# CONTENTS

# 1
# INTRODUCTION TO MANAGEMENT

## *Objectives*

This chapter will help you to:
• define management
• trace the historical development of management
• identify the main contributors to management theory
• understand the similarities and differences between various management perspectives.

## *1.1 Management defined*

This chapter begins with an examination of what is meant by **management**. While there are many definitions of management, there is no universal agreement on what is meant by the term. From as early as 1903 management has been defined in various ways, for example, Taylor (1911):

> Knowing exactly what you want people to do, and then seeing that they do it in the best and cheapest way.

Taylor's definition, however, is rather simplistic, as management is a much more complex process. In 1916, Henri Fayol stated that:

> To manage is to forecast and plan, to organise, to command, to co-ordinate and to control.

Fayol's definition of management therefore gives us six key elements:
• forecasting
• planning
• organising
• commanding
• co-ordinating
• controlling.

Fayol believed that *forecasting* and *planning* were concerned with looking at future activities in an organisation and drawing up plans of action to deal

with situations which may arise. He viewed *organising* in terms of having the people and resources necessary to carry out organisational planning in a logical manner. He described *commanding* as 'maintaining activity among the personnel', that is, having a manager with a plan for a group of activities that have the same objective. Similarly, he viewed *co-ordinating* as a unifying activity, facilitating managers and employees to work together to achieve organisational goals. Finally, *controlling* meant that activities happened in accordance with the established policies and practices of an organisation. Most of these activities are very task oriented, rather than people oriented.

Fayol's perspective viewed organisations from the top downwards, emphasising the hierarchical aspects of organisations. His definition has been criticised in the context of the flatter structures of modern organisations and of increased employee participation in decision-making processes.

Recent management theorists offer different definitions of management, such as Griffin (2008):

> Management is a set of activities (including planning and decision-making, organising, leading, and controlling) directed at an organisation's resources (human, financial, physical, and information) with the aim of achieving organisational goals in an efficient and effective manner.

It can be seen from Griffin's definition that the activities suggested by Fayol for understanding management are still incorporated into modern-day management theories. It is important, however, to note that Griffin's definition highlights *the achieving of organisational goals in an efficient and effective manner*. **Efficient** means using resources wisely and in a cost-effective way. Griffin defines **effective** as making the right decisions and successfully implementing them.

Similarly, Naylor (2004) stated that:

> Management is the process of achieving organisational objectives, within a changing environment, by balancing efficiency, effectiveness and equity, obtaining the most from limited resources, and working with and through people.

Naylor's definition consists of five key terms:
1. **Achieving organisational objectives** — setting realistic targets or objectives and achieving them successfully.

2. **Within a changing environment** — organisations operate in a dynamic environment. The environment consists of two major forces, namely, the

macro environment and the micro environment (see Chapter 2). *Macro-environmental factors* include:
- the economic environment
- technology
- the political and legal environment
- the social or cultural environment
- the international environment.

*Micro-environmental factors* consist of:
- employees
- investors
- competitors
- suppliers
- distributors
- customers.

3. **Balancing efficiency, effectiveness and equity** — combining the changing of inputs into outputs and achieving desired results while at the same time being fair to all employees.

4. **Obtaining the most from limited resources** — managers need to understand that they do not have unlimited resources and must therefore use the resources available to them as efficiently as possible.

5. **With and through other people** — having the right people at the right place at the right time to achieve organisational objectives.

## 1.2 Managing at different levels of the organisation

Organisations generally have three levels of management, represented by top managers, middle managers and first-line managers.

**Top managers** make up the relatively small group of executives who manage the overall organisation. Titles found in this group include president, vice-president and chief executive officer (CEO). Top managers create the organisation's goals, overall strategy and operating policies.

**Middle managers** are primarily responsible for implementing the policies and plans developed by top managers and for supervising and co-ordinating the activities of lower level managers.

**First-line managers** supervise and co-ordinate the activities of operating employees. First-line managers typically spend a large proportion of their time supervising the work of subordinates.

**Managerial Roles**

Henry Mintzberg (a Canadian academic) closely observed the day-to-day activities of a group of CEOs by literally following them around and taking notes on what they did. From his observations, Mintzberg concluded that managers play ten different roles, as summarised in Table 1.1, and that these roles fall into three basic categories: interpersonal, informational and decisional.

| Category | Role | Sample Activities |
|---|---|---|
| **INTERPERSONAL** | Figurehead<br><br>Leader<br><br>Liaison | Attending ribbon-cutting ceremony for new plant.<br>Encouraging employees to improve productivity.<br>Co-ordinating activities of two project groups. |
| **INFORMATIONAL** | Monitor<br><br>Disseminator<br><br>Spokesperson<br><br>Scanning industry | reports to stay abreast of developments.<br>Sending e-mails outlining new organisational initiatives.<br>Making a speech to discuss growth plans. |
| **DECISIONAL** | Entrepreneur<br>Disturbance handler<br><br>Resource allocator<br><br>Negotiator | Developing new ideas for innovation.<br>Resolving conflict between two subordinates.<br>Reviewing and revising budget requests.<br>Reaching agreement with unions. |

**Table 1.1** Ten basic managerial roles

## 1.3 Management theories

The **classical management** perspective emerged during the late 1890s and early 1900s and consisted of two distinct areas:

- *Scientific management* was concerned with the individual worker and issues such as the division of work, the establishment of authority and developing solutions to problems of labour inefficiency.

- *Classical organisation* theory, on the other hand, focused on managing the total organisation.

Early management theorists included: Frederick Winslow Taylor in the United States, Henri Fayol in France and Max Weber in Germany.

### Frederick Winslow Taylor

F.W. Taylor (1856–1915) is considered to be a pioneer in the scientific management field and he is often referred to as 'the father of scientific management'. His theories were based on his experience as a shop-floor worker and later as a manager.

| | |
|---|---|
| **OBSERVATIONS** | Making detailed timings with stopwatches enabled Taylor to analyse each aspect of the production process. |
| **EXPERIMENTS** | Taylor developed a science of work and devised experiments in order to achieve maximum efficiency. |
| **STANDARDISATION** | From the data collected from observations and experiments, instructions were published which were to be followed by workers. Standardisation implied that managers had to ensure that workers were provided with the proper equipment and that this was used effectively. |
| **SELECTION AND TRAINING** | Taylor showed that output could be increased with employees feeling less tired and earning up to 60% more pay as a result of the correct selection and training of personnel and the matching of staff to tasks. |
| **PAYMENT BY RESULTS** | Taylor believed that workers were primarily motivated by pay. He experimented with differential piece-work plans which he believed would lead to increased prosperity for all. Piece-work systems were at the centre of scientific management. |
| **CO-OPERATION** | Management and workers were required to co-operate if everyone was to benefit from scientific management. Taylor, however, believed that the workers should remain under the control of their management and accept that management would be responsible for determining what was to be done and how the work was to be done. |

**Table 1.2** Taylor's principles of scientific management

At the beginning of the twentieth century many industrial plants were mechanised, yet the plants still employed thousands of staff to feed and unload the machines and materials. Business was expanding and capital was readily available, but labour was in short supply. The problem for management, therefore, was to organise the existing labour more efficiently. According to Wallace *et al.* (2004), this situation led to the emergence of modern management as a result of the need to plan, control, direct and organise the use of equipment, capital, materials and people in the factories. During this time, working conditions were poor and workers could do little about this as they had little or no economic or political power.

Taylor observed that few, if any, workers put more than minimal effort into their daily work. He called this lack of effort *soldiering*, which he subdivided into *natural soldiering*, that is, workers' natural tendency to spare effort, and *systematic soldiering*, that is, the deliberate and organised restriction of work rate by employees. Taylor believed that soldiering was primarily a result of fear of unemployment. It was against this background that Taylor developed his ideas on management.

Taylor was primarily interested in the efficiency of working methods, and the solutions he devised were based on his own experience at work. He analysed each job by breaking it down into its component parts and then designed the quickest and best methods of operation for each part. Scientific management or 'Taylorism' derived from six basic activities, as shown in Table 1.2.

Scientific management improved productivity in an era of mass production, but the emphasis was on quantity rather than on quality of production. Scientific management also identified work design, rewards, employee development and co-operation — all still important in modern organisations. Aspects of Taylorism are still visible in some manufacturing organisations today, for example, a specialised machinist operating one machine at one particular work station.

One of the main disadvantages of scientific management was that it failed to take the human or social context of workers into account. Instead, Taylorist managers believed that pay was the most important reward for employees and, accordingly, assumed that the more workers earned the happier they would be. Scientific management also took the thinking out of work for the workers and treated them as another tool in the organisation or as automatons. Scientific management theorists, however, did not sufficiently take into account the actual needs of workers in relation to matters such as working conditions, job satisfaction and having a say in matters which directly affected them.

Other contributors to scientific management who extended Taylor's work included, for example, Henry Gantt (1861–1919), and a husband and wife

team, Frank Gilbreth (1868–1924) and Lillian Gilbreth (1878–1972). These theorists made significant contributions to the study of work.

Henry Gantt was an American mechanical engineer and management consultant. Gantt's main contribution to management theory was the Gantt chart, where a worker's progress was recorded. There are many variations of the Gantt chart; an example is given in Figure 1.1. The chart was originally set up to indicate graphically the extent to which a worker had or had not achieved his or her assigned tasks. Modern project management software still includes this critical function. The chart was divided horizontally into hours, days or weeks, with the task indicated by a straight line across the appropriate time span. The amount of the task achieved was shown by another straight line parallel to the original.

The Gantt chart is still accepted as an important management tool today, it provides a graphic schedule for the planning and controlling of work, and records progress towards stages of a project. The chart has a modern variation, Program Evaluation and Review Technique (PERT).

| Period | Day 1 | Day 1 | Day 1 | Day 1 | Day 1 |
|---|---|---|---|---|---|
| Planned output | 200 units | 200 units | 200 units | 200 units | 200 units |
| Actual output | 150 units | 170 units | 180 units | 200 units | 210 units |
| Daily actual | | | | | |
| Cumulative | | | | | |
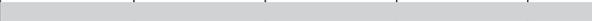
**Figure 1.1** Gantt chart

Gantt also introduced a payment system where performance below what was planned on the worker's chart still qualified the worker for the day-rate, but achievement of the actual planned work earned the worker a large bonus. From this payment system, Gantt discovered that if one worker realised that the task could be achieved, many other workers quickly accomplished similar achievements, which resulted in workers learning for themselves and making greater use of their time. Gantt also believed that there was not just 'one best way' of completing a task, but a way 'which seems to be the best at the moment'.

The husband and wife team of Frank and Lillian Gilbreth used scientific management principles to eliminate unnecessary movements for bricklayers. The Gilbreths observed, for example, that as a direct result of analysing and redesigning the work methods of some bricklayers, the number of movements in laying bricks was reduced from eighteen to five per brick. The

Gilbreths' focus was less on time than on the elimination of unnecessary movements, which became known as 'motion study'.

Although the work of the Gilbreths is often associated with that of Frederick Winslow Taylor, there was a substantial philosophical difference between the Gilbreths and Taylor. The symbol of Taylorism was the stopwatch; Taylor was primarily concerned with reducing process times. The Gilbreths, on the other hand, sought to make processes more efficient by reducing the motions involved. They saw their approach as more concerned with workers' welfare than Taylorism, which workers themselves often perceived as primarily concerned with profit.

## Henri Fayol

Henri Fayol (1841–1925) was a French mining engineer who believed that his fourteen principles of management were applicable to any organisation and were capable of adaptation according to need. He observed that these principles were the ones that he had to apply most frequently during his career. Table 1.3 shows the principles listed in the order set out by Fayol.

It is important to recognise that Fayol's principles were written in a different era and have been criticised for being incapable of meeting the demands of dynamic modern organisations. For example, Fayol's principles of management take a perspective which looks at organisations from the top downwards, emphasising the hierarchical aspects of organisations.

A primary difference, therefore, between Fayol and Taylor was that Taylor viewed management processes from the bottom up, while Fayol viewed it from the top down.

Fayol was the first theorist to devise a set of management principles which could be passed on to others. Fayol's principles, therefore, had more widespread applications for organisations than Taylor's scientific management, which was largely centred on the shop floor.

| | | |
|---|---|---|
| 1 | **DIVISION OF WORK** | Increases productivity work using the same effort. |
| 2 | **AUTHORITY** | The right to give orders and have the orders followed. |
| 3 | **DISCIPLINE** | Fair agreements between employers and employees. |
| 4 | **UNITY OF COMMAND** | Clear recognition of one person giving orders to reduce tension. |
| 5 | **UNITY OF DIRECTION** | One person planning for group activities with a shared objective. |

| 6 | SUBORDINATION OF INDIVIDUAL TO GROUP INTEREST | Ensures employees achieve organisational goals rather than their own. |
|---|---|---|
| 7 | REMUNERATION | Pay should be fair to employees and organisations. |
| 8 | CENTRALISATION | Incorporating both centralisation and decentralisation in order to achieve organisational goals more efficiently. |
| 9 | SCALAR CHAIN | The line of authority from top to bottom of organisations. |
| 10 | ORDER | The right people at the right place for the right job. |
| 11 | EQUITY | Fair treatment of all employees. |
| 12 | STABILITY OF TENURE | Reducing inefficiency by having stable tenure (for example, permanent jobs or long-term contracts). |
| 13 | INITIATIVE | All employees encouraged to show initiative. |
| 14 | *ESPRIT DE CORPS* (TEAM SPIRIT) | Contacts within and between departments should be encouraged. |

**Table 1.3** Fayol's fourteen principles of management

### Max Weber and the ideal–typical bureaucracy

Max Weber (1984–1920) was a German sociologist, rather than a practising manager like Taylor or Fayol. Weber took up the scientific management idea that there is 'one best way' to do a job and argued that there must be 'one best way' to run an organisation. He was particularly interested in managing the total organisation and in examining the structure of organisations and investigating why employees obey those in authority. Weber was not the first theorist to use the term **bureaucracy**, but in his writings he detailed the attributes of bureaucracy that still exist today (Table 1.4). The word bureaucracy comes from the word bureau, used from the early eighteenth century in Western Europe not just to refer to a writing desk, but to an office, i.e. a workplace, where officials worked. Weber suggested the need for impersonal and rational management in charge of a bureaucratic organisation.

| DIVISION OF LABOUR | Clear definitions of authority and responsibility as official duties. |
|---|---|
| ORGANISATION OF POSITIONS INTO A HIERARCHY | With each under the authority of a higher position. |
| PEOPLE ARE ASSIGNED TO POSITIONS IN THE HIERARCHY | According to qualifications, assessment by examination or training and experience. |
| DECISIONS AND ACTIONS ARE RECORDED IN WRITING | With files providing continuity and memory over time. |
| MANAGEMENT AND OWNERSHIP | Are separated. |
| ALL ARE SUBJECT TO RULES AND PROCEDURES | Applied impersonally and equally to all to ensure predictable behaviour. |

**Table 1.4** Weber's elements of bureaucracy

Weber believed that bureaucracy was necessary for the needs of large-scale organisations, enabling organisations to be both more efficient and adaptable to change. He believed in the *rational–legal model* of an organisation: **rational** because managers made decisions according to clear criteria; and **legal** because those in authority were appointed by a legitimate process. Bureaucracy, however, has become associated with 'red tape', for example, excessive rules and paperwork leading to inefficiency. It is important to remember that Weber's emphasis was on improving efficiency and this was suitable for organisations at that time, whereas modern organisations are more concerned with issues such as innovation and flexibility.

### Assessment of the classical management perspective

The classical perspective deserves credit for focusing serious attention on the importance of effective management. Many of the concepts developed during this era, such as job specialisation, time and motion studies, and scientific methods are still used today. On the other hand, these early theorists often took a simplistic view of management and failed to understand the human element of organisations.

### *Contributions*

- Laid the foundation for later developments in management theory.
- Identified important management processes, functions and skills that are still recognised as such today.
- Focused attention on management as a valid subject of scientific inquiry.

### *Limitations*

- More appropriate for stable and simple organisations than for today's dynamic and complex organisations.
- Often prescribed universal procedures that are not appropriate in some settings.
- Employees were generally viewed as tools rather than resources.

### *The human relations perspective*

As outlined above, the classical management perspective emphasised organisational structures, and many classical management theorists viewed employees as part of the mechanics of organisations. In contrast, the human relations and social psychological theorists emphasised the importance of the human factor at work. In particular, individual attitudes and behaviours of groups were regarded as important. Human relations theorists were concerned with the motivation of employees, suggesting that employees are motivated by factors other than pay. Motivation is discussed in Chapter 7. The **Hawthorne studies**, some of the most significant studies supporting the behavioural management perspective, were carried out by **Elton Mayo** and his associates between 1927 and 1932 at the Hawthorne plant of the Western Electric Company in Chicago. The emphasis in the Hawthorne studies was on the worker rather than on the work. The studies involved manipulating lighting for one group of workers (experimental group) and comparing productivity in that group with another group's productivity where the lighting was not changed. Interestingly, productivity continued to increase in both groups, even when the lighting for the experimental group was decreased. The main conclusions to be drawn from the Hawthorne studies are:

- The need to belong to a group in the workplace is much more important than previous theorists had realised.
- Individual workers cannot be treated in isolation and must be seen as members of a group.
- Managers and employers need to be aware of the social needs of employees in organisations and to cater for those needs.

- Belonging to a group and having recognition within that group is as important as monetary incentives or good physical working conditions.

The emphasis on employee social or belonging needs in contrast to the tasks to be fulfilled began during this era and are still considered to be very important in organisations today.

The Hawthorne experiment began as a study into physical working conditions, but developed as a series of studies into social factors, such as membership of groups and relationships with supervisors. As a result of the Hawthorne studies, the emphasis in organisations during the 1930s and 1940s changed from being task- or work-oriented to highlighting the social or belonging needs of employees. These concepts are still emphasised in management theories today. Further expansions of these theories during the 1950s and 1960s by early motivational theorists, such as Maslow, McGregor, Herzberg and McClelland, suggested that employees have far more than just physical and social needs to be satisfied. These theories are dealt with in detail in Chapter 7.

### Mary Parker Follett

Mary Parker Follett (1868–1933) was an American social worker, management consultant and pioneer in the fields of organisational theory and organisational behaviour. Her ideas on negotiation, power and employee participation were highly influential in the development of the fields of organisational studies, alternative dispute resolution and the human relations movement.

Mary Parker Follett stressed the interactions of management and workers. She looked at management and leadership holistically, and she identified a leader as someone who sees the whole rather than the particular. Follett was one of the first (and for a long time, one of the few) to integrate the idea of organisational conflict into management theory, and is sometimes considered the 'mother of conflict resolution'.

Follett suggested that organisations function on the principle of power 'with' and not power 'over' and recommended the creation of power-sharing arrangements in organisations. She was also a pioneer of community centres — public locations where members of a community may gather for group activities, social support, public information, and other purposes. Follett's work, therefore, set the stage for effective, progressive changes in management philosophy which were brought about through the humanisation of the workplace.

### Chester Barnard

Chester Barnard (1886–1961) was a formidable part of Mayo's human relations movement, even before Mayo became famous. Barnard had suggested that managers need to know more about human behaviour, and, in particular, more about the informal groups of an organisation, especially the relationships between workers and outsiders. He stressed short, direct lines of communication, vertical interaction that was persuasive and overcame differences.

Barnard observed that while orders given by management to employees are certainly significant, the Hawthorne Studies pointed out that this is not always enough. Workers must also be willing to obey. Thus, he believed that a certain amount of co-operation between management and employees is necessary. Authority is not all that is necessary, as the classical schools of management would have suggested. Barnard reinforced what became a fundamental idea in organisational theory: that all organisations possess both a *formal* organisation and an *informal* organisation. Barnard asserted that the informal organisation regulates how and even if employees will obey management orders and instructions. Based upon this contention, he taught that there are basically only three types of orders that can be given by managers to employees:

- First, are orders that are unquestionably acceptable and that are always obeyed because they lie within what Barnard called the employee's zone of indifference, or typically dealt with things that are part of an employee's job description and are routine.
- Second, are orders that may or may not be followed, depending upon the employee and the conduct accepted by the employee's informal organisation because such orders come close to being unacceptable.
- Third, are orders that are completely unacceptable and that will always be disobeyed because these kinds of orders go way beyond an employee's zone of indifference.

Barnard's perspective was similar to that of Mary Parker Follett and was unusual for his time. He argued that managers should obtain authority by treating subordinates with respect and competence.

### Assessment of human relations perspective

The human relations perspective focuses on employee behaviour in an organisational context. The human relations movement supplanted scientific management as the dominant approach to management in the 1930s and 1940s.

### Contributions

- Provided important insights into motivation, group dynamics and other interpersonal processes in organisations.
- Focused managerial attention on these processes.
- Challenged the view that employees are tools and furthered the belief that employees are valuable resources.

### Limitations

- The complexity of individual behaviour makes prediction of that behaviour difficult.
- Many behavioural concepts have not yet been put to use because some managers are reluctant to adopt them.

### The quantitative management perspective

Another management perspective, which emerged during the Second World War, was known as the quantitative management perspective. During this period, scientists and mathematicians solved military problems by using resources more efficiently and effectively. The achievements of this approach were also applied to organisations. Quantitative management concentrates on using mathematical and statistical models, and more recently computers, to achieve organisational efficiency and effectiveness. Quantitative management may be further subdivided into *management science* and *operations management*.

**Management science** involves the development of mathematical models and manipulating data to produce results. Management science also helps to solve organisational problems by using mixed teams of specialists who analyse problems and suggest various options by using complex statistical data in order to obtain greater understanding of problems. Management science encourages decision-making, based on the use of models, to obtain greater effectiveness. This has been facilitated recently by the use of special computer packages.

**Operations management** is a transformation process that can be considered as a form of applied management science and is used (Naylor 2004):

> to plan, organise, operate and control a transformation system that takes inputs from a variety of sources and produces outputs of goods and services at times and places defined by internal or external customers.

Operations management is concerned with making entire organisations more

effective and efficient from the strategic management level down to the operating level. Operations management techniques can be applied to a wide range of activities, including forecasting, inventory management and managing queues. Overall, quantitative management has provided managers with a number of decision-making tools and techniques which are particularly useful for planning and controlling and has increased understanding of overall organisational processes. It is important, however, to remember that mathematical models cannot predict or account for individual employee behaviour and attitude.

The **systems approach** is a management theory built around the idea of systems. A *system* is an interrelated set of elements functioning as a whole. The systems approach suggests that managers should focus on the role each part (or department) of an organisation plays in the whole organisation, rather than dealing separately with each part. The systems approach recognises the different needs of various departments; for example, the production manager may want to produce a variety of products, whereas the marketing manager may prefer to concentrate on one or two specialised products, and the finance manager may be primarily concerned with keeping costs to a minimum. The systems approach stresses the importance of *subsystems* — systems within a broader system. The finance, production and marketing departments are not only systems in their own right but are also subsystems within an organisation. *Synergy* emphasises the interrelationships between all parts of an organisation, reflecting that organisational departments (or subsystems) may often be more successful working together than working alone. This suggests that departments and units in a business are more productive when they work together than when they operate separately.

The systems approach, therefore, means that managers have to discuss the various requirements of each department in terms of meeting the needs of the whole organisation. This interaction requires a high degree of communication and the breaking down of barriers between various departments and functions of an organisation. Griffin (2008) suggests that when organisations are viewed as systems, four basic elements can be identified:
- inputs
- transformation processes
- outputs
- feedback.

First, inputs are the resources an organisation gets from its environment, including raw materials, information, and financial and human resources. Second, through managerial and technological processes the inputs are transformed into outputs. Outputs include flows of information, materials and human energy which move through a system and are transformed by

various processes into products and services. Finally, feedback is the process of monitoring information about systems in order to evaluate their operation.

### Assessment of the quantitative management perspective

The quantitative management perspective has provided managers with an abundance of decision-making tools and techniques and has increased understanding of overall organisational processes. It focuses on applying mathematical models and processes to management situations.

### Contributions

*   Developed sophisticated quantitative techniques to assist in decision-making.
*   Application of models has increased awareness and understanding of complex organisational processes and situations.
*   Useful in the planning and controlling processes.

### Limitations

*   Cannot fully explain or predict the behaviour of people in organisations.
*   Mathematical sophistication may come at the expense of other important skills.

### The contingency management perspective

Theorists from the classical management perspective believed that there was 'one best way' to manage organisations and once this 'best way' was found all could learn from it. In contrast, the contingency management perspective suggests that there is no 'one best way' to manage organisations, and aims to provide solutions to organisational management problems by responding to the unique circumstances involved. Research conducted in the 1960s and 1970s focused on situational factors that affected the appropriate structure of organisations and the appropriate leadership styles for different situations. This type of perspective recognises that in each situation there are common circumstances (those previously experienced by other organisations) *and* unique circumstances, and these may be looked at in combination to provide better solutions for particular problems. When a problem is examined, its solution will depend on its particular causes. The task for contingency management is to identify which solutions are most likely to work in given circumstances. The contingency management perspective has developed from attempts to apply various techniques to solve management problems, for example, using the theories of the behavioural management perspective (with regard to motivation) together with quantitative analyses of findings.

Four important ideas of contingency theory are:

1. There is no universal or one best way to manage.
2. The design of an organisation and its subsystems must 'fit' with the environment.
3. Effective organisations not only have a proper 'fit' with the environment but also between its subsystems.
4. The needs of an organisation are better satisfied when it is properly designed and the management style is appropriate both to the tasks undertaken and the nature of the work group.

Using the contingency management approach, managers consider the objectives of a particular action, the people involved, the equipment available, and internal and external conditions. Internal and external environments are dealt with in detail in Chapter 2. A number of theorists, such as Burns and Stalker, Lawrence and Lorsch, and Mintzberg, have studied links between organisational structures and other variables.

### Burns and Stalker

From the late 1950s, British behavioural scientists Tom Burns and G.M. Stalker have examined how organisations adjust to changing environmental conditions. Burns and Stalker characterised organisations as being mechanistic organisations or organic organisations. **Mechanistic organisations** tend to have rigid structures and can be similar to bureaucracies. **Organic organisations**, in contrast, tend to be flexible in structure and adaptive to change (see Table 1.5 for a summary of the characteristics). Many organisations, however, would lie somewhere between the two extremes.

| MECHANISTIC | ORGANIC |
|---|---|
| Tasks are specialised, precise and narrow. | Tasks are more independent and imprecise. |
| Tasks tend to be rigid, unless altered formally by top management. | Tasks are adjusted and redefined by employees. |
| Information relevant to particular situations and running the organisation lies with the chief executive. | Information is generated throughout the organisation. |
| Communication is usually between superior and subordinate (vertical) in relation to issuing orders and instructions. | Communication is both vertical and horizontal (between peers) and is used for information and advice. |
| Loyalty to the organisation and obedience to superiors is expected. | Loyalty is to project and teamwork. |

**Table 1.5** Characteristics of mechanistic and organic organisations

Burns and Stalker suggested that they did not view one or other system as being superior, but that organisations could move from one system to the other as external organisational conditions changed. They believed that what was important was gaining the most appropriate system for the particular circumstances.

### Lawrence and Lorsch

The work of Paul Lawrence and Jay Lorsch, first published in the United States in 1967, was influenced by Burns and Stalker. Their study began with an investigation of the degree of **differentiation** (dividing organisations into functions such as production, sales, finance, etc.) and **integration** (achieving collaboration between departments to achieve overall unity) within six organisations in the plastics industry and their rapidly changing environments.

Lawrence and Lorsch believed that both mechanistic *and* organic types of organisations were crucial for coping with environmental diversity, whereas Burns and Stalker believed that organic systems were more appropriate for changing conditions. Lawrence and Lorsch suggested that, in rapidly changing environmental situations, large organisations still have to maintain structure and formality. They also believed that most organisations are in a state of tension as a result of the need to be both differentiated and integrated.
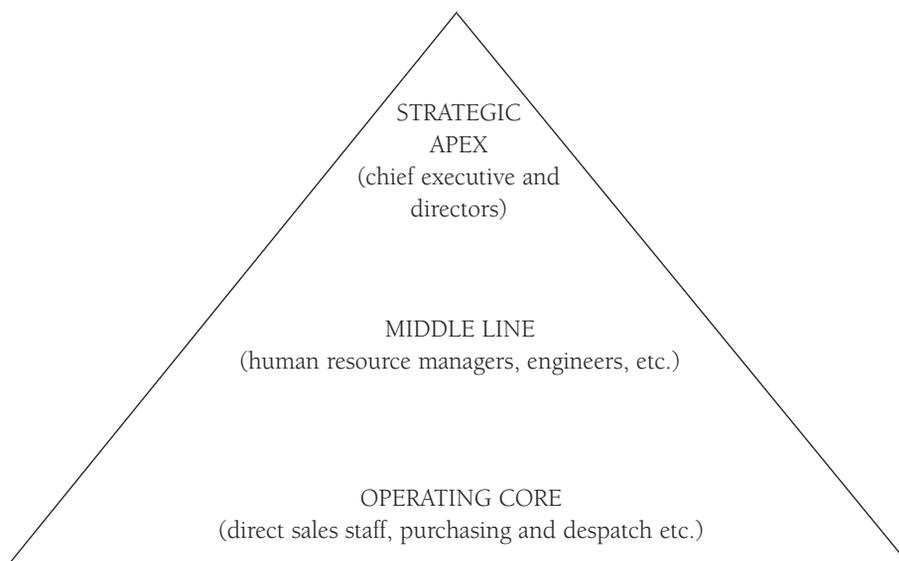
### Henry Mintzberg

Henry Mintzberg developed his concept of an organisation structure composed of various segments (summarised in Figure 1.2).

Mintzberg contends that six basic components are found in organisations:
- the *strategic apex* running the whole organisation
- the *middle-line managers* connecting the operating core with the apex
- the *technostructure* designing and controlling processes, for example, engineers, information specialists, accountants
- the *support staff* providing direct services, for example, public relations, transport, canteen, cleaning
- the *operating core* producing goods or services
- the *ideology* binding the whole together.

According to Mintzberg each organisation is dominated by a different component part, for example, the owner–manager entrepreneurial organisation is dominated by the strategic apex. In contrast, a highly skilled professional organisation, such as a law firm, works directly on its output.

STRATEGIC
APEX
(chief executive and
directors)

MIDDLE LINE
(human resource managers, engineers, etc.)

OPERATING CORE
(direct sales staff, purchasing and despatch etc.)

**Figure 1.2**  Mintzberg's model of an organisation structure

## *Peters and Waterman*

Thomas Peters and Robert Waterman investigated sixty-two major American organisations that had performed excellently during the period 1961 to 1980. Their book, *In Search of Excellence: Lessons from America's Best-run Companies*, shows eight management excellence characteristics not generally shown by organisations that did not perform as well:

- a bias for action — moving on rather than being slowed by analysis
- closeness to the customer — learning from the people served
- autonomy and entrepreneurship — fostering innovators and risk takers
- productivity through people — participation as a basis for rising standards
- a hands-on, value-driven approach — all stakeholders know what the company stands for, leaders get involved at all levels
- sticking to the knitting — focusing on business known to participants
- a simple form, lean staff — a minimum of headquarters staff to run a large business through simpler organisation structures
- simultaneous loose–tight properties — being as decentralised as possible while centralising the things that really matter.

Managers are now encouraged to recognise the ability of the people they manage and to devolve decision-making as far as possible. This suggests that the people who have to implement a decision should make it by analysing the

situation and deciding on courses of action. This should result in the contingency approach being carried to successful conclusions.

It is clear that the contingency management approach needs to analyse each situation and then draw on various schools of management theory in order to decide on the most appropriate combination. The contingency approach helps managers to be aware of the complexity in any situation and to take an active role in trying to determine what would work best in each situation, against the background of rapidly changing external environments.

### *Peter Drucker*

Peter Drucker (1909–2005) was a writer, teacher and management consultant. In 1959, he coined the term 'knowledge worker' (see Chapter 10). He was interested in the growing effect of people who worked with their minds rather than their hands. Drucker predicted that the major changes in society would be brought about by information. He argued that *knowledge* has become the central, key resource that knows no geography. According to him, the largest working group will become what he calls *knowledge workers*. The defining characteristic of these knowledge workers is the level of their formal education. Thus, education and development, and to some degree training, will be the central concern of a knowledge society.

Several ideas run through most of Drucker's writings:

- *Decentralisation and simplification.* He discounted the command and control model and asserted that companies work best when they are decentralised. He believed that organisations tend to produce too many products, hire employees they do not need (when a better solution would be outsourcing), and expand into economic sectors that they should avoid.
- *Respect of the worker.* He believed that employees are assets and not liabilities. He taught that knowledge workers are the essential ingredients of the modern economy. Central to this philosophy is the view that people are an organisation's most valuable resource and that a manager's job is to prepare employees to perform.
- *The need for community.* He suggested that volunteering in the non-profit sector was the key to fostering a healthy society where people found a sense of belonging and civic pride.
- *A company's primary responsibility is to serve its customers.* Profit is not the primary goal, but rather an essential condition for the company's continued existence.

Drucker cared not just about how business manages its resources, but also how public and private organisations operate morally and ethically within

society. He respected the values of education, personal responsibility and businesses' accountability to society.

## Chris Argyris

Chris Argyris is an American business theorist, and is known for work in the area of learning organisations (see Chapter 10). He advocates an approach to research that focuses on generating knowledge that is useful in solving practical problems. He has influenced thinking about the relationship of organisational learning and action research. He explored the impact of formal organisational structures, control systems and management on individuals and how they responded and adapted to them.

Argyris observed that organisational goals and the personal goals of employees are (usually) in conflict. In the formal organisation, he believes that employees are expected to be passive and subordinate, to accept little control over their work, to have a short-term outlook and are expected to produce under conditions leading to psychological failure. He argued for less structured forms of organisation that enabled people to express themselves within a company, not just to conform to it. He believes that most organisations were run on the basis of coercive power which tends to make them rigid. He calls for organisations to be run on the basis of knowledgeable groups and says that the matrix organisation is designed less around power and more around who has the relevant information.

Finally, towards the end of the twentieth century, management tended to be subdivided into separate branches, such as:
- human resource management
- operations management or production management
- strategic management
- marketing management
- financial management
- information technology management or management information systems.

At the beginning of the twenty-first century, however, observers find it increasingly difficult to subdivide management into functional categories in this way. Several more processes simultaneously involve various categories. Branches of management theory also exist in relation to non-profit organisations and to government organisations such as public administration, public management and educational management.

| Classical management, late 1890s until 1914 | |
|---|---|
| Taylor | Scientific management |
| Gantt | The Gantt chart |
| Gilbreth and Gilbreth | Motion study |
| Fayol | Management principles |
| Weber | Bureaucracy |
| | |
| **Behavioural management, 1900 to 1940** | |
| Mayo | Hawthorne studies |
| McGregor | Theory X, Theory Y (see Chapter 7) |
| Maslow | Hierarchy of needs (see Chapter 7) |
| | |
| **Quantitative management 1940+** | Management science |
| | Operations management |
| | |
| **Contingency management 1980+** | Organisational behaviour |
| Burns and Stalker | Mechanistic and organic organisations |
| Lawrence and Lorsch | Differentiation and integration of organisations |
| Mintzberg | Organisational structure |
| Peters and Waterman | Characteristics of excellent organisations |
| Drucker | Knowledge workers |
| Argyris | Learning organisations |
| Follett | Conflict resolution |
| Barnard | Informed organisational groups |

**Table 1.6** Summary of management theories

## *1.4 Key points*

Management is a set of functions directed at achieving organisational goals efficiently and effectively. These basic functions include:
*   planning
*   decision-making
*   organising
*   leading
*   controlling.

Modern-day management theories have emerged from a combination of approaches to management which were developed over the last one hundred years.

The *classical management* perspective consisted of scientific management and administrative management. Overall, the classical management perspective was concerned with improving organisational efficiency and work methods for individual workers but had little regard for employees.

The *human relations* perspective was concerned with individual and group behaviour. This perspective emerged primarily as a result of the Hawthorne studies. The approach recognised the importance of group behaviour for employees in organisations and highlighted the fact that employees are also motivated by non-monetary factors.

The *quantitative management* perspective consists of management science and operations management. This perspective applies quantitative techniques in attempting to solve problems and make decisions.

The *contingency management* perspective suggests that there is no universal approach to managing organisations, as organisational management depends on (or is contingent upon) each individual situation. Contingency management theorists are concerned with the links between organisational structures and other variables together with many other modern-day management issues (these issues are discussed in detail in Chapter 10).

## *Important terms and concepts*

bureaucracy (p.9)
classical management perspective (p.4)
commanding (p.2)
contingency management perspective (p.16)
controlling (p.2)
co-ordinating (p.2)
effective (p.2)
efficient (p.2)
Fayol's principles of management (p.8)
first-line managers (p.3)
forecasting (p.1)
Gantt chart (p.7)
Hawthorne studies (p.11)
human relations perspective (p.11)
knowledge workers (p. 20)
learning organisation (p. 21)
management defined (p.1)

## *Questions for review*

1.  Critically compare and contrast the contributions made by the classical management perspective and the behavioural management perspective. Include the primary contributors to each of these theories.

2.  Illustrate the importance of forecasting, planning, organising, co-ordinating and controlling for an organisation with which you are familiar.

3.  Discuss the relevance of Fayol's principles of management for modern organisations.

4.  Write brief notes on the following:
    a. The Hawthorne studies
    b. Bureaucracy
    c. Quantitative management perspective
    d. Contingency management perspective.

5.  Do you think that workers are prepared to put up with dull, boring jobs if they are paid high wages?