CHAPTER TWO

A Short History of Management Theory and Practice

DETAILED LECTURE OUTLINE

I. Management as a socially constructed concept
   A. The understanding of “management” has changed over time and is culture-dependent
   B. Management is not a completely objective field of study; the way we define and understand management is inherently influenced by our values

II. Historical development of the field of management
   A. The emphasis on individualism and materialism
      1. Management scholar Max Weber suggested that Mainstream management is characterized by materialism and individualism
         a) These values originated about 500 years ago with religious teaching that God calls individuals to their work and rewards individuals who work hard and succeed in their jobs
         b) Individualism was further legitimized by Adam Smith’s 1776 The Wealth of Nations, which suggests the operation of an “invisible hand,” whereby individuals working in their own self-interest achieve the collective good
      2. Alternative emphases in previous times and cultures
         a) Reciprocity = neighborly give and take, trading
         b) Redistribution = ensuring that everyone’s needs are met
         c) Householding = being a good steward or caretaker of family and community
      3. Weber described the “iron cage,” or the strong force by which materialism and individualism overpower the importance of all other forms of well-being.
   B. The increasing dominance and size of corporations
      1. Historically, businesses were small and family-based
         a) Few large organizations existed (the Roman Catholic Church was and still is the largest organization in the world)
         b) Businesses were seen as an extension of a household
      2. Modern organizations developed due to social, technological, and legal changes
         a) Industrial Revolution led to specialization and work in large factories rather than from home businesses
         b) Change in legal status of organization
            (1) Corporations were now allowed to act as legal citizens so long as they acted in such a way as to advance the common good
            (2) Limited liability = organizational owners are not personally responsible for financial debts that exceed the amount they invested in the organization
            (3) Initially, charters were difficult to obtain unless the corporation was clearly in the public interest and for the common good
               a) Citizens viewed corporations skeptically and were wary of the power they might gain
               b) Corporations began lobbying government, gained more power and became more prevalent
(c) Change in Fourteenth Amendment to provide power of a “natural person” to corporations

III. Five eras of management thought
   A. An emphasis on organizing: The “classical” era (1910-1930)
      1. Two schools of thought
         a) Micro focus: “Scientific Management”
            (1) Frederick Taylor (known as the “father of scientific management”) increased productivity by scientifically analyzing jobs to find the “one best way” to complete the work
            (2) Gantt Chart = bar graph used to schedule and allocate resources for a production job (developed by Henry Gantt)
            (3) Frank and Lillian Gilbreth found “one best way” to organize work through their time and motion studies
         b) Macro focus: “Bureaucracy” (Max Weber)
            (1) Weber noted that organizations were becoming more formally rational and efficient, with manager’s relying more on positional authority and on rules and regulations to manage organizations
            (2) Henry Ford’s mass production of automobiles demonstrates bureaucracy
            (3) Henry Fayol’s principles of management
               (a) Unity of command = each employee reports to only one superior
               (b) Unity of direction = workers should be guided by a single plan of action
               (c) Scalar chain = organizations should have a chain of authority extending from the top to the bottom and including all workers

   B. An emphasis on leading: The “human” era (1930-1950)
      1. Mary Parker Follett emphasized human rather than technical side of management, arguing that managers should facilitate rather than control the work of subordinates
      2. Lillian Gilbreth studied ways to reduce job stress and argued for child-labor laws and standard workday hours
      3. Chester Barnard believed that organizations were not machines and could not be managed in impersonal ways of scientific management.
         a) Developed notion of “zone of difference,” which refers to activities that employees will not rebel against doing
      4. The Hawthorne Effect
         a) Famous studies conducted by Elton Mayo and Fritz Roethlisberger and sponsored by General Electric
         b) Studied whether increased lighting would increase productivity and found productivity increased in experimental and control groups
         c) The “Hawthorne effect” is the name now used to indicate the tendency for workers’ productivity to increase whenever managers treat them with respect
         d) Related phenomenon of “self-fulfilling prophecy” occurs when people are more productive because their managers have high expectations of them

   C. The human relations movement
      1. Focus on increasing employee satisfaction in order to improve productivity
      2. Douglas McGregor’s research on Theory X and Theory Y managers
         a) Theory X managers assume that people are inherently lazy and will avoid work unless forced to do it
b) Theory Y managers assume that people are inherently motivated to work and feel unfulfilled if they do not have the opportunity to contribute to society.

D. An emphasis on planning: The “calculating” era (1950-1970)
1. World War II need to improve industrial productivity led to the development of “systems analysis,” which was used to analyze complex problems.
2. Three fields emerged out of war-related efforts:
   a) “Management science” aids in managerial planning by providing sophisticated quantitative techniques for decision making.
      (1) Two subfields include “operations research,” which emphasizes mathematical model building, and “operations management,” which uses quantitative techniques to help improve efficiency. Includes methods of:
         (a) Break-even analysis = determine the sales volume and prices required to earn a profit, decide which product lines to keep and which to drop, set prices for products and services.
         (b) Forecasting = projections that help to plan for production targets, whether and when to expand production facilities.
         (c) Inventory modeling = helps managers decide on the timing and quantity for ordering supplies and how much end-product inventory to keep on hand.
         (d) Linear programming = how to allocate scarce resources among competing uses.
         (e) Simulations = mathematical models that test the outcomes associated with making different decisions.
   b) “Systems theory” highlights managers’ unique responsibilities and vantage points in overseeing the entire organization.
      (1) Leading scholars = James D. Thompson, Daniel Katz, and Robert L. Kahn.
      (2) Closed system view = looking at managing the organization as though it were a self-contained entity.
         (a) Entropy: The natural tendency for a closed system to fail because it is unable to acquire the inputs and energy it needs to survive.
      (3) Open system view = emphasizes the organization’s larger environment.
         (a) Synergy: an open system view is more likely to lead to synergy, in which two or more systems work jointly together better than if they would if they were working independently.
   c) “Contingency theory” suggests that there is a fit between organizational structures and systems, technology, and the larger environment; therefore managers need to weigh many different concerns.
      (1) Herbert Simon won the Nobel Prize for his research in this area.
      (2) Bounded rationality = idea that even the best management decision-making process is limited by a lack of complete information and limited cognitive ability.
      (3) Tom Burns and G.M. Stalker’s contingency argument that there is no “one best way” to manage.
         (a) Example: mechanistic structures (characterized by many formal rules and centralized authority) are best in stable environments.
         (b) Example: organic structures (characterized by flexible rules and decentralized authority) are best in less stable environments.
      (4) John Child’s “strategic choice theory” says that the dominant coalition (managers) make three key strategic decisions based on their values and beliefs.
(a) What constitutes “effective” management?
(b) What is the organization’s domain (including industry, suppliers, etc)?
(c) What should the organization’s internal structure be?

E. An emphasis on controlling: The “values and beliefs” era (1970-1990)
   1. Social era of questioning the status quo and the role of values and beliefs in organizations
      a) Institutionalization = certain practices or rules becoming valued in and of themselves, even though they may no longer be useful for the organization
   2. Control and the social construction of reality
      a) Many of what we accept as objective “natural facts of life” actually are socially constructed “moral facts of life”
      b) Increased attention to organizational culture and the “symbolic” role of management in creating meaning for organizational members.

F. The call for Multistream management: The “reconsidering” era (1990 to present)
   1. A growing discontent with Mainstream status quo has led people to look at a number of important issues in management
      a) Ecological sustainability: Increasing scientific evidence shows that our current lifestyle is harming the environment
      b) Social justice: Income inequality is growing within organizations and countries, and across countries
      c) Physical well-being: Research indicates that focus on materialism and individualism is associated with physical and emotional costs
      d) Aesthetic costs: Do massive organizations and highly specialized jobs contribute to meaningful work and communities that are pleasing to the senses?
      e) Spiritual interest: Movement toward increased spirituality and religion and away from materialism and individualism