PART ONE—Introduction

Management Theory

Essential Background for the Successful Manager

Major Questions You Should Be Able to Answer

2.1 Evolving Viewpoints: How We Got to Today’s Management Outlook
Major Question: What’s the payoff in studying different management perspectives, both yesterday’s and today’s?

2.2 Classical Viewpoint: Scientific & Administrative Management
Major Question: If the name of the game is to manage work more efficiently, what can the classical viewpoint teach me?

2.3 Behavioral Viewpoint: Behaviorism, Human Relations, & Behavioral Science
Major Question: To understand how people are motivated to achieve, what can I learn from the behavioral viewpoint?

2.4 Quantitative Viewpoints: Management Science & Operations Research
Major Question: If the manager’s job is to solve problems, how might the two quantitative approaches help?

2.5 Systems Viewpoint
Major Question: How can the exceptional manager be helped by the systems viewpoint?

2.6 Contingency Viewpoint
Major Question: In the end, is there one best way to manage in all situations?

2.7 Quality-Management Viewpoint
Major Question: Can the quality-management viewpoint offer guidelines for true managerial success?

2.8 The Learning Organization in an Era of Accelerated Change
Major Question: Organizations must learn or perish. How do I build a learning organization?
Evidence-Based Management: An Attitude of Wisdom

“These days, there aren’t any hot, new trends, just a lot of repackaged ones from the past,” writes Wall Street Journal columnist Carol Hymowitz.1 “Executives have been treated to an overdose of management guides that mostly haven’t delivered what they promised. Many bosses have adopted them all, regardless of their company’s business model, balance sheet, competition, employee bench strength, or any other unique qualities. They have become copycat managers, trying to find a one-stop, fix-it-all answer to their various problems.”

How will you know whether the next “fix-it-all” book to hit the business bestseller list is simply a recycling of old ideas? The answer is: You have to have studied history—the subject of this chapter.

Is the practice of management an art or a science? Certainly it can be an art. Lots of top executives have no actual training in management—July McGrath, CEO of MTV Networks, for instance, whom we discussed in Chapter 1, has a background in English and journalism, not business. Great managers, like great painters or actors, are those who have the right mix of intuition, judgment, and experience.

But management is also a science. That is, rather than being performed in a seat-of-the-pants, trial-and-error, make-it-up-as-you-go-along kind of way—which can lead to some truly horrendous mistakes—management can be approached deliberately, rationally, systematically. That’s what the scientific method is, after all—a logical process, embodying four steps: (1) You observe events and gather facts. (2) You pose a possible solution or explanation based on those facts. (3) You make a prediction of future events. (4) You test the prediction under systematic conditions.

The process of scientific reasoning underlies what is known as evidence-based management. Evidence-based management means translating principles based on best evidence into organizational practice, bringing rationality to the decision-making process. Evidence-based management derives from evidence-based medicine, embracing what Stanford business scholars Jeffrey Pfeffer and Robert Sutton call an attitude of wisdom. This is a mind-set that, first, is willing to set aside belief and conventional wisdom and to act on the facts and, second, has an unrelenting commitment to gathering information necessary to make informed decisions and to keeping pace with new evidence to update practices.3

“The way a good doctor or a good manager works,” Sutton says, “is to act with knowledge while doubting what you know. So if a patient goes to a doctor, you hope the doctor would do two things: first look at the literature and make the best decision given what’s available. Then actually track the progress of the treatment and see what unexpected side effects you’re having and what things are working.”4

Evidence-based management is based on three truths:

- **There are few really new ideas:** Most supposedly new ideas are old, wrong, or both.
- **True is better than new:** Effective organizations and managers are more interested in what is true than in what is new.
- **Doing well usually dominates:** Organizations that do simple, obvious, and even seemingly trivial things well will dominate competitors who search for “silver bullets and instant magic.”

For Discussion
Do you think managers are often driven by fads, by what they’ve read in the latest book or heard in the latest management seminar? Have you ever heard of a manager taking an experimental approach, as in trying out a new idea with an open mind to see what happens? How could you profit by taking an evidence-based approach to the ideas we will discuss in this chapter?
2.1 EVOLVING VIEWPOINTS: HOW WE GOT TO TODAY’S MANAGEMENT OUTLOOK

What’s the payoff in studying different management perspectives, both yesterday’s and today’s?

THE BIG PICTURE

After studying theory, managers may learn the value of practicing evidence-based management, bringing rationality to the decision-making process. This chapter describes two principal theoretical perspectives—the historical and the contemporary. Studying management theory provides understanding of the present, a guide to action, a source of new ideas, clues to the meaning of your managers’ decisions, and clues to the meaning of outside events.

“The best way to predict the future is to create it,” Peter Drucker said. The purpose of this book is, to the extent possible, to give you the tools to create your own future as a manager.

Who is Peter Drucker? “He was the creator and inventor of modern management,” says management guru Tom Peters. “In the early 1950s, nobody had a tool kit to manage these incredibly complex organizations that had gone out of control. Drucker was the first person to give us a handbook for that.”

An Austrian trained in economics and international law, Drucker came to the United States in 1937, where he worked as a correspondent for British newspapers and later became a college professor. In 1954, he published his famous text, The Practice of Management, in which he proposed that management was one of the major social innovations of the 20th century and that it should be treated as a profession, like medicine or law. In this and other books, he introduced several ideas that now underlie the organization and practice of management—that workers should be treated as assets, that the corporation could be considered a human community, that there is “no business without a customer,” that institutionalized management practices were preferable to charismatic, cult leaders. Many ideas that you will encounter in this book—decentralization, management by objectives, knowledge workers—are directly traceable to Drucker’s pen. “Without his analysis,” says one writer, “it’s almost impossible to imagine the rise of dispersed, globe-spanning corporations.”

Evidence-Based Management

Evidence-based management, described in the Manager’s Toolbox, while not invented by Drucker, is very much in the spirit of his rational approach to management. As mentioned, evidence-based management means translating principles based on best evidence into organizational practice, bringing rationality to the decision-making process. As its two principal proponents, Stanford business scholars Jeffrey Pfeffer and Robert Sutton, put it, evidence-based management is based on the belief that “facing the hard facts about what works and what doesn’t, understanding the dangerous half-truths that constitute so much conventional wisdom about management, and rejecting the total nonsense that too often passes for sound advice will help organizations perform better.” Learning to make managerial decisions based on evidence is the approach we hope you will learn to take after studying many other approaches—the perspectives described in this chapter.
Two Overarching Perspectives about Management

In this chapter, we describe two overarching perspectives about management:

- **Historical.** The *historical perspective* includes three viewpoints—*classical, behavioral, and quantitative*.
- **Contemporary.** The *contemporary perspective* also includes three viewpoints—*systems, contingency, and quality-management*.

Five Practical Reasons for Studying This Chapter

“Theory,” say business professors Clayton Christensen and Michael Raynor, “often gets a bum rap among managers because it’s associated with the word ‘theoretical,’ which connotes ‘impractical.’ But it shouldn’t.” After all, what could be more practical than studying different approaches to see which work best?

Indeed, there are five good reasons for studying theoretical perspectives:

1. **Understanding of the present.** “Sound theories help us interpret the present, to understand what is happening and why,” say Christensen and Raynor. Understanding history will help you understand why some practices are still favored, whether for right or wrong reasons.
2. **Guide to action.** Good theories help us make predictions and enable you to develop a set of principles that will guide your actions.
3. **Source of new ideas.** It can also provide new ideas that may be useful to you when you come up against new situations.
4. **Clues to meaning of your managers’ decisions.** It can help you understand your firm’s focus, where the top managers are “coming from.”
5. **Clues to meaning of outside events.** Finally, it may allow you to understand events outside the organization that could affect it or you.

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**Example**

Is the Traditional Hierarchy the Only Way to Organize a Company?

How Understanding Theory Can Help You

If Management 1.0 is what we’re used to now, with its traditional pyramid hierarchy, what would Management 2.0 look like? What if, as management thinker Gary Hamel suggests, Management 2.0 looked a lot like Web 2.0 as represented in Wikipedia, YouTube, and other online communities? Could the traditional hierarchy of boxes with lines actually become a corporate straitjacket?

That’s what Lars Kolind, CEO of Danish digital hearing-aid producer Oticon, thought. In the early 1990s, he took Oticon’s organization chart and simply threw it away. “He unilaterally abolished the old pyramid,” says one account. In the new “spaghetti organization,” as it came to be called, there was “no formal organization, no departments, no functions, no paper, no permanent desks.” All employees worked at mobile workstations, all desks were on wheels, and everybody worked on projects that were always subject to reorganization. Why such deliberate disorganization? Because if you want to have a company that is fast, agile, and innovative, as CEO Kolind did, you might want to have a flexible organizational structure that allows for fast reaction time. And it worked. By 1993, Oticon achieved the greatest profits since it was founded in 1904.

**Your Call**

Kolind says that the spaghetti organization structure has four characteristics: a much broader job definition, less formal structure, more open and informal physical layouts to facilitate communications, and management based on values. Do you think a spaghetti organization could be applied to a factory with hundreds or thousands of employees, such as a Ford assembly plant?
Bet you’ve never heard of a “therblig,” although it may describe some physical motions you perform from time to time—perhaps when you have to wash dishes. A made-up word you won’t find in most dictionaries, therblig was coined by Frank Gilbreth and is, in fact, “Gilbreth” spelled backward, with the “t” and the “h” reversed. It refers to 1 of 17 basic motions. By identifying the therbligs in a job, as in the tasks of a bricklayer (which he had once been), Frank and his wife, Lillian, were able to eliminate motions while simultaneously reducing fatigue.

The Gilbreths were a husband-and-wife team of industrial engineers who were pioneers in one of the classical approaches to management, part of the historical perspective. As we mentioned, there are three historical management viewpoints or approaches. (See Figure 2.1, opposite page.) They are

- Classical
- Behavioral
- Quantitative

In this section, we describe the classical perspective of management, which originated during the early 1900s. The classical viewpoint, which emphasized finding ways to manage work more efficiently, had two branches—scientific and administrative—each of which is identified with particular pioneering theorists. In general, classical management assumes that people are rational. Let’s compare the two approaches.

**Scientific Management: Pioneered by Taylor & the Gilbreths**

The problem for which scientific management emerged as a solution was this: In the expansive days of the early 20th century, labor was in such short supply that managers were hard pressed to raise the productivity of workers. Scientific management emphasized the scientific study of work methods to improve the productivity of individual workers. Two of its chief proponents were Frederick W. Taylor and the team of Frank and Lillian Gilbreth.

**Frederick Taylor & the Four Principles of Scientific Management** No doubt there are some days when you haven’t studied, or worked, as efficiently as you could. This could be called “underachieving,” or “loafing,” or what Taylor called it—soldiering.
deliberately working at less than full capacity. Known as “the father of scientific management,” Taylor was an American engineer from Philadelphia who believed that managers could eliminate soldiering by applying four principles of science:

1. Evaluate a task by scientifically studying each part of the task (not use old rule-of-thumb methods).
2. Carefully select workers with the right abilities for the task.
3. Give workers the training and incentives to do the task with the proper work methods.
4. Use scientific principles to plan the work methods and ease the way for workers to do their jobs.

Taylor based his system on motion studies, in which he broke down each worker’s job at a steel company, say, into basic physical motions and then trained workers to use the methods of their best-performing co-workers. In addition, he suggested employers institute a differential rate system, in which more efficient workers earned higher wages.
**Why Taylor Is Important:** Although “Taylorism” met considerable resistance from employees fearing that working harder would lead to lost jobs except for the highly productive few, Taylor believed that by raising production both labor and management could increase profits to the point where they no longer would have to quarrel over them. If used correctly, the principles of scientific management can enhance productivity, and such innovations as motion studies and differential pay are still used today.

**Frank & Lillian Gilbreth & Industrial Engineering** As mentioned, Frank and Lillian Gilbreth were a husband-and-wife team of industrial engineers who lectured at Purdue University in the early 1900s. Their experiences in raising 12 children—to whom they applied some of their ideas about improving efficiency (such as printing the Morse Code on the back of the bathroom door so that family members could learn it while doing other things)—later were popularized in a book, two movies, and a TV sitcom, *Cheaper by the Dozen*. The Gilbreths expanded on Taylor’s motion studies—for instance, by using movie cameras to film workers at work in order to isolate the parts of a job.

Lillian Gilbreth, who received a PhD in psychology, was the first woman to be a major contributor to management science.

**Administrative Management: Pioneered by Fayol & Weber**

Scientific management is concerned with the jobs of individuals. *Administrative management* is concerned with managing the total organization. Among the pioneering theorists were Henri Fayol and Max Weber.

**Henri Fayol & the Functions of Management** Fayol was not the first to investigate management behavior, but he was the first to systematize it. A French engineer and industrialist, he became known to American business when his most important work, *General and Industrial Management*, was translated into English in 1930.

*Why Fayol Is Important:* Fayol was the first to identify the major functions of management (p. 13)—planning, organizing, leading, and controlling, as well as coordinating—the first four of which you’ll recognize as the functions providing the framework for this and most other management books.
Max Weber & the Rationality of Bureaucracy  In our time, the word “bureaucracy” has come to have negative associations: impersonality, inflexibility, red tape, a molasseslike response to problems. But to German sociologist Max Weber, a bureaucracracy was a rational, efficient, ideal organization based on principles of logic. After all, in Weber’s Germany in the late 19th century, many people were in positions of authority (particularly in the government) not because of their abilities but because of their social status. The result, Weber wrote, was that they didn’t perform effectively.

A better-performing organization, he felt, should have five positive bureaucratic features:

1. A well-defined hierarchy of authority.
2. Formal rules and procedures.
3. A clear division of labor.
4. Impersonality.
5. Careers based on merit.

*Why Weber Is Important:* Weber’s work was not translated into English until 1947, but it came to have an important influence on the structure of large corporations, such as the Coca-Cola Company.

The Problem with the Classical Viewpoint: Too Mechanistic

A flaw in the classical viewpoint is that it is mechanistic: It tends to view humans as cogs within a machine, not taking into account the importance of human needs. Behavioral theory addressed this problem, as we explain next.

*Why the Classical Viewpoint Is Important:* The essence of the classical viewpoint was that work activity was amenable to a rational approach, that through the application of scientific methods, time and motion studies, and job specialization it was possible to boost productivity. Indeed, these concepts are still in use today, the results visible to you every time you visit McDonald’s or Pizza Hut. The classical viewpoint also led to such innovations as management by objectives and goal setting, as we explain elsewhere.
2.3. BEHAVIORAL VIEWPOINT: BEHAVIORISM, HUMAN RELATIONS, & BEHAVIORAL SCIENCE

To understand how people are motivated to achieve, what can I learn from the behavioral viewpoint?

THE BIG PICTURE

The second of the three historical management perspectives was the behavioral viewpoint, which emphasized the importance of understanding human behavior and of motivating employees toward achievement. The behavioral viewpoint developed over three phases: (1) Early behaviorism was pioneered by Hugo Munsterberg, Mary Parker Follett, and Elton Mayo. (2) The human relations movement was pioneered by Abraham Maslow (who proposed a hierarchy of needs) and Douglas McGregor (who proposed a Theory X and Theory Y view to explain managers’ attitudes toward workers). (3) The behavioral science approach relied on scientific research for developing theories about behavior useful to managers.

The behavioral viewpoint emphasized the importance of understanding human behavior and of motivating employees toward achievement. The behavioral viewpoint developed over three phases: (1) early behaviorism, (2) the human relations movement, and (3) behavioral science.

Early Behaviorism: Pioneered by Munsterberg, Follett, & Mayo

The three people who pioneered behavioral theory were Hugo Munsterberg, Mary Parker Follett, and Elton Mayo.

Hugo Munsterberg & the First Application of Psychology to Industry

Called “the father of industrial psychology,” German-born Hugo Munsterberg had a PhD in psychology and a medical degree and joined the faculty at Harvard University in 1892. Munsterberg suggested that psychologists could contribute to industry in three ways. They could:

1. Study jobs and determine which people are best suited to specific jobs.
2. Identify the psychological conditions under which employees do their best work.
3. Devise management strategies to influence employees to follow management’s interests.

Why Munsterberg Is Important: His ideas led to the field of industrial psychology, the study of human behavior in workplaces, which is still taught in colleges today.

Mary Parker Follett & Power Sharing among Employees & Managers

A Massachusetts social worker and social philosopher, Mary Parker Follett was lauded on her death in 1933 as “one of the most important women America has yet produced in the fields of civics and sociology.” Instead of following the usual hierarchical arrangement of managers as order givers and employees as order takers,
Follett thought organizations should become more democratic, with managers and employees working cooperatively.

The following ideas were among her most important:

1. Organizations should be operated as “communities,” with managers and subordinates working together in harmony.
2. Conflicts should be resolved by having managers and workers talk over differences and find solutions that would satisfy both parties—a process she called integration.
3. The work process should be under the control of workers with the relevant knowledge, rather than of managers, who should act as facilitators.

*Why Follett Is Important:* With these and other ideas, Follett anticipated some of today’s concepts of “self-managed teams,” “worker empowerment,” and “interdepartmental teams”—that is, members of different departments working together on joint projects.

**Elton Mayo & the Supposed “Hawthorne Effect”**

Do you think workers would be more productive if they thought they were receiving special attention? This was the conclusion drawn by a Harvard research group in the late 1920s.

Conducted by Elton Mayo and his associates at Western Electric’s Hawthorne (Chicago) plant, what came to be called the *Hawthorne studies* began with an investigation into whether workplace lighting level affected worker productivity. (This was the type of study that Taylor or the Gilbreths might have done.) In later experiments, other variables were altered, such as wage levels, rest periods, and length of workday. Worker performance varied but tended to increase over time, leading Mayo and his colleagues to hypothesize what came to be known as the *Hawthorne effect*—namely, that employees worked harder if they received added attention, if they thought that managers cared about their welfare and that supervisors paid special attention to them.

*Hawthorne effect.* Western Electric’s Hawthorne plant, where Elton Mayo and his team conducted their studies in the 1920s. Do you think you’d perform better in a robotlike job if you thought your supervisor cared about you and paid more attention to you?
Why the Hawthorne Studies Are Important: Ultimately, the Hawthorne studies were faulted for being poorly designed and not having enough empirical data to support the conclusions. Nevertheless, they succeeded in drawing attention to the importance of “social man” (social beings) and how managers using good human relations could improve worker productivity. This in turn led to the so-called human relations movement in the 1950s and 1960s.

The Human Relations Movement: Pioneered by Maslow & McGregor

The two theorists who contributed most to the human relations movement—which proposed that better human relations could increase worker productivity—were Abraham Maslow and Douglas McGregor.

Abraham Maslow & the Hierarchy of Needs What motivates you to perform: Food? Security? Love? Recognition? Self-fulfillment? Probably all of these, Abraham Maslow would say, although some needs must be satisfied before others. The chairman of the psychology department at Brandeis University and one of the earliest researchers to study motivation, in 1943 Maslow proposed his famous hierarchy of human needs: physiological, safety, love, esteem, and self-actualization (as we discuss in detail in Chapter 12, where we explain why Maslow is important).

Douglas McGregor & Theory X versus Theory Y Having been for a time a college president (at Antioch College in Ohio), Douglas McGregor came to realize that it was not enough for managers to try to be liked; they also needed to be aware of their attitudes toward employees. Basically, McGregor suggested in a 1960 book, these attitudes could be either “X” or “Y.” Theory X represents a pessimistic, negative view of workers. In this view, workers are considered to be irresponsible, to be resistant to change, to lack ambition, to hate work, and to want to be led rather than to lead.

Theory Y? Debra Stark (third from left) built her Concord, Massachusetts–based Debra’s Natural Gourmet store into a $2.5 million business by assigning each of her 26 employees, whom she calls “co-workers,” a management role, such as monitoring product turnover. Each quarter, Stark distributes 20% of her after-tax profits among everyone, divided according to not only hours worked and salary level but also “how I see they’re interacting with customers, each other, and me.”
Theory Y represents the outlook of human relations proponents—an optimistic, positive view of workers. In this view, workers are considered to be capable of accepting responsibility, self-direction, and self-control and of being imaginative and creative.

Why Theory X/Theory Y Is Important: The principal contribution offered by the Theory X/Theory Y perspective is that it can help managers avoid falling into the trap of the self-fulfilling prophecy. This is the idea that if a manager expects a subordinate to act in a certain way, the worker may, in fact, very well act that way, thereby confirming the manager’s expectations: The prophecy that the manager made is fulfilled.

The Behavioral Science Approach

The human relations movement was a necessary correction to the sterile approach used within scientific management, but its optimism came to be considered too simplistic for practical use. More recently, the human relations view has been superseded by the behavioral science approach to management. Behavioral science relies on scientific research for developing theories about human behavior that can be used to provide practical tools for managers. The disciplines of behavioral science include psychology, sociology, anthropology, and economics.

Example Application of Behavioral Science Approach: Which Is Better—Competition or Cooperation?

A widely held assumption among American managers is that “competition brings out the best in people.” From an economic standpoint, business survival depends on staying ahead of the competition. But from an interpersonal standpoint, critics contend competition has been overemphasized, primarily at the expense of cooperation.

One strong advocate of greater emphasis on cooperation, Alfie Kahn, reviewed the evidence and found two reasons for what he sees as competition’s failure. First, he said, “success often depends on sharing resources efficiently, and this is nearly impossible when people have to work against one another.” Competition makes people suspicious and hostile toward each other. Cooperation, by contrast, “takes advantage of all the skills represented in a group as well as the mysterious process by which that group becomes more than the sum of its parts.”

Second, Kahn says, competition does not promote excellence, “because trying to do well and trying to beat others simply are two different things.” Khan points out the example of children in class who wave their arms to get the teacher’s attention, but when they are finally recognized they then seem befuddled and ask the teacher to repeat the question—because they were more focused on beating their classmates than on the subject matter.

What does the behavioral science research suggest about the question of cooperation versus competition? One team of researchers reviewed 122 studies encompassing a wide variety of subjects and settings and came up with three conclusions: (1) Cooperation is superior to competition in promoting achievement and productivity. (2) Cooperation is superior to individualistic efforts in promoting achievement and productivity. (3) Cooperation without intergroup competition promotes higher achievement and productivity than cooperation with intergroup competition.

Your Call

What kind of office layout do you think would encourage more cooperation—a system of private offices or an open-office configuration with desks scattered about in a small area with no partitions?
During the air war known as the Battle of Britain in World War II, a relative few Royal Air Force fighter pilots and planes were able to successfully resist the overwhelming might of the German military machine. How did they do it? Military planners drew on mathematics and statistics to determine how to most effectively allocate use of their limited aircraft.

When the Americans entered the war in 1941, they used the British model to form operations research (OR) teams to determine how to deploy troops, submarines, and other military personnel and equipment most effectively. For example, OR techniques were used to establish the optimum pattern that search planes should fly to try to locate enemy ships.

After the war, businesses also began using these techniques. One group of former officers, who came to be called the Whiz Kids, used statistical techniques at Ford Motor Co. to make better management decisions. Later Whiz Kid Robert McNamara, who had become Ford’s president, was appointed Secretary of Defense and introduced similar statistical techniques and cost-benefit analyses throughout the Department of Defense. Since then, OR techniques have evolved into quantitative management, the application to management of quantitative techniques, such as statistics and computer simulations. Two branches of quantitative management are management science and operations management.

Management Science: Using Mathematics to Solve Management Problems

How would you go about deciding how to assign utility repair crews during a blackout? Or how many package sorters you needed and at which times for an overnight delivery service such as FedEx or UPS? You would probably use the tools of management science.

Management science is not the same as Taylor’s scientific management. Management science focuses on using mathematics to aid in problem solving and decision making. Sometimes management science is called operations research.

Why Management Science Is Important: Management science stresses the use of rational, science-based techniques and mathematical models to improve decision making and strategic planning.
Operations Management: Helping Organizations Deliver Products or Services More Effectively

How does Costco decide when to reorder supplies? How does JetBlue decide which planes are to fly where and when? Managers use the techniques of operations management. A less sophisticated version of management science, operations management focuses on managing the production and delivery of an organization’s products or services more effectively. It is concerned with work scheduling, production planning, facilities location and design, and decisions about the optimum levels of inventory a company should maintain.

Why Operations Management Is Important: Through the rational management of resources and distribution of goods and services, operations management helps ensure that business operations are efficient and effective.

Example

Management Science: Renting Hotel Rooms at Half the Price

“All it takes for the hotels to work out a half-price program is to do some management science–style math. Research shows that 80% occupancy is the standard for profitability. If the hotel is booked beyond that, half-price members don’t get their discount; lower than 80%, they do. (There may be blackout periods for some days.)

Your Call
What other industries do you think might use this kind of discount system, and how might it work?

Example

Operations Management: Can a Car Maker’s “Lean Management” Production Techniques Be Applied to a Hospital?

Over the years, Toyota Motor Corp. has developed a variety of production techniques that draw in part on operations research. First, it emphasizes the smoothest possible flow of work. To accomplish this, managers perform value stream mapping, identifying the many steps in a production process and eliminating unnecessary ones. They also perform mistake proofing or root-cause analysis, using teamwork to examine problems and fix them as soon as they appear. In addition, the car maker helped pioneer the just-in-time approach to obtaining supplies from vendors only as they are needed in the factory. All such techniques now come under the term “lean management.”

However, doctors and nurses don’t think of themselves as assembly-line workers. Can lean management be used to improve hospital patient flow? Actually, it can. At Allegheny General in Pittsburgh, for example, its two intensive-care units had been averaging 5.5 infections per 1,000 patient days, and in a 12-month period 37 patients had 49 infections and 51% died. The medical staff in the two units applied the Toyota “root-cause analysis” system to investigating every new infection as soon as it occurred. They concluded that an intravenous line inserted into an artery near the groin had a particularly high rate of infection. Now the hospital makes a continuous effort to replace these lines with lower-risk ones in the arm or near the collarbone.

Your Call
If “lean management” can be applied at automakers and hospitals, could it be applied in higher education to educate students better? How?
PART I  ✽  Introduction

52

2.5 SYSTEMS VIEWPOINT

How can the exceptional manager be helped by the systems viewpoint?

THE BIG PICTURE

Three contemporary management perspectives are (1) the systems, (2) the contingency, and (3) the quality-management viewpoints. The systems viewpoint sees organizations as a system, either open or closed, with inputs, outputs, transformation processes, and feedback. The contingency viewpoint emphasizes that a manager’s approach should vary according to the individual and environmental situation. The quality-management viewpoint has two traditional approaches: quality control, the strategy for minimizing errors by managing each stage of production, and quality assurance, which focuses on the performance of workers, urging employees to strive for zero defects. A third quality approach is the movement of total quality management (TQM), a comprehensive approach dedicated to continuous quality improvement, training, and customer satisfaction.

Being of a presumably practical turn of mind, could you run an organization or a department according to the theories you’ve just learned? Probably not. The reason: People are complicated. To be an exceptional manager, you need to learn to deal with individual differences in a variety of settings.

Thus, to the historical perspective on management (classical, behavioral, and quantitative viewpoints), let us now add the contemporary perspective, which consists of three viewpoints. (See Figure 2.2 below.) These consist of:

- Systems
- Contingency
- Quality-management

In this section, we discuss the systems viewpoint.

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<th>The Systems Viewpoint</th>
<th>The Contingency Viewpoint</th>
<th>The Quality-Management Viewpoint</th>
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<tr>
<td>Regards the organization as systems of interrelated parts that operate together to achieve a common purpose</td>
<td>Emphasizes that a manager’s approach should vary according to—the individual and environmental situation</td>
<td>Three approaches</td>
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<th>Quality control</th>
<th>Quality assurance</th>
<th>Total quality management</th>
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<tr>
<td>Strategy for minimizing errors by managing each state of production</td>
<td>Focuses on the performance of workers, urging employees to strive for “zero defects”</td>
<td>Comprehensive approach dedicated to continuous quality improvement, training, and customer satisfaction</td>
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Proponent: Walter Shewart

Proponents: W. Edwards Deming, Joseph M. Juran

figure 2.2

THE CONTEMPORARY PERSPECTIVE

Three viewpoints
The Systems Viewpoint

The 52 bones in the foot. The monarchy of Great Britain. A weather storm front. Each of these is a system. A system is a set of interrelated parts that operate together to achieve a common purpose. Even though a system may not work very well—as in the inefficient way the Russian government collects taxes, for example—it is nevertheless still a system.

The systems viewpoint regards the organization as a system of interrelated parts. By adopting this point of view, you can look at your organization both as (1) a collection of subsystems—parts making up the whole system—and (2) a part of the larger environment. A college, for example, is made up of a collection of academic departments, support staffs, students, and the like. But it also exists as a system within the environment of education, having to be responsive to parents, alumni, legislators, nearby townspeople, and so on.

The Four Parts of a System

The vocabulary of the systems perspective is useful because it gives you a way of understanding many different kinds of organizations. The four parts of a system are defined as follows:

1. **Inputs** are the people, money, information, equipment, and materials required to produce an organization’s goods or services. Whatever goes into a system is an input.

2. **Outputs** are the products, services, profits, losses, employee satisfaction or discontent, and the like that are produced by the organization. Whatever comes out of the system is an output.

3. **Transformation processes** are the organization’s capabilities in management and technology that are applied to converting inputs into outputs. The main activity of the organization is to transform inputs into outputs.

4. **Feedback** is information about the reaction of the environment to the outputs that affects the inputs. Are the customers buying or not buying the product? That information is feedback.

The four parts of a system are illustrated below. (See Figure 2.3.)
Introduction

Open & Closed Systems  Nearly all organizations are, at least to some degree, open systems rather than closed systems. An open system continually interacts with its environment. A closed system has little interaction with its environment; that is, it receives very little feedback from the outside. The classical management viewpoint often considered an organization a closed system. So does the management science perspective, which simplifies organizations for purposes of analysis. However, any organization that ignores feedback from the environment opens itself up to possibly spectacular failures.

Closed system. The Apple Newton Messagepad, a personal digital assistant released in 1993 and killed in 1998, probably failed because it was developed as a closed system, with inadequate feedback from consumers before launch. It was panned for being too expensive, too large, and having faulty handwriting recognition. (It still survives because of the efforts of Newton enthusiasts, not Apple.)

Open system. Levi’s confronted sinking sales arising from its closed system of market research. It now is actively trying to be an open-system company. Do you think a company that loses touch with its market can regain it?
Why the Systems Viewpoint—Particularly the Concept of Open Systems—is Important: The history of management is full of accounts of organizations whose services or products failed because they weren’t open enough systems and didn’t have sufficient feedback. One of the most famous gaffes was the introduction of the 1959 Edsel by the Ford Motor Co. despite mixed reactions about the car’s eccentric styling from customers given a preview of the vehicle. The concept of open systems, which stresses feedback from multiple environmental factors, both inside and outside the organization, attempts to ensure a continuous learning process in order to correct old mistakes and avoid new ones.

Example

Open & Closed Systems: How Do You Keep Up with Fashion Fads?

Are generations really different? However fuzzy the notion of what a “generation” is, we have been accustomed to hearing them labeled: the Baby Boomers (born between 1945 and 1962), then Generation X (born 1963 to 1978), and now Generation Y (born 1979 to 1994). Generation Y—also tagged the Echo Boomers and the Millennium Generation—consists of 60 million people. While this is not as huge as the 72 million Baby Boomers, it is a great deal larger than the 17 million in Gen X, and no marketer can afford to ignore a demographic bulge of this size. But how to discover what’s cool and what’s not to this generation?

Having grown up with the Internet, Gen Yers are accustomed to high-speed information, research shows, which has made fashions faster changing, with young consumers inclined to switch brand loyalties in a millisecond. For a long time, Tommy Hilfiger stayed ahead of the style curve. “When Hilfiger’s distinctive logo-laden shirts and jackets started showing up on urban rappers in the early ’90s,” says a Business Week account, “the company started sending researchers into music clubs to see how this influential group wore the styles. It bolstered its traditional mass-media ads with unusual promotions. . . . Knowing its customers’ passion for computer games, it sponsored a Nintendo competition and installed Nintendo terminals in its stores.” By having constant feedback—an open system—consumers, Hillfiger was rewarded: Its jeans became the No. 1 brand in this age group. Indeed, designers like Hilfiger, Nike, and DKNY have even refused to crack down on the pirating of their logos for T-shirts and baseball hats in the inner cities in order to maintain the “got to be cool” presence of their brands.

By contrast, Levi Strauss and Co., a veritable icon of Baby Boomer youth, was jolted awake in 1997 when its market share slid, and the company’s researchers found the brand was losing popularity among teens. “We all got older, and as a consequence, we lost touch with teenagers,” said David Spangler, director of market research. Levi’s thereupon opened up its relatively closed system by instituting ongoing teen panels to keep tabs on emerging trends. Generation Y “is a generation that must be reckoned with,” said Spangler. “They are going to take over the country.”

As Levi’s has struggled to regain its luster, it has recently been hit by another threat: private-label jeans, in which retailers like Wal-Mart, Macy’s, Target, and JC Penney create brands of their own, cutting out the middleman. Wal-Mart, for instance, introduced an in-house brand, called Metro 7, that competes against Levi’s low-priced Signature jeans. Whereas in 1975 private labels and private brands were 25% of the apparel market, by 2010 they are expected to be over 60%. Still, consumers who prefer national brands, such as Levi’s, outspend other shoppers by nearly 3 to 1 in department stores. What would you recommend Levi’s do to broaden its market share?
PART 1 ✽ Introduction

The classical viewpoints advanced by Taylor and Fayol assumed that their approaches had universal applications—that they were “the one best way” to manage organizations. The contingency viewpoint began to develop when managers discovered that under some circumstances better results could be achieved by breaking the one-best-way rule.

**Example**

The Contingency Viewpoint: When Does Using Data-Mining Software to Build Business Make Sense?

Most managers believe that technology increases productivity, a notion that Taylor and the Gilbreths might subscribe to. But does it always? Consider the use of data-mining software to increase business.

Gary Loveman, a former Harvard Business School professor, is now CEO of gambling giant Harrahs Entertainment, which owns or manages 50 casinos. Over the past 8 years, he has helped to build Harrahs into the world’s largest gaming company. He has done this not by courting high rollers, as other gambling casinos do, but by, as one article describes it, “looking for frequent shoppers—the teachers, doctors, and accountants who walk through the doors to play the odds, again and again and again.”

The means of building business from this customer base, Loveman explained in a famous paper (and later book), “Diamonds in the Data Mine,” was through the use of data-mining software, a computer-assisted process of sifting through and analyzing vast amounts of data in order to extract meaning and discover new knowledge. Loveman identified its best customers through its Total Rewards incentive program and taught them to respond to the casino’s marketing efforts in a way that added to their individual value.

But does data mining always boost productivity? New software enables companies to make faster sales by identifying and mining electronic networks of personal contacts. They allow people to get introductions to people they don’t know, based on mathematical formulas that analyze tidbits of data in electronic calendars, phone logs, sales records, company databases, and the like.

Such software might seem a beneficial business-networking tool. However, the potential downside, one writer points out, is that a world “in which salespeople are using higher-powered electronic networking tools would inevitably be a world in which more pushy people engage in more intrusive behavior.” Such aggressive relationship mining might well backfire by angering and humiliating the very people you are trying to reach, like the endless “robocalls” that political candidates send to prospective voters at election time.

Indeed, this has already happened in pharmaceutical sales, where drug sales representatives have computerized dossiers showing which physicians are prescribing what drugs and used that knowledge to pressure a doctor to write more prescriptions for a brand-name drug or fewer orders for a competitor’s drug. Now many doctors are in revolt against this intrusive data gathering and the resulting overzealous sales practices.

**Your Call**

Should you or should you not adopt data-mining tools in a future business? What would be the answer, according to the contingency viewpoint?
The *contingency viewpoint* emphasizes that a manager’s approach should vary according to—that is, be contingent on—the individual and the environmental situation.

A manager subscribing to the Gilbreth approach might try to get workers to build a better mousetrap, say, by simplifying the steps. A manager of the Theory X/Theory Y persuasion might try to use motivational techniques to boost worker productivity. But the manager following the contingency viewpoint would simply ask, “What method is the best to use under these particular circumstances?”

*Why the Contingency Viewpoint Is Important*: The contingency viewpoint would seem to be the most practical of the viewpoints discussed so far because it addresses problems on a case-by-case basis and varies the solution accordingly.

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**Practical Action**

**Mindfulness Over Mindlessness: Learning to Take a Contingency Point of View**

“Be flexible.” Isn’t that what we’re told?

Throughout your career, you will have to constantly make choices about how to solve various problems—which tools to apply, including the theories described in this chapter. However, one barrier to being flexible is *mindlessness*. Instead we need to adopt the frame of mind that Harvard psychology professor Ellen Langer has called *mindfulness*, a form of active engagement.

We’ve all experienced mindlessness. We misplace our keys. We write checks in January with the previous year’s date. Mindlessness is characterized by the three following attributes.

**Mindlessness #1: Entrapment in Old Categories**

An avid tennis player, Langer says that at a tennis camp she, like all other students, was taught *exactly* how to hold her racquet and toss the ball when making a serve. But later, when watching a top tennis championship, she observed that none of the top players served the way she was taught and all served slightly differently.

The significance: There is no one right way of doing things. In a conditional, or mindful, way of teaching, an instructor doesn’t say, “This is THE answer;” but rather, “This is ONE answer.” Thus, all information—even in the hard sciences and mathematics, where it may seem as though there is just one correct answer—should be regarded with open-mindedness, because there may be exceptions. That is, you should act as though the information is true only for certain uses or under certain circumstances.

**Mindlessness #2: Automatic Behavior**

Langer tells of the time she used a new credit card in a department store. Noticing that Langer hadn’t signed the card yet, the cashier returned it to her to sign the back. After passing the credit card through the imprinting machine, the clerk handed her the credit card receipt to sign, which Langer did. Then, says Langer, the cashier “held the form next to the newly signed card to see if the signatures matched.”

In automatic behavior, we take in and use limited signals from the world around us without letting other signals penetrate as well. By contrast, mindfulness is being open to new information—including that not specifically assigned to you. Mindfulness requires you to engage more fully in whatever it is you’re doing.

**Mindlessness #3: Acting from a Single Perspective**

Most people, says Langer, typically assume that other peoples’ motives and intentions are the same as theirs. For example, she says, “If I am out running and see someone walking briskly, I assume she is trying to exercise and would run if only she could,” when actually she may only be trying to get her exercise from walking.

For most situations, many interpretations are possible. “Every idea, person, or object is potentially simultaneously many things depending on the perspective from which it is viewed,” says Langer. Trying out different perspectives gives you *more choices in how to respond*; a single perspective that produces an automatic reaction reduces your options.

2.7 QUALITY-MANAGEMENT VIEWPOINT

major question
Can the quality-management viewpoint offer guidelines for true managerial success?

THE BIG PICTURE
The quality-management viewpoint, the third category under contemporary perspectives, consists of quality control, quality assurance, and especially the movement of total quality management (TQM), dedicated to continuous quality improvement, training, and customer satisfaction.

At one time in the 20th century, word got around among buyers of American cars that one shouldn’t buy a “Monday car” or a “Friday car”—cars built on the days when absenteeism and hangovers were highest among dissatisfied autoworkers. The reason, supposedly, was that, despite the efforts of quantitative management, the cars produced on those days were the most shoddily made of what were coming to look like generally shoddy products.

The energy crisis of the 1970s showed different possibilities, as Americans began to buy more fuel-efficient cars made in Japan. Consumers found they could not only drive farther on a gallon of gas but that the cars were better made and needed repair less often. Eventually American car manufacturers began to adopt Japanese methods, leading to such slogans as “At Ford, Quality Is Job One.” Today the average American car lasts 8 or 9 years compared to 5 or 6 just 20 years ago.35

Although not a “theory” as such, the quality-management viewpoint, which includes quality control, quality assurance, and total quality management, deserves to be considered because of the impact of this kind of thinking on contemporary management perspectives.

Quality Control & Quality Assurance
Quality refers to the total ability of a product or service to meet customer needs. Quality is seen as one of the most important ways of adding value to products and services, thereby distinguishing them from those of competitors. Two traditional strategies for ensuring quality are quality control and quality assurance.

Quality Control | Quality control is defined as the strategy for minimizing errors by managing each stage of production. Quality control techniques were developed in the 1930s at Bell Telephone Labs by Walter Shewart, who used statistical sampling to locate errors by testing just some (rather than all) of the items in a particular production run.

Quality Assurance | Developed in the 1960s, quality assurance focuses on the performance of workers, urging employees to strive for “zero defects.” Quality assurance has been less successful because often employees have no control over the design of the work process.
Total Quality Management: Creating an Organization Dedicated to Continuous Improvement

In the years after World War II, the imprint “Made in Japan” on a product almost guaranteed that it was cheap and flimsy. That began to change with the arrival in Japan of two Americans, W. Edwards Deming and Joseph M. Juran.

W. Edwards Deming  Desperate to rebuild its war-devastated economy, Japan eagerly received mathematician W. Edwards Deming’s lectures on “good management.” Deming believed that quality stemmed from “constancy of purpose”—steady focus on an organization’s mission—along with statistical measurement and reduction of variations in production processes. However, he also emphasized the human side, saying that managers should stress teamwork, try to be helpful rather than simply give orders, and make employees feel comfortable about asking questions.

In addition, Deming proposed his so-called 85–15 rule—namely, when things go wrong, there is an 85% chance that the system is at fault, only a 15% chance that the individual worker is at fault. (The “system” would include not only machinery and equipment but also management and rules.) Most of the time, Deming thought, managers erroneously blamed individuals when the failure was really in the system.

Joseph M. Juran  Another pioneer with Deming in Japan’s quality revolution was Joseph M. Juran, who defined quality as “fitness for use.” By this he meant that a product or service should satisfy a customer’s real needs. Thus, the best way to focus a company’s efforts, Juran suggested, was to concentrate on the real needs of customers.

TQM: What It Is  From the work of Deming and Juran has come the strategic commitment to quality known as total quality management. Total quality management (TQM) is a comprehensive approach—led by top management and supported throughout the organization—dedicated to continuous quality improvement, training, and customer satisfaction.

The four components of TQM are as follows:

1. **Make continuous improvement a priority.** TQM companies are never satisfied. They make small, incremental improvements an everyday priority in all areas of the organization. By improving everything a little bit of the time all the time, the company can achieve long-term quality, efficiency, and customer satisfaction.

2. **Get every employee involved.** To build teamwork and trust, TQM companies see that every employee is involved in the continuous improvement process. This requires that workers must be trained and empowered to find and solve problems. The goal is to build teamwork, trust, and mutual respect.

3. **Listen to and learn from customers and employees.** TQM companies pay attention to their customers, the people who use their products or services. In addition, employees within the companies listen and learn from other employees, those outside their own work areas.

4. **Use accurate standards to identify and eliminate problems.** TQM organizations are always alert to how competitors do things better, then try to improve on them—a process known as benchmarking. Using these standards, they apply statistical measurements to their own processes to identify problems.

Why Total Quality Management Is Important: The total quality management viewpoint emphasizes infusing concepts of quality throughout the total organization in a way that will deliver quality products and services to customers. The adoption of TQM helped American companies deal with global competition.
Ultimately, the lesson we need to take from the theories, perspectives, and viewpoints we have described is this: We need to keep on learning. Organizations are the same way: Like people, they must continually learn new things or face obsolescence. A key challenge for managers, therefore, is to establish a culture that will enhance their employees’ ability to learn—to build so-called learning organizations.

Learning organizations, says Massachusetts Institute of Technology professor Peter Senge, who coined the term, are places “where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together.”

The Learning Organization: Handling Knowledge & Modifying Behavior

More formally, a learning organization is an organization that actively creates, acquires, and transfers knowledge within itself and is able to modify its behavior to reflect new knowledge. There are three ways you as a manager can help build a learning organization.

1. Creating and acquiring knowledge. In learning organizations, managers try to actively infuse their organizations with new ideas and information, which are the prerequisites for learning. They acquire such knowledge by constantly scanning their external environments, by not being afraid to hire new talent and expertise when needed, and by devoting significant resources to training and developing their employees.

2. Transferring knowledge. Managers actively work at transferring knowledge throughout the organization, reducing barriers to sharing information and ideas among employees. Electronic Data Systems (EDS), for instance, practically invented the information-technology services industry, but by 1996 it was slipping behind competitors—missing the onset of the Internet wave, for example. When a new CEO, Dick Brown, took the reins in 1999, he changed the culture from “fix the problem yourself” to sharing information internally.

3. Modifying behavior. Learning organizations are nothing if not results oriented. Thus, managers encourage employees to use the new knowledge obtained to change their behavior to help further the organization’s goals.

Why Organizations Need to Be Learning Organizations: Living with Accelerated Change

Just as you as an individual will have to confront the challenges we mentioned in Chapter 1—globalization, information technology, diversity, and so on—so will
organizations. The challenges posed by competition from a globalized marketplace and from the Internet and e-business revolution have led to unprecedented accelerated change, forcing organizations to be faster and more efficient. Among some of the consequences of this fast-paced world:

1. **The rise of virtual organizations.** “Strip away the highfalutin’ talk,” says one industry observer, “and at bottom the Internet is a tool that dramatically lowers the cost of communication. That means it can radically alter any industry or activity that depends heavily on the flow of information.” One consequence of this is the **virtual organization**, an organization whose members are geographically apart, usually working with e-mail, collaborative computing, and other computer connections, while often appearing to customers and others to be a single, unified organization with a real physical location.

2. **The rise of boundaryless organizations.** Computer connections and virtual organization have given rise to the concept of boundaryless organization. The opposite of a bureaucracy, with its numerous barriers and divisions, a **boundaryless organization** is a fluid, highly adaptive organization whose members, linked by information technology, come together to collaborate on common tasks; the collaborators may include competitors, suppliers, and customers. This means that the form of the business is ever-changing, and business relationships are informal.

3. **The imperative for speed and innovation.** “Speed is emerging as the ultimate competitive weapon,” says a *BusinessWeek* article. “Some of the world’s most successful companies are proving to be expert at spotting new opportunities, marshaling their forces, and bringing to market new products or services in a flash. That goes for launching whole new ventures, too.” Speed is being driven by a new innovation imperative. “Competition is more intense than ever,” the article continues, “because of the rise of the Asian powerhouses and the spread of disruptive new Internet technologies and business models.”

4. **The increasing importance of knowledge workers.** A **knowledge worker** is someone whose occupation is principally concerned with generating or interpreting information, as opposed to manual labor. Knowledge workers add value to the organization by using their brains rather than the sweat of their brows, and as such they are the most common type of worker in 21st-century organizations. Because of globalization and information technology, the United States no longer has an advantage in knowledge workers. Indeed, because of the advancement of China, India, Russia, and Brazil; the offshoring of sophisticated jobs; the decrease in math and science skills among today’s younger Americans; and other factors, the U.S. may be in danger of slipping behind.

5. **An appreciation for the importance of human capital.** **Human capital** is the economic or productive potential of employee knowledge, experience, and actions. Thinking about people as human capital has an obvious basis: “Attracting, retaining, and developing great people is sometimes the only way our organizations can keep up with the competition across the street or around the globe,” says Susan Meisinger, president and CEO of the Society for Human Resource Management. “Research has shown that highly educated, knowledgeable workers—the most in demand—are the hardest to find and easiest to lose.”

6. **An appreciation for the importance of social capital.** **Social capital** is the economic or productive potential of strong, trusting, and cooperative relationships. Among aspects of social capital are goodwill, mutual
respect, cooperation, trust, and teamwork. Relationships within a company are important: In one survey, 77% of the women and 63% of the men rated “good relationship with boss” extremely important, outranking such matters as good equipment, easy commute, and flexible hours.47

7. **New emphasis on evidence-based management.** Is it such a radical idea to base decisions on the latest and best knowledge of what actually works? Wouldn’t you think this would be the way medicine operates? In fact, say Jeffrey Pfeffer and Robert Sutton, most doctors rely on “obsolete knowledge gained in school, long-standing but never proven traditions, patterns gleaned from experience, the methods they believe in and are most skilled in applying, and information from hordes of vendors with products and services.”48 Business decision makers operate much the same way. Challenging this is a push for the use of evidence-based management in business. We continue the discussion about evidence-based management in Chapter 6.

**How to Build a Learning Organization: Three Roles Managers Play**

To create a learning organization, managers must perform three key functions or roles: (1) **build a commitment to learning**, (2) **work to generate ideas with impact**, and (3) **work to generalize ideas with impact**.49

1. **You can build a commitment to learning.** To instill in your employees an intellectual and emotional commitment to the idea of learning, you as a manager need to lead the way by investing in it, publicly promoting it, creating rewards and symbols of it, and performing other similar activities. For example, Mark Pigott, chairman of PACCAR, Inc., which makes Kenworth and Peterbilt trucks, accomplished this by looking at other kinds of businesses and learning from their success. By focusing intently on how to improve quality, PACCAR can charge up to 10% more than competitors for its trucks.50

2. **You can work to generate ideas with impact.** As a manager, you need to try to generate ideas with impact—that is, ideas that add value for customers, employees, and shareholders—by increasing employee competence through training, experimenting with new ideas, and engaging in other leadership activities. Soon after Dick Brown became new CEO of EDS, he saw that the company had to be reinvented as a cool brand to make people feel good about working there. His marketing director decided to launch a new campaign at the biggest media event of all: the Super Bowl. EDS ran an ad showing rugged cowboys riding herd on 10,000 cats. The message: “We ride herd on complexity.”

3. **You can work to generalize ideas with impact.** Besides generating ideas with impact, you can also generalize them—that is, reduce the barriers to learning among employees and within your organization. You can create a climate that reduces conflict, increases communication, promotes teamwork, rewards risk taking, reduces the fear of failure, and increases cooperation. In other words, you can create a psychologically safe and comforting environment that increases the sharing of successes, failures, and best practices.●
2.1 Evolving Viewpoints: How We Got to Today’s Management
A rational approach to management is evidence-based management, which means translating principles based on best evidence into organizational practice, bringing rationality to the decision-making process. The two overarching perspectives on management are (1) the historical perspective, which includes three viewpoints—classical, behavioral, and quantitative; and (2) the contemporary perspective, which includes three other viewpoints—systems, contingency, and quality-management. There are five practical reasons for studying theoretical perspectives: They provide (1) understanding of the present, (2) a guide to action, (3) a source of new ideas, (4) clues to the meaning of your managers’ decisions, and (5) clues to the meaning of outside ideas.

2.2 Classical Viewpoint: Scientific & Administrative Management
The first of the historical perspectives is the classical viewpoint, which emphasized finding ways to manage work more efficiently. It had two branches: (1) Scientific management emphasized the scientific study of work methods to improve productivity by individual workers. It was pioneered by Frederick W. Taylor, who offered four principles of science that could be applied to management, and by Frank and Lillian Gilbreth, who refined motion studies that broke job tasks into physical motions. (2) Administrative management was concerned with managing the total organization. Among its pioneers were Henri Fayol, who identified the major functions of management (planning, organizing, leading, controlling), and Max Weber who identified five positive bureaucratic features in a well-performing organization. The classical viewpoint showed that work activity was amenable to a rational approach, but it has been criticized as being too mechanistic, viewing humans as cogs in a machine.

2.3 Behavioral Viewpoint: Behaviorism, Human Relations, & Behavioral Science
The second of the historical perspectives, the behavioral viewpoint emphasized the importance of understanding human behavior and of motivating employees toward achievement. It developed over three phases: (1) early behaviorism (2) the human relations movement, and (3) the behavioral science approach. Early behaviorism had three pioneers: (a) Hugo
Munsterberg suggested that psychologists could contribute to industry by studying jobs, identifying the psychological conditions for employees to do their best work. (b) Mary Parker Follett thought organizations should be democratic, with employees and managers working together. (c) Elton Mayo hypothesized a so-called Hawthorne effect, suggesting that employees worked harder if they received added attention from managers. The human relations movement suggested that better human relations could increase worker productivity. Among its pioneers were (a) Abraham Maslow, who proposed a hierarchy of human needs, and (b) Douglas McGregor, who proposed a Theory X (managers have pessimistic view of workers) and Theory Y (managers have positive view of workers). The behavioral science approach relied on scientific research for developing theories about human behavior that can be used to provide practical tools for managers.

2.4 Quantitative Viewpoints: Management Science & Operations Research
The third of the historical perspectives, quantitative viewpoints emphasized the application to management of quantitative techniques. Two approaches are (1) management science, which focuses on using mathematics to aid in problem solving and decision making; and (2) operations management, which focuses on managing the production and delivery of an organization’s products or services more effectively.

2.5 Systems Viewpoint
We turn from the study of the historical perspective to the contemporary perspective, which includes three viewpoints: (1) systems, (2) contingency, and (3) quality-management. The systems viewpoint regards the organization as a system of interrelated parts or collection of subsystems that operate together to achieve a common purpose. A system has four parts: inputs, outputs, transformational processes, and feedback. A system can be open, continually interacting with the environment, or closed, having little such interaction.

2.6 Contingency Viewpoint
The second viewpoint in the contemporary perspective, the contingency viewpoint emphasizes that a manager’s approach should vary according to the individual and the environmental situation.

2.7 Quality-Management Viewpoint
The third category in the contemporary perspective, the quality-management viewpoint is concerned with quality (the total ability of a product or service to meet customer needs) and has three aspects: (1) Quality control is the strategy for minimizing errors by managing each stage of production. (2) Quality assurance focuses on the performance of workers, urging employees to strive for “zero defects.” (3) Total quality management (TQM) is a comprehensive approach dedicated to continuous quality improvement, training, and customer satisfaction. TQM has four components: (a) make continuous improvement a priority; (b) get every employee involved; (c) listen to and learn from customers and employees; and (d) use accurate standards to identify and eliminate problems.

2.8 The Learning Organization in an Era of Accelerated Change
A learning organization is one that actively creates, acquires, and transfers knowledge within itself and is able to modify its behavior to reflect new knowledge. Seven reasons why organizations need to become learning organizations are (1) the rise of virtual organizations, with members connected by electronic networks; (2) the rise of fluid, adaptive, boundaryless organizations; (3) the imperative for speed and innovation; (4) the increasing importance of knowledge workers, those principally concerned with generating or interpreting information; (5) an appreciation for the importance of human capital, the economic or productive potential of employees; (6) an appreciation for the importance of social capital, the economic or productive potential of strong and cooperative relationships; and (7) new emphasis on evidence-based management, in which managers face hard facts about
what works and what doesn’t. Three roles that managers must perform to build a learning organization are to (1) build a commitment to learning, (2) work to generate ideas with impact, and (3) work to generalize ideas with impact.

Management in Action

Travelocity & H&R Block Make Decisions Based on Results from Customers’ Written Feedback

A couple of years ago, Travelocity decided it had to get to know its customers better.

A company team spent several months poring over some 10,000 customer surveys, trying to figure out what people liked and didn’t like about Travelocity. “As you can imagine, it was a very challenging process,” says Don Hill, director of customer advocacy.

That was only the tip of the iceberg. To keep up with customers, Mr. Hill figured, his team would need to track and analyze 30,000 survey responses, 50,000 e-mails, and notes from half a million calls to the company’s service centers—every month.

The solution? Travelocity turned to software maker Attensity Corp., whose products quickly analyze documents and pull out vital information. Using the software, Travelocity pinpointed critical customer concerns and came up with fixes. For instance, Travelocity found that some clients held the company accountable when airlines cancelled flights. Now Travelocity is trying to help customers plan itineraries that are less likely to get hit with cancellations. It’s also developing better methods to help customers whose flights are cancelled.

Over the past few years, many big organizations have found themselves facing the same problem as Travelocity. They have access to treasure troves of customer intelligence—everything from surveys to e-mails to online reviews—but can’t sift through them effectively. Employees don’t have the time to read each document individually, and traditional database programs are designed to handle numerical data, not words.

That’s where software like Attensity’s comes in. These programs—known as text analytics—can scrutinize text documents, quickly identify crucial terms and concepts, and put all the information in an easily searchable form.

U.S. security agencies have been the biggest users of these technologies in the wake of 9/11. But a growing number of corporations are now discovering that text analytics can help them identify market trends and customer patterns, spot fraud and security threats, and highlight problems with products.

For instance, auto makers search through customer complaints, accident reports, and insurance claims to quickly identify defects in their cars. One car company was getting positive feedback about one of its models in surveys and customer e-mails. But software analysis showed that customers were burying a complaint in their notes: There was an annoying squeaking sound in the back passenger area. The auto maker fixed the problem before it hurt the company’s reputation.

How does text analytics work? The software—programmed with dictionaries and a knowledge of grammar—starts by identifying the different components in sentences, such as nouns and verbs, and subjects and objects. Using that information, it determines the major themes in each sentence and paragraph, as well as the overall document, and then figures out the relationships between them. Finally, the software stores all that information in a database, where users can search by key terms. A company might check to see how customers regarded its Web site’s “ease of use,” for instance. . . .

“The market has changed. Customers can get what they want, and they are more vocal about what they like,” says John Griggs, director of customer experience at H&R Block Inc., of Kansas City, Missouri.

H&R Block plunged into text analytics two years ago, when it faced stiff competition for its do-it-yourself online tax-preparation service.

As a first step, H&R Block wanted to understand why some customers were willing to recommend the service to friends and others weren’t. With much of its business compressed into the weeks around tax time, the company needed to respond quickly to promote features or services that were popular—or fix problems that were turning off clients.

H&R Block turned to Clarabridge Inc., of Reston, Virginia, for software that analyzes surveys, customer e-mails, and notes from calls to H&R Block service centers, providing early-morning
reports on some 10,000 customer contacts from the previous day. Mr. Griggs says it used to take 67 hours to review 1,500 customer surveys by hand. Clarabridge’s software can do it in 30 minutes.

H&R Block zeroed in on customers’ problems with the online filing process, which might make them hesitant to recommend the service. For example, customers were confused about the 2006 Telephone Excise Tax Refund. More than 160 million filers were eligible to request it, but H&R Block discovered that many clients didn’t realize they qualified. The company quickly altered its online forms, clarifying who was eligible and helping customers maximize their refunds. . . .

For Discussion
1. Is the use of text analytics more reflective of managerial art or managerial science? Explain your rationale.
2. To what extent are the managerial practices being used at Travelocity and H&R Block consistent with principles associated with management science and operations management techniques? Discuss.
3. Use Figure 2.3 to analyze how H&R Block’s use of text analytics follows a systems viewpoint.
4. How is the use of text analytics consistent with both a contingency and quality-management viewpoint? Explain your rationale.
5. What are the dangers of using text analytics to make managerial decisions? Discuss.


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What Is Your Level of Self-Esteem?

Objectives
1. To get to know yourself a bit better.
2. To help you assess your self-esteem.

Introduction
Self-esteem, confidence, self-worth, and self-belief are all important aspects of being a manager in any organizational structure. However, the need for strong self-esteem is especially vital today because organizations demand that a manager manage people not as appendages of machines (as in Scientific Management) but as individuals who possess skills, knowledge, and self-will. Managers used to operate from a very strong position of centralized power and authority. However, in our modern organizational settings power is shared, and knowledge is to some extent “where you find it.” To manage effectively in this situation, managers need strong self-esteem.

Instructions
To assess your self-esteem, answer the following questions. For each item, indicate the extent to which you agree or disagree by using the following scale. Remember, there are no right or wrong answers.

1 = strongly disagree
2 = disagree
3 = neither agree nor disagree
4 = agree
5 = strongly agree
Questions

1. I generally feel as competent as my peers.  
   1 2 3 4 5

2. I usually feel I can achieve whatever I want.  
   1 2 3 4 5

3. Whatever happens to me is mostly in my control.  
   1 2 3 4 5

4. I rarely worry about how things will work out.  
   1 2 3 4 5

5. I am confident that I can deal with most situations.  
   1 2 3 4 5

6. I rarely doubt my ability to solve problems.  
   1 2 3 4 5

7. I rarely feel guilty for asking others to do things.  
   1 2 3 4 5

8. I am rarely upset by criticism.  
   1 2 3 4 5

9. Even when I fail, I still do not doubt my basic ability.  
   1 2 3 4 5

10. I am very optimistic about my future.  
    1 2 3 4 5

11. I feel that I have quite a lot to offer an employer.  
    1 2 3 4 5

12. I rarely dwell for very long on personal setbacks.  
    1 2 3 4 5

13. I am always comfortable in disagreeing with my boss.  
    1 2 3 4 5

14. I rarely feel that I would like to be somebody else.  
    1 2 3 4 5

TOTAL SCORE______

Arbitrary Norms

High Self-esteem = 56 – 70
Moderate Self-esteem = 29 – 55
Low Self-esteem = 14 – 28

Questions for Discussion

1. Do you agree with the assessment? Why or why not?
2. How might you go about improving your self-esteem?
3. Can you survive today without having relatively good confidence in yourself?

Ethical Dilemma

Should Medical Devices Be Used as an Aid in Marketing Products?

[Magnetic resonance imaging (MRI)] technology has been used since the 1980s to detect injury or disease in patients suffering from symptoms such as seizures, paralysis, or severe headaches. But in just the past few years, manufacturers have developed stronger MRI magnets and more sophisticated software that can sort through a flood of subtle signals the scans collect. . . . Imaging technology has leaped far beyond its roots of looking for lumps and shadows. Psychiatrists
are now studying the mental activities of patients suffering from depression and other emotional ills. Basic researchers are rolling thousands of healthy subjects into MRI machines in order to explore the very essence of the mind, asking them to think, decide, feel, and learn inside the scanners. Pharma companies hope the new “functional” MRI (fMRI) technology will enhance drug development. Law enforcement experts hope it could become a more accurate lie detector. Even our most private tastes and impulses are under scrutiny as so-called neuromarketing takes off.

Unlike other brain-scanning technologies such as positron emission tomography (PET), which exposes patients to radiation, fMRI simply tracks the response in the brain tissue to magnetic fields. It’s noninvasive and believed to be harmless. That means even very young children can be scanned—and scanned repeatedly as they grow older.

One intriguing, yet controversial use of fMRI is probing consumer preferences—a technique sometimes called neuromarketing. At California Institute of Technology, researcher Stephen R. Quartz is using fMRI to explore how the brain perceives a cool product vs. an uncool one. Among portable MP3 players, “the [Apple] iPod is by far the market leader. What about that gives us a different signal in the brain?” he asks. Quartz also has formed a company that will offer services to Hollywood studios, imaging the brains of test audiences as they view movie trailers to see which generate the most brain buzz.

**Solving the Dilemma**

You are part of a committee on medical ethics organized to vote on whether fMRI should be used in capacities other than medicine—i.e., law enforcement and consumer marketing. How would you vote?

1. Absolutely not. It is wrong to use medical technology in any capacity other than healing.

2. Absolutely not. I don’t think anyone should be able to peek into my own private thoughts and preferences.

3. Yes, but only if the brain scan data are made public. Such data could be of scientific interest and could be used to combat social issues such as racism and terrorism. This kind of data would also be extremely useful for law enforcement, because it would help determine what really went on in the mind of a criminal.

4. Invent other options. Discuss.
