planning, organizing, leading, and controlling functions.
9. As the chapter's figure of the management process indicates, planning leads to organizing which leads to controlling which leads to performance, and leading activities affect the three managerial functions. Is it possible that the controlling function can affect the organizing and planning functions? Or that the organizing function can affect the leading function? Explain.
10. Although Taylor received little credit at the time he introduced his thinking about scientific management, his contributions to management certainly have withstood the test of time. Why have Taylor's views of management had a lasting impact?