The Evolution of Management Thinking

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

1. Understand how historical forces influence the practice of management.

2. Identify and explain major developments in the history of management thought.

3. Describe the major components of the classical and humanistic management perspectives.

4. Discuss the management science perspective and its current use in organizations.

5. Explain the major concepts of systems theory, the contingency view, and total quality management.

6. Describe the learning organization and the changes in structure, empowerment, and information sharing managers make to support it.

7. Discuss the technology-driven workplace and the role of enterprise resource planning and knowledge management systems.
Cementos Mexicanos (Cemex), based in Monterrey, Mexico, has been making and delivering concrete for nearly a century. The company specializes in delivering concrete in developing areas of the world, places where anything can, and usually does, go wrong. Even in Monterrey, for example, Cemex copes with unpredictable weather and traffic conditions, spontaneous labor disruptions, building permit snafus, and arbitrary government inspections of construction sites. In addition, more than half of all orders are changed or canceled by customers, usually at the last minute. Considering that a load of concrete is never more than 90 minutes from spoiling, these chaotic conditions mean high costs, complex scheduling, and frustration for employees, managers, and customers. As competition in the industry increased, Cemex managers began looking for ways to stand out from the crowd. One idea was a guaranteed delivery time, but despite the efforts of employees, the best Cemex could do was promise delivery within a three-hour window. To make matters worse, the construction business itself was becoming increasingly complex and competitive, leading to even more disruptions and cancellations. Builders were sometimes lucky to get their orders delivered on the right day, let alone at the right hour. Cemex managers began to consider that the company needed a whole new approach to doing business—one that accepted rather than resisted the natural chaos of the marketplace. That would mean massive changes in operations, as well as finding ways to get dispatchers and drivers (who had an average of six years of formal education) to think like entrepreneurs.\footnote{1}

Take A Moment

If you were a manager at Cemex, what changes would you implement to help the organization thrive in the face of constant chaos? What advice would you give managers concerning their management approach and the kind of company they might create?
Cemex is faced with a situation similar to many companies. The methods and patterns that kept the organization successful in the past no longer seem enough to keep it thriving in today’s turbulent environment. Unexpected market forces or other changes in the environment can devastate a company. Major airlines in the United States are being hammered by new low-cost carriers like JetBlue and AirTran. As of September 2003, cut-rate airlines had grabbed 22 percent of U.S. market share, up from 16 percent two years earlier. Consider that while the big carriers lost customers—and money—in 2002, JetBlue’s passenger traffic increased dramatically and the start-up had profits of $55 million on revenues of $635 million. As another example, widespread financial and ethical scandals in the early 2000s have affected even the most unlikely of companies. Lutheran Health Network, which runs six hospitals in and around Fort Wayne, Indiana, now spends around $250,000 more per year to make sure the organization has documentation that they are complying with health care regulators and other oversight boards. Confronted by ever-shifting conditions, managers have to make continual changes in their organizations, and sometimes create a new kind of company, as at Cemex, one with which they have little experience or skill.

As we discussed in Chapter 1, we are currently shifting to a new kind of workplace and a new approach to management. Managers today face the ultimate paradox: (1) Keep everything running efficiently and profitably, while, at the same time, (2) change everything. It is no longer enough just to learn how to measure and control things. Success accrues to those who learn how to be leaders, to initiate change, and to participate in and even create organizations with fewer managers and less hierarchy that can change quickly.

Management philosophies and organizational forms change over time to meet new needs. The workplace of today is very different from what it was 50 years ago—indeed, from what it was even 10 years ago. Yet there are ideas and practices from the past that are still highly relevant and applicable to management today. Many students wonder why history matters to managers. A historical perspective provides a broader way of thinking, a way of searching for patterns and determining whether they recur across time periods. For example, certain management techniques that seem modern, such as employee stock-ownership programs, have repeatedly gained and lost popularity since the early twentieth century because of historical forces. William Cooper Procter, grandson of the co-founder of Procter & Gamble, introduced a profit-sharing plan in 1887, and expanded it by tying it to stock ownership a few years later. Sam Walton opened Wal-Mart’s financial records, including salaries, to all employees in the 1960s, long before business magazines were touting the value of open-book management.

A study of the past contributes to understanding both the present and the future. It is a way of learning from others’ mistakes so as not to repeat them; learning from others’ successes so as to repeat them in the appropriate situation; and, most of all, learning to understand why things happen to improve our organizations in the future. This chapter provides an overview of the ideas, theories, and management philosophies that have contributed to making the workplace what it is today. We will examine several management approaches that have been popular and successful throughout the twentieth century. The final section of the chapter will look at recent trends and current approaches that build on this foundation of management understanding. This foundation illustrates that the value of studying management lies not in learning current facts and research but in developing a perspective that will facilitate the broad, long-term view needed for management success.
CHAPTER 2  The Evolution of Management Thinking

Management and Organization

A historical perspective on management provides a context or environment in which to interpret current opportunities and problems. However, studying history does not mean merely arranging events in chronological order; it means developing an understanding of the impact of societal forces on organizations. Studying history is a way to achieve strategic thinking, see the big picture, and improve conceptual skills. We will start by examining how social, political, and economic forces have influenced organizations and the practice of management.7

**Social forces** refer to those aspects of a culture that guide and influence relationships among people. What do people value? What do people need? What are the standards of behavior among people? These forces shape what is known as the social contract, which refers to the unwritten, common rules and perceptions about relationships among people and between employees and management.

A significant social force today is the changing attitudes, ideas, and values of Generation X and Generation Y employees. Generation X workers, those now in their thirties, have had a profound impact on the workplace, and Generation Y may have an even greater one. These young workers, the most educated generation in the history of the United States, grew up technologically adept and globally conscious. Some trends sparked by Generation X and Y workers are completely reshaping the social contract.8 Career life cycles are getting shorter, with workers typically changing jobs every few years and changing careers several times during their lifetime. Some consultants predict that the traditional 20-year career-building cycle will transform into a 20-month skills-building process.9 Young workers also expect to have access to cutting-edge technology, opportunities to learn and further their careers and personal goals, and the power to make substantive decisions and changes in the workplace. Finally, there is a growing focus on work/life balance, reflected in trends such as telecommuting, flextime, shared jobs, and organization-sponsored sabbaticals.

**Political forces** refer to the influence of political and legal institutions on people and organizations. Political forces include basic assumptions underlying the political system, such as the desirability of self-government, property rights, contract rights, the definition of justice, and the determination of innocence or guilt of a crime. The spread of capitalism throughout the world has dramatically altered the business landscape. The dominance of the free-market system and growing interdependencies among the world's countries require organizations to operate differently and managers to think in new ways. At the same time, strong anti-American sentiments in many parts of the world create challenges for U.S. companies and managers. Another potent political force is the empowerment of citizens throughout the world. Power is being diffused both within and among countries as never before.10 People are demanding empowerment, participation, and responsibility in all areas of their lives, including the workplace.

**Economic forces** pertain to the availability, production, and distribution of resources in society. Governments, military agencies, churches, schools, and business organizations in every society require resources to achieve their goals, and economic forces influence the allocation of scarce resources. The economy of the United States and other developed countries is shifting dramatically, with the sources of wealth, the fundamentals of distribution, and the nature of economic decision making undergoing significant changes.11 The emerging new economy is based largely on ideas, information, and knowledge rather than material resources. Supply chains and distribution of resources have been revolutionized by digital
technology. Surplus inventories, which once could trigger recessions, are declining or completely disappearing. Another economic trend is the booming importance of small and mid-sized businesses, including start-ups, which early in the twenty-first century grew at three times the rate of the national economy. “I call it ‘the invisible economy,’ yet it is the economy,” says David Birch of Cognetics Inc., a Cambridge, Massachusetts, firm that tracks business formation. 12

A massive shift in the economy is not without its upheavals, of course. In the early 2000s, years of seemingly endless growth ground to a halt as stock prices fell, particularly for dot-com and technology companies. Numerous Internet-based companies went out of business, and organizations throughout the United States and Canada began laying off hundreds of thousands of workers. However, this economic downturn may also be a stimulus for even greater technological innovation and small business vitality. Read the Unlocking Creative Solutions Through Technology box for an interesting angle on today’s shifting economy.

Management practices and perspectives vary in response to these social, political, and economic forces in the larger society. During difficult times, managers look for ideas to help them cope with environmental turbulence and keep their organizations vital. A survey by Bain & Company, for example, found a dramatic increase in 2002 in the variety of management ideas and techniques used by managers in the companies surveyed. With a tough economy and rocky stock market, lingering anxieties over war and terrorism, and the public suspicion and skepticism resulting from corporate scandals, executives were searching for any management tool—new or old—that could help them get the most out of limited resources. 13 This search for guidance is reflected in a recent proliferation of books, scholarly articles, and conferences dedicated to examining management fashions and trends. 14 Exhibit 2.1 illustrates the evolution of significant management perspectives over time, each of which will be examined in the remainder of this chapter. The timeline reflects the dominant time period for each approach, but elements of each are still used in today’s organizations.

Exhibit 2.1

Management Perspectives over Time

### Exhibit 2.1

Management Perspectives over Time

![Diagram of Management Perspectives over Time](image-url)
Unlocking Creative Solutions Through Technology

**Of Railroads and Web Sites**

About 150 years ago, the railroad revolution transformed the economy. Today, the Internet revolution is doing the same thing. We all know that history doesn’t really repeat itself, but there are historical patterns that help us make sense of the present and predict what the future might be like.

The railroads and the Internet serve the same basic economic function: connecting buyers and sellers. And while few seem to know how to make the Internet economically profitable, the same thing could have been said about the railroad in its infancy. Yet the railroad’s ability to move freight quickly and cheaply changed the world, and the Internet’s ability to move information quickly and cheaply promises to do the same thing today. And whereas the railroads created the first national market, the Internet is creating the first truly global one. The railroad made it possible for companies such as Sears Roebuck, Montgomery Ward, and Woolworth to lower their prices and expand their operations nationally through catalog retailing, forcing small local retailers to compete in new ways. Similarly, successful Internet retailers such as Amazon.com are challenging bricks-and-mortar companies to rethink how they interact with suppliers and customers.

But nobody said changing the world was easy, and the early twenty-first-century turbulence in the technology sector is clearly an indication. Stock prices took a sharp plunge, many of the thousands of entrepreneurs who rushed in with dreams of getting rich on the Internet fell by the wayside, and numerous dot-com companies went out of business. Over a two-year period (1999–2000), the number of Internet IPOs (initial public offerings) grew at amazing speed, and crashed just as quickly. If the history of the railroad is any indication, this is merely the shake-out to be expected from such a major economic transformation, and new leaders will step in to revise, strengthen, and perfect the new business models. For example, a few small Web-only retailers, like Blue Nile, which sells jewelry, and eBags, Inc., a luggage retailer, have thrived over the long term, demonstrating that careful management can make the difference in cyberspace just as it does in the physical world.

In the nineteenth century, railroad stocks soared and plunged as practical realities warred with potential profits and the hopes of investors fought with their fears. The railroad vastly overbuilt in the decades after the Civil War, and in the 1880s and 1890s, more than two-thirds of the railroad tracks in the United States passed through receivership and were reorganized by the big Wall Street banks. Savvy entrepreneurs who had stood on the sidelines took advantage of the shake-out in the railroad industry to build stronger companies and make themselves rich. For example, Cornelius (Commodore) Vanderbilt never built a railroad, but rather, bought badly run small, local railway lines, merged them into efficient operations, and managed them expertly, thereby creating the largest fortune of the railroad era. Similarly, the world of Internet commerce may be undergoing consolidation and focusing as today’s best e-commerce leaders step in and make changes that will lead to a stronger, more stable future for the companies that survive.


**Classical Perspective**

The practice of management can be traced to 3000 B.C. to the first government organizations developed by the Sumerians and Egyptians, but the formal study of management is relatively recent. The early study of management as we know it today began with what is now called the **classical perspective**.

The classical perspective on management emerged during the nineteenth and early twentieth centuries. The factory system that began to appear in the 1800s posed challenges that earlier organizations had not encountered. Problems arose in tooling the plants, organizing managerial structure, training employees (many of whom had never been employed before), and organizing the workers. The classical perspective emphasized efficiency and rationality in solving these issues.
them non-English-speaking immigrants), scheduling complex manufacturing operations, and dealing with increased labor dissatisfaction and resulting strikes.

These myriad new problems and the development of large, complex organizations demanded a new approach to coordination and control, and a “new subspecies of economic man—the salaried manager” was born. Between 1880 and 1920, the number of professional managers in the United States grew from 161,000 to more than a million. These professional managers began developing and testing solutions to the mounting challenges of organizing, coordinating, and controlling large numbers of people and increasing worker productivity. Thus began the evolution of modern management with the classical perspective.

This perspective contains three subfields, each with a slightly different emphasis: scientific management, bureaucratic organizations, and administrative principles.

**Scientific Management**

Organizations’ somewhat limited success in achieving improvements in labor productivity led a young engineer to suggest that the problem lay more in poor management practices than in labor. Frederick Winslow Taylor (1856–1915) insisted that management itself would have to change and, further, that the manner of change could be determined only by scientific study; hence, the label scientific management emerged. Taylor suggested that decisions based on rules of thumb and tradition be replaced with precise procedures developed after careful study of individual situations.

Taylor’s philosophy is encapsulated in his statement, “In the past the man has been first. In the future, the system must be first.” The scientific management approach is illustrated by the unloading of iron from rail cars and reloading finished steel for the Bethlehem Steel plant in 1898. Taylor calculated that with correct movements, tools, and sequencing, each man was capable of loading 47.5 tons per day instead of the typical 12.5 tons. He also worked out an incentive system that paid each man $1.85 a day for meeting the new standard, an increase from the previous rate of $1.15. Productivity at Bethlehem Steel shot up overnight.

Although known as the father of scientific management, Taylor was not alone in this area. Henry Gantt, an associate of Taylor’s, developed the Gantt Chart—a bar graph that measures planned and completed work along each stage of production by time elapsed. Two other important pioneers in this area were the husband-and-wife team of Frank B. and Lillian M. Gilbreth. Frank B. Gilbreth (1868–1924) pioneered time and motion study and arrived at many of his management techniques independently of Taylor. He stressed efficiency and was known for his quest for the one best way to do work. Although Gilbreth is known for his early work with bricklayers, his work had great impact on medical surgery by drastically reducing the time patients spent on the operating table. Surgeons were able to save countless lives through the application of time and motion study. Lillian M. Gilbreth (1878–1972) was more interested in the human aspect of work. When her husband died at the age of 56, she had 12 children ages 2 to 19. The undaunted “first lady of management” went right on with her work. She presented a paper in place of her late husband, continued their seminars and consulting, lectured, and eventually became a professor at Purdue University.

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**CONCEPT CONNECTION**

*Lillian M. Gilbreth (1878–1972)*

Frank B. Gilbreth (1868–1924) Shown here using a “motion study” device, this husband-and-wife team contributed to the principles of scientific management. His development of time and motion studies and her work in industrial psychology pioneered many of today’s management and human resource techniques.
Criticisms

• Did not appreciate the social context of work and higher needs of workers.
• Did not acknowledge variance among individuals.
• Tended to regard workers as uninformed and ignored their ideas and suggestions.

CONCEPT CONNECTION

Frederick Taylor’s scientific management techniques were expanded by automaker Henry Ford, who replaced workers with machines for heavy lifting and moving. One of the first applications of the moving assembly line was the Magneto assembly operation at Ford’s Highland Park plant in 1913. Magneto moved from one worker to the next, reducing production time by one half. The same principle was applied to total-car assembly, improving efficiency and reducing worker-hours required to produce a Model-T Ford to less than two. Under this system, a Ford rolled off the assembly line every 10 seconds.

in the field of industrial psychology and made substantial contributions to human resource management.

The basic ideas of scientific management are shown in Exhibit 2.2. To use this approach, managers should develop standard methods for doing each job, select workers with the appropriate abilities, train workers in the standard methods, support workers and eliminate interruptions, and provide wage incentives.

The ideas of scientific management that began with Taylor dramatically increased productivity across all industries, and they are still important today. Indeed, the concept of arranging work based on careful analysis of tasks for maximum productivity is deeply embedded in our organizations. However, because

Characteristics of Scientific Management

General Approach
• Developed standard method for performing each job.
• Selected workers with appropriate abilities for each job.
• Trained workers in standard methods.
• Supported workers by planning their work and eliminating interruptions.
• Provided wage incentives to workers for increased output.

Contributions
• Demonstrated the importance of compensation for performance.
• Initiated the careful study of tasks and jobs.
• Demonstrated the importance of personnel selection and training.

Criticisms
• Did not appreciate the social context of work and higher needs of workers.
• Did not acknowledge variance among individuals.
• Tended to regard workers as uninformed and ignored their ideas and suggestions.
scientific management ignored the social context and workers' needs, it led to increased conflict and sometimes violent clashes between managers and employees. Under this system, workers often felt exploited. This was in sharp contrast to the harmony and cooperation that Taylor and his followers had envisioned.

Bureaucratic Organizations

A systematic approach developed in Europe that looked at the organization as a whole is the bureaucratic organizations approach, a subfield within the classical perspective. Max Weber (1864–1920), a German theorist, introduced most of the concepts on bureaucratic organizations.23

During the late 1800s, many European organizations were managed on a personal, familylike basis. Employees were loyal to a single individual rather than to the organization or its mission. The dysfunctional consequence of this management practice was that resources were used to realize individual desires rather than organizational goals. Employees in effect owned the organization and used resources for their own gain rather than to serve customers. Weber envisioned organizations that would be managed on an impersonal, rational basis. This form of organization was called a bureaucracy. Exhibit 2.3 summarizes the six characteristics of bureaucracy as specified by Weber.

Weber believed that an organization based on rational authority would be more efficient and adaptable to change because continuity is related to formal structure and positions rather than to a particular person, who may leave or die. To Weber, rationality in organizations meant employee selection and advancement based not on whom you know, but rather on competence and technical qualifications, which are assessed by examination or according to training and experience. The organization relies on rules and written records for continuity. In addition, rules and procedures are impersonal and applied uniformly to all employees. There is a clear division of labor and clear definitions of authority and responsibility, legitimized as official duties. Positions are organized in a hierarchy, with each position under the authority of a higher one. The manager depends not on his or her personality for successfully giving orders but on the legal power invested in the managerial position.

Go to the ethical dilemma on page 67 that pertains to problems of bureaucracy.

The term bureaucracy has taken on a negative meaning in today's organizations and is associated with endless rules and red tape. We have all been frustrated by waiting in long lines or following seemingly silly procedures. However, rules and other bureaucratic procedures provide a standard way of dealing with employees. Everyone gets equal treatment, and everyone knows what the rules are. This has enabled many organizations to become extremely efficient. Consider United Parcel Service (UPS), sometimes called Big Brown.

United Parcel Service took on the U.S. Postal Service at its own game—and won. UPS specializes in the delivery of small packages, delivering more than 13 million every business day. In addition, UPS is gaining market share in air service, logistics, and information services. Television commercials asking, “What can Brown do for you today?” signify the company's expanding global information services. Why has Big Brown been so successful? One important factor is the concept of bureaucracy. UPS is bound up in rules and regulations. It teaches drivers an astounding 340 steps for how to correctly deliver a
Characteristics of Weberian Bureaucracy

Administrative Principles

Another major subfield within the classical perspective is known as the administrative principles approach. Whereas scientific management focused on the productivity of the individual worker, the administrative principles approach focused on the administrative principles in maintaining order and efficiency within the organization. This approach emphasized the importance of clear definitions of authority and responsibility, the division of labor, and the establishment of a hierarchy of authority. It also highlighted the role of management in overseeing the organization's operations, ensuring that administrative acts and decisions are recorded in writing to maintain accountability.

UPS, for example, operates with a well-defined division of labor. Each plant is structured with specialized roles such as drivers, loaders, clerks, washers, sorters, and maintenance personnel. UPS thrives on written records and has been a leader in using new technology to enhance reliability and efficiency. Drivers use a computerized clipboard to track everything from miles per gallon to data on parcel delivery. All drivers have daily worksheets that specify performance goals and work output.

Technical qualification is the criterion for hiring and promotion. The UPS policy book says the leader is expected to have the knowledge and capacity to justify the position of leadership. Favoritism is forbidden. The bureaucratic model works just fine at UPS, “the tightest ship in the shipping business.”

The contributors to this approach included Henri Fayol, Mary Parker Follett, and Chester I. Barnard.

Henri Fayol (1841–1925) was a French mining engineer who worked his way up to become head of a major mining group known as Comambault. Comambault survives today as part of Le Creusot-Loire, the largest mining and metallurgical group in central France. In his later years, Fayol wrote down his concepts on administration, based largely on his own management experiences.25

In his most significant work, *General and Industrial Management*, Fayol discussed 14 general principles of management, several of which are part of management philosophy today. For example:

- **Unity of command.** Each subordinate receives orders from one—and only one—superior.
- **Division of work.** Managerial and technical work are amenable to specialization to produce more and better work with the same amount of effort.
- **Unity of direction.** Similar activities in an organization should be grouped together under one manager.
- **Scalar chain.** A chain of authority extends from the top to the bottom of the organization and should include every employee.

Fayol felt that these principles could be applied in any organizational setting. He also identified five basic functions or elements of management: planning, organizing, commanding, coordinating, and controlling. These functions underlie much of the general approach to today's management theory.

Mary Parker Follett (1868–1933) was trained in philosophy and political science at what today is Radcliffe College. She applied herself in many fields, including social psychology and management. She wrote of the importance of common superordinate goals for reducing conflict in organizations.26 Her work was popular with businesspeople of her day but was often overlooked by management scholars.27 Follett's ideas served as a contrast to scientific management and are reemerging as applicable for modern managers dealing with rapid changes in today's global environment. Her approach to leadership stressed the importance of people rather than engineering techniques. She offered the pithy admonition, "Don't hug your blueprints," and analyzed the dynamics of management-organization interactions. Follett addressed issues that are timely today, such as ethics, power, and how to lead in a way that encourages employees to give their best. The concepts of empowerment, facilitating rather than controlling employees, and allowing employees to act depending on the authority of the situation opened new areas for theoretical study by Chester Barnard and others.28

Chester I. Barnard (1886–1961) studied economics at Harvard but failed to receive a degree because he lacked a course in laboratory science. He went to work in the statistical department of AT&T and in 1927 became president of New Jersey Bell. One of Barnard's significant contributions was the concept of the informal organization. The informal organization occurs in all formal organizations and includes cliques and naturally occurring social groupings. Barnard argued that organizations are not machines and informal relationships are powerful forces that can help the organization if properly managed. Another
significant contribution was the acceptance theory of authority, which states that people have free will and can choose whether to follow management orders. People typically follow orders because they perceive positive benefit to themselves, but they do have a choice. Managers should treat employees properly because their acceptance of authority may be critical to organization success in important situations.29

The overall classical perspective as an approach to management was very powerful and gave companies fundamental new skills for establishing high productivity and effective treatment of employees. Indeed, America surged ahead of the world in management techniques, and other countries, especially Japan, borrowed heavily from American ideas.

**Humanistic Perspective**

Mary Parker Follett and Chester Barnard were early advocates of a more humanistic perspective on management that emphasized the importance of understanding human behaviors, needs, and attitudes in the workplace as well as social interactions and group processes.30 We will discuss three subfields based on the humanistic perspective: the human relations movement, the human resources perspective, and the behavioral sciences approach.

**The Human Relations Movement**

America has always espoused the spirit of human equality. However, this spirit has not always been translated into practice when it comes to power sharing between managers and workers. The human relations school of thought considers that truly effective control comes from within the individual worker rather than from strict, authoritarian control.31 This school of thought recognized and directly responded to social pressures for enlightened treatment of employees. The early work on industrial psychology and personnel selection received little attention because of the prominence of scientific management. Then a series of studies at a Chicago electric company, which came to be known as the **Hawthorne studies**, changed all that.

**CONCEPT CONNECTION**

This is the Relay Room of the Western Electric Hawthorne, Illinois, plant in 1927. Six women worked in this relay assembly test room during the controversial experiments on employee productivity. Professors Mayo and Roethlisberger evaluated conditions such as rest breaks and workday length, physical health, amount of sleep, and diet. Experimental changes were fully discussed with the women and were abandoned if they disapproved. Gradually the researchers began to realize they had created a change in supervisory style and human relations, which they believed was the true cause of the increased productivity.
Beginning about 1895, a struggle developed between manufacturers of gas and electric lighting fixtures for control of the residential and industrial market. By 1909 electric lighting had begun to win, but the increasingly efficient electric fixtures used less total power. The electric companies began a campaign to convince industrial users that they needed more light to get more productivity. When advertising did not work, the industry began using experimental tests to demonstrate their argument. Managers were skeptical about the results, so the Committee on Industrial Lighting (CIL) was set up to run the tests. To further add to the tests' credibility, Thomas Edison was made honorary chairman of the CIL. In one test location—the Hawthorne plant of the Western Electric Company—some interesting events occurred.

The major part of this work involved four experimental and three control groups. In all, five different tests were conducted. These pointed to the importance of factors other than illumination in affecting productivity. To more carefully examine these factors, numerous other experiments were conducted. The results of the most famous study, the first Relay Assembly Test Room (RATR) experiment, were extremely controversial. Under the guidance of two Harvard professors, Elton Mayo and Fritz Roethlisberger, the RATR studies lasted nearly six years (May 10, 1927, to May 4, 1933) and involved 24 separate experimental periods. So many factors were changed and so many unforeseen factors uncontrolled that scholars disagree on the factors that truly contributed to the general increase in performance over that time period. Most early interpretations, however, agreed on one thing: Money was not the cause of the increased output. It was believed that the factor that best explained increased output was human relations. Employees performed better when managers treated them in a positive manner. However, recent reanalyses of the experiments have revealed that a number of factors were different for the workers involved, and some suggest that money may well have been the single most important factor. An interview with one of the original participants revealed that just getting into the experimental group had meant a huge increase in income.

These new data clearly show that money mattered a great deal at Hawthorne. In addition, worker productivity increased partly as a result of the increased feelings of importance and group pride employees felt by virtue of being selected for this important project. One unintended contribution of the experiments was a rethinking of field research practices. Researchers and scholars realized that the researcher can influence the outcome of an experiment by being too closely involved with research subjects. This has come to be known as the Hawthorne effect in research methodology. Subjects behaved differently because of the active participation of researchers in the Hawthorne experiments.

From a historical perspective, whether the studies were academically sound is of less importance than the fact that they stimulated an increased interest in looking at employees as more than extensions of production machinery. The interpretation that employees' output increased when managers treated them in a positive manner started a revolution in worker treatment for improving organizational productivity. Despite flawed methodology or inaccurate conclusions, the findings provided the impetus for the human relations movement. IBM was one of the earliest proponents of a human relations approach, as described in the Unlocking Creative Solutions Through People box. This approach shaped management theory and practice for well over a quarter-century, and the belief that human relations is the best approach for increasing productivity persists today.

The Human Resources Perspective

The human relations movement initially espoused a dairy farm view of management—contented cows give more milk, so satisfied workers will give more work. Gradually,
Unlocking Creative Solutions Through People

Watson Opens the Door at IBM—and Finds Happier Employees

During the early 1900s, managers in most manufacturing companies were focused on reducing jobs to repetitive, standardized tasks, following the scientific management approach advocated by Frederick Taylor and others. However, the ideals that Thomas Watson Sr. planted at IBM were based on a different approach, and they eventually helped transform the company into a corporate giant.

In 1914, Watson joined a failing conglomerate that primarily made scales, coffee grinders, cheese slicers, and time clocks. The Computing–Tabulating–Recording component of the conglomerate grew quickly and soon overtook the other businesses. The name was changed to International Business Machines in 1924. Rather than putting the production system first, as Taylor advised, Watson vowed to make people the cornerstone of his corporate culture. He abolished piecework, spruced up factories, paid above-average wages, and borrowed money to fund in-house education programs. Foremost among his innovations was an open-door policy that encouraged any employee to take a complaint directly to Watson himself. He virtually guaranteed lifetime employment (even during the Depression) so workers would feel free to speak their minds. In the early years of Watson’s tenure with IBM, when the company didn’t have funds for generous benefit plans, Watson sponsored company picnics, complete with bands, to build spirit and keep workers motivated. As the company prospered, he passed the good times on. A group life insurance plan was launched in 1934, with survivor benefits and paid vacations added soon afterward.

The human relations approach to management was continued by Thomas J. Watson Jr., who took over as CEO in 1956 and first pushed the company into computers. Leading IBM through one of the longest and most spectacular periods of growth in business history, the younger Watson was known as a hard charger and a tough boss. However, he maintained his father’s emphasis on treating employees fairly. IBM became famous for putting all employees on salary and for its extremely generous compensation and benefit plans, as well as the continued guarantee of lifetime employment. Watson liberally distributed stock options to his executives, but stopped taking them himself as early as 1957, saying, “We didn’t want to look like pigs.” There are many factors involved in IBM’s successful history. However, the early emphasis on treating employees well helped put the company on the map. Watson’s belief that a focus on people and meeting the needs of employees was the key to increased productivity and performance was ahead of its time.


views with deeper content began to emerge. The human resources perspective maintained an interest in worker participation and considerate leadership but shifted the emphasis to consider the daily tasks that people perform. The human resources perspective combines prescriptions for design of job tasks with theories of motivation.39 In the human resources view, jobs should be designed so that tasks are not perceived as dehumanizing or demeaning but instead allow workers to use their full potential. Two of the best-known contributors to the human resources perspective were Abraham Maslow and Douglas McGregor.

Abraham Maslow (1908–1970), a practicing psychologist, observed that his patients’ problems usually stemmed from an inability to satisfy their needs. Thus, he generalized his work and suggested a hierarchy of needs. Maslow’s hierarchy started with physiological needs and progressed to safety, belongingness, esteem, and, finally, self-actualization needs. Chapter 16 discusses his ideas in more detail.

Douglas McGregor (1906–1964) had become frustrated with the early simplistic human relations notions while president of Antioch College in Ohio. He challenged both the classical perspective and the early human relations assumptions about human behavior. Based on his experiences as a manager and consultant, his training as a psychologist, and the work of Maslow, McGregor formulated his Theory X and...
Theory Y, which are explained in Exhibit 2.4.40 McGregor believed that the classical perspective was based on Theory X assumptions about workers. He also felt that a slightly modified version of Theory X fit early human relations ideas. In other words, human relations ideas did not go far enough. McGregor proposed Theory Y as a more realistic view of workers for guiding management thinking.

Go to the experiential exercise on page 66 that pertains to Theory X and Theory Y.

The point of Theory Y is that organizations can take advantage of the imagination and intellect of all their employees. Employees will exercise self-control and will contribute to organizational goals when given the opportunity. A few companies today still use Theory X management, but many are trying Theory Y techniques. Consider how Signet Painting Inc. taps into the full potential of every worker by operating from Theory Y assumptions.

A painting contractor might seem an unlikely place to look for modern management techniques, but Signet Painting is on the cutting edge in creating a work environment that affords workers self-esteem and significance as well as a paycheck. Twin brothers Larry and Garry Gehrke first started searching for a new approach to managing workers when the company grew so large they couldn’t personally be involved in every project. They began by giving crew leaders the power and authority to make decisions on a job, such as reordering supplies without supervisor approval.

The Gehrkes found a number of ways to involve workers and give them opportunities to share their best knowledge and skills. One approach is a policy committee made up of volunteers who meet to brainstorm solutions to problems they encounter in the field. Managers also strive to incorporate employees’ interests and past work experience into their jobs so that each person has the opportunity to make a unique contribution. “Each person wants to feel like they have the knowledge of what they’re doing. . .”, says foreman Derrick Borshelm. “I ask my crew questions like, ‘What do you think? What should I do?’ And I use their ideas.”

Chief Operating Officer Julie Gehrke says that when the management team gave employees in the field more power and authority to make decisions and control their own jobs, it totally changed people’s workplace identity. Managers set clear boundaries, rules, and systems, and then trust workers to carry out their responsibilities professionally and reliably. The application of Theory Y assumptions at Signet Painting has given employees a new sense of pride and ownership in their work. Gehrke says, “When I come into the office on Monday morning and hear one of our painters giving an orientation to a new hire and expounding on what a great company this is to work for, I feel triumphant.”

The Behavioral Sciences Approach

The behavioral sciences approach develops theories about human behavior based on scientific methods and study. Behavioral science draws from sociology, psychology, anthropology, economics, and other disciplines to understand employee behavior and interaction in an organizational setting. The approach can be seen in practically every organization. When General Electric conducts research to determine the best set of tests, interviews, and employee profiles to use when selecting new employees, it is employing behavioral science techniques. When Circuit City electronics stores train new managers in the techniques of employee motivation, most of the theories and findings are rooted in behavioral science research.

One specific set of management techniques based in the behavioral sciences approach is organization development (OD). In the 1970s, organization development evolved as a separate field that applied the behavioral sciences to improve the organization’s health and effectiveness through its ability to cope with change,
improve internal relationships, and increase problem-solving capabilities. The techniques and concepts of organization development have since been broadened and expanded to cope with the increasing complexity of organizations and the environment, and OD is still a vital approach for managers. OD will be discussed in detail in Chapter 11. Other concepts that grew out of the behavioral sciences approach include matrix organizations, self-managed teams, ideas about corporate culture, and management by wandering around. Indeed, the behavioral sciences approach has influenced the majority of tools, techniques, and approaches that managers have applied to organizations since the 1970s. In recent years, behavioral sciences and OD techniques have been applied to help managers build learning organizations.

All of the remaining chapters of this book contain research findings and management applications that can be attributed to the behavioral sciences approach. This chapter’s Shoptalk box illustrates a number of management innovations that have become popular over the past 50 years. Note the trend of new management concepts from the behavioral sciences, increasing about 1970 and then again from 1980 to the present. The rapid pace of change and the increased pressure of global competition have spurred even greater interest in improved behavioral approaches to management.

Management Science Perspective

World War II caused many management changes. The massive and complicated problems associated with modern global warfare presented managerial decision makers
management science perspective
A management perspective that emerged after World War II and applied mathematics, statistics, and other quantitative techniques to managerial problems.

EBBS AND FLOWS OF MANAGEMENT INNOVATIONS, 1950–2000

Over the past 50 years a number of management fashions and fads have appeared. Critics argue that managers adopt quick fixes and that new techniques may not represent permanent solutions. Others feel that managers adopt new techniques because they are working toward continuous improvement in a highly uncertain world. Most managers are familiar with the innovations listed below. How many can you describe?

management science perspective
The management science perspective emerged to address those problems. This view is distinguished for its application of mathematics, statistics, and other quantitative techniques to management decision making and problem solving. During World War II, groups of mathematicians, physicists, and other scientists were formed to solve military problems. Because those problems frequently involved moving massive amounts of materials and large numbers of people quickly and efficiently, the techniques had obvious applications to large-scale business firms.
Operations research grew directly out of the World War II groups (called operational research teams in Great Britain and operations research teams in the United States). It consists of mathematical model building and other applications of quantitative techniques to managerial problems.

Operations management refers to the field of management that specializes in the physical production of goods or services. Operations management specialists use quantitative techniques to solve manufacturing problems. Some of the commonly used methods are forecasting, inventory modeling, linear and nonlinear programming, queuing theory, scheduling, simulation, and break-even analysis.

Information technology (IT) is the most recent subfield of the management science perspective, which is often reflected in management information systems. These systems are designed to provide relevant information to managers in a timely and cost-efficient manner. More recently, information technology within organizations has evolved to include intranets and extranets, as well as various software programs that help managers estimate costs, plan and track production, manage projects, allocate resources, or schedule employees. When Weyerhaeuser Company's door factory implemented an intranet combined with software to track inventory, calculate estimates, schedule production, and automate ordertaking, it was applying management science to cut both manufacturing costs and production time. Most of today's organizations have departments of information technology specialists to help them apply management science techniques to complex organizational problems.

Recent Historical Trends

Management is, by nature, complex and dynamic. Elements of each of the perspectives we have discussed are still in use today. The most prevalent is the humanistic perspective, but even it has been undergoing change in recent years. Three recent trends that grew out of the humanistic perspective are systems theory, the contingency view, and total quality management.

Systems Theory

A system is a set of interrelated parts that function as a whole to achieve a common purpose. A system functions by acquiring inputs from the external environment, transforming them in some way, and discharging outputs back to the environment. Exhibit 2.5 shows the basic systems theory of organizations. Here there are five components: inputs, a transformation process, outputs, feedback, and the environment. Inputs are the material, human, financial, or information resources used to produce goods or services. The transformation process is management's use of production technology to change the inputs into outputs. Outputs include the organization's products and services. Feedback is knowledge of the results that influence the selection of inputs during the next cycle of the process. The environment surrounding the organization includes the social, political, and economic forces noted earlier in this chapter.

Some ideas in systems theory have had substantial impact on management thinking. These include open and closed systems, entropy, synergy, and subsystem interdependencies.

Open systems must interact with the environment to survive; closed systems need not. In the classical and management science perspectives, organizations were frequently thought of as closed systems. In the management science perspective, systems theory, an extension of the humanistic perspective that describes organizations as open systems that are characterized by entropy, synergy, and subsystem interdependence, is the key concept.

system
A set of interrelated parts that function as a whole to achieve a common purpose.

systems theory
An extension of the humanistic perspective that describes organizations as open systems that are characterized by entropy, synergy, and subsystem interdependence.

open system
A system that interacts with the external environment.

closed system
A system that does not interact with the external environment.
entropy  
The tendency for a system to run down and die.

synergy  
The concept that the whole is greater than the sum of its parts.

subsystems  
Parts of a system that depend on one another for their functioning.

contingency view  
An extension of the humanistic perspective in which the successful resolution of organizational problems is thought to depend on managers’ identification of key variations in the situation at hand.

Entropy is a universal property of systems and refers to their tendency to run down and die. If a system does not receive fresh inputs and energy from its environment, it will eventually cease to exist. Organizations must monitor their environments, adjust to changes, and continuously bring in new inputs in order to survive and prosper. Managers try to design the organization/environment interfaces to reduce entropy.

Synergy means that the whole is greater than the sum of its parts. When an organization is formed, something new comes into the world. Management, coordination, and production that did not exist before are now present. Organizational units working together can accomplish more than those same units working alone. The sales department depends on production, and vice versa.

Subsystem are parts of a system that depend on one another. Changes in one part of the organization affect other parts. The organization must be managed as a coordinated whole. Managers who understand subsystem interdependence are reluctant to make changes that do not recognize subsystem impact on the organization as a whole. For example, at Buckman Laboratories International, the successful implementation of a new knowledge-sharing network required changes in organizational structure, job design, work processes, and cultural values. Buckman’s vertical hierarchy was dismantled and replaced by coordinated teams focused on horizontal work processes. Cultural values had to be shifted to emphasize collaboration and sharing rather than hoarding information. A change of this nature might take quite some time because of the interconnection of the organization’s subsystems.

Contingency View

A second contemporary extension to management thinking is the **contingency view**. The classical perspective assumed a universalist view. Management concepts were
The Evolution of Management Thinking

thought to be universal; that is, whatever worked—leader style, bureaucratic structure—in one organization would work in another. In business education, however, an alternative view exists. This is the case view, in which each situation is believed to be unique. There are no universal principles to be found, and one learns about management by experiencing a large number of case problem situations. Managers face the task of determining what methods will work in every new situation.

To integrate these views the contingency view has emerged, as illustrated in Exhibit 2.6. Here neither of the other views is seen as entirely correct. Instead, certain contingencies, or variables, exist for helping management identify and understand situations. The contingency view means that a manager’s response depends on identifying key contingencies in an organizational situation. For example, a consultant might mistakenly recommend the same management-by-objectives (MBO) system for a manufacturing firm that was successful in a school system. The contingency view tells us that what works in one setting might not work in another. Management’s job is to search for important contingencies. When managers learn to identify important patterns and characteristics of their organizations, they can then fit solutions to those characteristics.

Important contingencies that managers must understand include industry, technology, the environment, and international cultures. Management practice in a rapidly changing industry, for example, will be very different from that in a stable one.

Total Quality Management

The quality movement in Japan emerged partly as a result of American influence after World War II. The ideas of W. Edwards Deming, known as the “father of the quality movement,” were initially scoffed at in America, but the Japanese embraced his theories and modified them to help rebuild their industries into world powers. Japanese companies achieved a significant departure from the American model by gradually shifting from an inspection-oriented approach to quality control toward an approach emphasizing employee involvement in the prevention of quality problems.

During the 1980s and into the 1990s, total quality management (TQM), which focuses on managing the total organization to deliver quality to customers, was at the forefront in helping managers deal with global competition. The approach infuses quality values throughout every activity within a company, with front-line workers intimately involved in the process. Four significant elements of quality management are employee involvement, focus on the customer, benchmarking, and continuous improvement.

Contingency View of Management

Exhibit 2.6

Total Quality Management

A concept that focuses on managing the total organization to deliver quality to customers. Four significant elements of TQM are employee involvement, focus on the customer, benchmarking, and continuous improvement.
Employee involvement means that TQM requires companywide participation in quality control. All employees are focused on the customer; TQM companies find out what customers want and try to meet their needs and expectations. Benchmarking refers to a process whereby companies find out how others do something better than they do and then try to imitate or improve on it. Continuous improvement is the implementation of small, incremental improvements in all areas of the organization on an ongoing basis. TQM is not a quick fix, but companies such as Motorola, Procter & Gamble, and DuPont have achieved astonishing results in efficiency, quality, and customer satisfaction through total quality management. TQM is still an important part of today’s organizations, and many companies pursue challenging quality goals to demonstrate their commitment to improving quality. For example, Six Sigma is a highly ambitious quality standard popularized by Motorola that specifies a goal of no more than 3.4 defects per million parts. Numerous companies, including DuPont, Texas Instruments, General Electric, and Nokia, pursue Six Sigma quality standards. Quality goals and initiatives will be discussed in detail in Chapter 19.

New Management Thinking for Turbulent Times

All of the ideas and approaches discussed so far in this chapter go into the mix that makes up modern management. A recent book on management thinking indicates dozens of ideas and techniques in current use that can trace their roots to these historical perspectives. In addition, new concepts have emerged to address management challenges in today’s turbulent world. Organizations are experimenting with new ways of managing that more adequately respond to the demands of today’s environment and customers. Two current directions in management thinking are the shift to a learning organization and managing the technology-driven workplace.

The Learning Organization

One of the toughest challenges for managers today is to get people focused on adaptive change to meet the demands of a turbulent and rapidly changing environment. Many problems have no ready-made solutions and require that people throughout the company think in new ways and learn new values and attitudes. This requires a new approach to management and a new kind of organization. Managers began thinking about the concept of the learning organization after the publication of Peter Senge’s book, The Fifth Discipline: The Art and Practice of Learning Organizations. Senge described the kind of changes managers needed to undergo to help their organizations adapt to an increasingly chaotic world. These ideas gradually evolved to describe characteristics of the organization itself. There is no single view of what the learning organization looks like. The learning organization is an attitude or philosophy about what an organization can become.

The learning organization can be defined as one in which everyone is engaged in identifying and solving problems, enabling the organization to continuously experiment, change, and improve, thus increasing its capacity to grow, learn, and achieve its purpose. The essential idea is problem solving, in contrast to the traditional organization designed for efficiency. In the learning organization all employees look for problems, such as understanding special customer needs. Employees also solve problems, which means putting things together in unique ways to meet a customer’s needs.
To develop a learning organization, managers make changes in all the subsystems of the organization. Three important adjustments to promote continuous learning are shifting to a team-based structure, empowering employees, and sharing information. These three characteristics are illustrated in Exhibit 2.7 and each is described here.

**Team-Based Structure**
An important value in a learning organization is collaboration and communication across departmental and hierarchical boundaries. Self-directed teams are the basic building block of the structure. These teams are made up of employees with different skills who share or rotate jobs to produce an entire product or service. Traditional management tasks are pushed down to lower levels of the organization, with teams often taking responsibility for training, safety, scheduling, and decisions about work methods, pay and reward systems, and coordination with other teams. Although team leadership is critical, in learning organizations the traditional boss is practically eliminated. People on the team are given the skills, information, tools, motivation, and authority to make decisions central to the team’s performance and to respond creatively and flexibly to new challenges or opportunities that arise.

**Employee Empowerment**
Empowerment means unleashing the power and creativity of employees by giving them the freedom, resources, information, and skills to make decisions and perform effectively. Traditional management tries to limit employees, while empowerment expands their behavior. Empowerment may be reflected in self-directed work teams, quality circles, job enrichment, and employee participation groups as well as through decision-making authority, training, and information so that people can perform jobs without close supervision.

In learning organizations, people are a manager’s primary source of strength, not a cost to be minimized. Companies that adopt this perspective believe in treating employees well by providing competitive wages and good working conditions, as well as by investing time and money in training programs and opportunities for personal and professional development. In addition, they often provide a sense of employee ownership by sharing gains in productivity and profits.56
Open Information
A learning organization is flooded with information. To identify needs and solve problems, people have to be aware of what’s going on. They must understand the whole organization as well as their part in it. Formal data about budgets, profits, and departmental expenses are available to everyone. “If you really want to respect individuals,” says Solectron Corp’s Winston Chen, “you’ve got to let them know how they’re doing—and let them know soon enough so they can do something about it.” Managers know that providing too much information is better than providing too little. In addition, managers encourage people throughout the organization to share information. For example, at Viant Inc., which helps companies build and maintain Web-based businesses, people are rewarded for their willingness to absorb and share knowledge. Rather than encouraging consultants to hoard specialized knowledge, CEO Bob Gett says, “We value you more for how much information you’ve given to the guy next to you.”

Managing the Technology-Driven Workplace
The shift to the learning organization goes hand-in-hand with the current transition to a technology-driven workplace. The physical world that Frederick Taylor and other proponents of scientific management measured determines less and less of what is valued in organizations and society. Our lives and organizations have been engulfed by information technology. Ideas, information, and relationships are becoming more important than production machinery, physical products, and structured jobs. Many employees perform much of their work on computers and may work in virtual teams, connected electronically to colleagues around the world. Even in factories that produce physical goods, machines have taken over much of the routine and uniform work, freeing workers to use more of their minds and abilities. Managers and employees in today’s companies focus on opportunities rather than efficiencies, which requires that they be flexible, creative, and unconstrained by rigid rules and structured tasks.

The Shifting World of E-Business
Today, much business takes place by digital processes over a computer network rather than in physical space. E-business refers to the work an organization does by using electronic linkages (including the Internet) with customers, partners, suppliers, employees, or other key constituents. For example, organizations that use the Internet or other electronic linkages to communicate with employees or customers are engaged in e-business.

E-commerce is a narrower term referring specifically to business exchanges or transactions that occur electronically. E-commerce replaces or enhances the exchange of money and products with the exchange of data and information from one computer to another. Three types of e-commerce—business-to-consumer, business-to-business, and consumer-to-consumer—are illustrated in Exhibit 2.8. Companies such as Gateway, Amazon.com, 800-Flowers, Expedia.com, and Progressive are engaged in what is referred to as business-to-consumer e-commerce (B2C), because they sell products and services to consumers over the Internet. Although this is probably the most visible expression of e-commerce to the public, the fastest growing area of e-commerce is business-to-business e-commerce (B2B), which refers to electronic transactions between organizations. Today, much B2B e-commerce takes place over the Internet. Large organizations such as Wal-Mart, General Electric, Carrier Corp., General Motors, and Ford Motor Company buy and sell billions of dollars worth of goods and services a year via either public or private Internet linkages. For example, General Motors sells about 300,000 previously owned vehicles a year online through SmartAuction. Ford purchases a large portion of the steel it uses to build cars through e-Steel.
Some companies have taken e-commerce to very high levels to achieve amazing performance. Dell Computer pioneered the use of end-to-end digital supply-chain networks to keep in touch with customers, take orders, buy components from suppliers, coordinate with manufacturing partners, and ship customized products directly to consumers. This trend is affecting every industry, prompting a group of consultants at a Harvard University conference to conclude that businesses today must either “Dell or be Delled.” These advances mean managers not only need to be technologically savvy, but they become responsible for managing a web of relationships that reaches far beyond the boundaries of the physical organization, building flexible e-links between a company and its employees, suppliers, partners, and customers.

The third area of e-commerce, consumer-to-consumer (C2C), is made possible when an Internet-based business acts as an intermediary between and among consumers. One of the best-known examples of C2C e-commerce is Web-based auctions such as those made possible by eBay. Internet auctions have created a large electronic marketplace where consumers can buy and sell directly with one another, often handling practically the entire transaction via the Web. In 2003, an estimated 30 million people bought and sold more than $20 billion in merchandise over eBay. Another growing area of C2C commerce is peer-to-peer file-sharing networks. Companies such as Kazaa and Gnutella provide the technology for swapping music files, video clips, software, and other files. Online music sharing, in particular, has zoomed in popularity, and although music companies and record retailers are currently engaged in a heated battle with file-sharing services, these companies are likely here to stay.

**Technology in the Workplace**

New electronic technologies also shape the organization and how it is managed. A century ago, Frederick Taylor described the kind of worker needed in the iron industry:
“Now one of the first requirements for a man who is fit to handle pig iron as a regular occupation is that he shall be so stupid and so phlegmatic that he more nearly resembles in his mental makeup the ox than any other type.” The philosophy of scientific management was that managers structured and controlled jobs so carefully that thinking on the part of employees wasn’t required—indeed, it was usually discouraged. How different things are today! Many organizations depend on employees’ minds more than their physical bodies. In companies where the power of an idea determines success, managers’ primary goal is to tap into the creativity and knowledge of every employee.

Technology provides the architecture that supports and reinforces this new workplace. For example, one approach to information management is enterprise resource planning (ERP) systems, which weave together all of a company’s major business functions, such as order processing, product design, purchasing, inventory, manufacturing, distribution, human resources, receipt of payments, and forecasting of future demand. ERP supports a companywide management system in which everyone, from the CEO down to a machine operator on the factory floor, has instant access to critical information. People can see the big picture and act quickly, based on up-to-the-minute information. Thus, ERP also supports management attempts to harness and leverage organizational knowledge.

Peter Drucker coined the term knowledge work more than 40 years ago, but it is only in recent years that managers have genuinely recognized knowledge as an important organizational resource that should be managed just as they manage cash flow or raw materials. Knowledge management refers to the efforts to systematically find, organize, and make available a company’s intellectual capital and to foster a culture of continuous learning and knowledge sharing so that a company’s activities build on what is already known. Information technology plays an important role by enabling the storage and dissemination of data and information across the organization, but technology is only one part of a larger management system. A complete knowledge management system includes not only the technology for capturing and storing knowledge for easy access, but also new management values that support risk taking, learning, and collaboration. Rather than seeing employees as factors of production and looking for ways to use human and material resources for greatest efficiency, today’s most successful managers cherish people for their ability to think, create, share knowledge, and build relationships.

This chapter has examined the historical background leading up to new approaches to managing learning organizations and the digital workplace. An understanding of the evolution of management helps current and future managers understand where we are now and continue to progress toward better management.

The three major perspectives on management that have evolved since the late 1800s are the classical perspective, the humanistic perspective, and the management science perspective. Each perspective has several specialized subfields. Recent extensions include systems theory, the contingency view, and total quality management. The most recent thinking about organizations has been brought about by today’s turbulent times and the shift to a new workplace described in Chapter 1. Many managers are redesigning their companies toward the learning organization, which fully engages all employees in identifying and solving problems. The learning organization is characterized by a team-based structure, empowered employees, and open information. The learning organization represents a substantial departure from the traditional management hierarchy.
The shift to a learning organization goes hand-in-hand with today’s transition to a technology-driven workplace. Ideas, information, and relationships are becoming more important than production machinery and physical assets, which requires new approaches to management. E-business is burgeoning as more economic activity takes place over digital computer networks rather than in physical space. Two specific management tools that support the digital workplace are enterprise resource planning and knowledge management. Both require managers to think in new ways about the role of employees in the organization. Managers value employees for their ability to think, build relationships, and share knowledge, which is quite different from the scientific management perspective of a century ago.

One century-old company that is thriving as a technology-driven learning organization is Cementos Mexicanos (Cemex), described at the beginning of the chapter. To help the organization compete in a turbulent environment, managers looked for both technological and management innovations. A core element of the new approach is the company’s complex information technology infrastructure, which includes a global positioning satellite system and on-board computers in all delivery trucks that are continuously fed with streams of day-to-day data on customer orders, production schedules, traffic problems, weather conditions, and so forth. Even more important are changes in how managers and employees think about and do their work. All drivers and dispatchers attended weekly secondary education classes for two years. Regular training in quality, customer service, and computer skills continues, with Cemex devoting at least eight percent of total work time to employee training and development. Strict and demanding work rules have been abolished so that workers have more discretion and responsibility for identifying and solving problems.

As a result, Cemex trucks now operate as self-organizing business units, run by well-trained employees who think like businesspeople. The three-hour delivery window has been reduced to 20 minutes, and managers believe a goal of 10 minutes is within reach. According to Francisco Perez, operations manager at Cemex in Guadalajara, “They used to think of themselves as drivers. But anyone can deliver concrete. Now our people know that they’re delivering a service that the competition cannot deliver.” Cemex has transformed the industry by combining extensive networking technology with a new management approach that taps into the mind-power of everyone in the company. People at Cemex are constantly learning—on the job, in training classes, and through visits to other organizations. As a result, the company has a startling capacity to anticipate customer needs, solve problems, and innovate quickly.72

Discussion Questions

1. Why is it important to understand the different perspectives and approaches to management theory that have evolved throughout the history of organizations?
2. How do societal forces influence the practice and theory of management? Do you think management techniques are a response to these forces?
3. Based on your experience at work or school, describe some ways in which the principles of scientific management and bureaucracy are still used in organizations. Do you believe these characteristics will ever cease to be a part of organizational life? Discuss.
4. A management professor once said that for successful management, studying the present was most important, studying the past was next, and studying the future was least important. Do you agree? Why?
5. Which of the three characteristics of learning organizations do you find most appealing? Which would be hardest for you to adopt?
6. As organizations become more technology-driven, which do you think will become more important—the management of the human element of the organization or the management of technology? Discuss.
7. What is the behavioral sciences approach? How does it differ from earlier approaches to management?
8. Explain the basic idea underlying the contingency view and provide an example.
9. Why can an event such as the Hawthorne studies be a major turning point in the history of management even if the idea is later shown to be in error? Discuss.
10. Identify the major components of systems theory. Is this perspective primarily internal or external? Explain.
11. Do you think management theory will ever become as precise as theories in the fields of physics, chemistry, or experimental psychology? Why or why not?
12. Do economic, social, and political forces affect e-commerce organizations in the same way they affect traditional companies? Discuss.

Management in Practice: Experiential Exercise

Theory X and Theory Y Scale

The following are various types of behavior that a manager may engage in when relating to subordinates. Read each statement carefully and rate each one in terms of the extent to which you would use that behavior, according to the following scale.

1. Make a Great Effort to Do This
2. Tend to Do This
3. Tend to Avoid Doing This
4. Make a Great Effort to Avoid This

1. Closely supervise my subordinates in order to get better work from them. 1 2 3 4
2. Set the goals and objectives for my subordinates and sell them on the merits of my plans. 1 2 3 4
3. Set up controls to assure that my subordinates are getting the job done. 1 2 3 4
4. Encourage my subordinates to set their own goals and objectives. 1 2 3 4
5. Make sure that my subordinates’ work is planned out for them. 1 2 3 4
6. Check with my subordinates daily to see if they need any help. 1 2 3 4
7. Step in as soon as reports indicate that the job is slipping. 1 2 3 4
8. Push my people to meet schedules if necessary. 1 2 3 4
9. Have frequent meetings to keep in touch with what is going on. 1 2 3 4
10. Allow subordinates to make important decisions. 1 2 3 4

Scoring and Interpretation

Subtract each of your scores for Questions 4 and 10 from the number 5. Then, add the total points and mark your score on the scale below. Refer back to Exhibit 2.4 and review the assumptions related to Theory X and Theory Y. A person who fully subscribes to the assumptions of Theory X would have a score of 10, whereas a person who fully subscribes to the assumptions of Theory Y would have a score of 40. Strong Theory X assumptions are typically considered inappropriate for today’s workplace. Where do you fit on the X–Y scale? Does your score reflect your perception of yourself as a current or future manager?

<table>
<thead>
<tr>
<th>Theory X</th>
<th>10</th>
<th>20</th>
<th>30</th>
<th>40</th>
</tr>
</thead>
<tbody>
<tr>
<td>Theory Y</td>
<td>10</td>
<td>20</td>
<td>30</td>
<td>40</td>
</tr>
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Source: J. William Pfeiffer and John E. Jones, eds., “Supervisory Attitudes: The X–Y Scale,” The 1972 Annual Handbook for Group Facilitators, 65–68. This material is used by permission of John Wiley & Sons, Inc. The X–Y scale was adapted from an instrument developed by Robert N. Ford of AT & T for in-house manager training.
The Supervisor

Karen Lowry, manager of a social service agency in a mid-sized city in Illinois, loved to see her employees learn and grow to their full potential. When a rare opening for a supervising clerk occurred, Karen quickly decided to give Charlotte Hines a shot at the job. Charlotte had been with the agency for 17 years and had shown herself to be a true leader. Charlotte worked hard at being a good supervisor, just as she had always worked hard at being a top-notch clerk. She paid attention to the human aspects of employee problems and introduced modern management techniques that strengthened the entire agency.

However, the Civil Service Board decided that a promotional exam should be given to find a permanent placement for the supervising clerk position. For the sake of fairness, the exam was an open competition—anyone, even a new employee, could sign up and take it. The board wanted the candidate with the highest score to get the job but allowed Karen, as manager of the agency, to have the final say-so.

Since she had accepted the provisional opening and proven herself on the job, Charlotte was upset that the entire clerical force was deemed qualified to take the test. When the results came back, she was devastated. Charlotte placed twelfth in the field of candidates, while one of her newly hired clerks placed first. The Civil Service Board, impressed by the new clerk’s high score, is urging Karen to give her the permanent supervisory job. Karen wonders if it’s fair to base her decision only on the test results.

What Would You Do?

1. Ignore the test. Charlotte has proven herself and deserves the job.
2. Give the job to the candidate with the highest score. You don’t need to make enemies on the Civil Service Board, and, after all, it is an objective way to select a permanent placement.
3. Devise a more comprehensive set of selection criteria—including test results as well as supervisory experience, ability to motivate employees, and knowledge of agency procedures—that can be explained and justified to the board and to employees.


Surf the Net

1. **Generation Y.** Generation Y, the most educated generation in the history of the United States, gets lots of press attention. Using InfoTrac, the online database of articles that comes free with the purchase of your text (http://infotrac.thomsonlearning.com), or another online periodical search tool you normally use, conduct an article search using the phrase “Generation Y.” The article you select should relate to some aspect of recruiting, hiring, retaining, or managing Generation Y workers. Submit a two- to three-paragraph paper where you summarize your findings.

2. **The Learning Organization.** Locate information about a recent Malcolm Baldrige National Quality Award (MBNQA) winner available at http://www.quality.nist.gov. Using the three elements of a learning organization presented in Exhibit 2.7, list examples of any or all of the three elements that the MBNQA company illustrates.

3. **B2B e-commerce.** Go to http://www.thomasregister.com to try out one of the world’s leading resources for B2B e-commerce. The Thomas Register database contains information from 173,000 American and Canadian companies; 152,000 brand names; and 8,000 online supplier catalogs and Web links. Complete these steps to get an idea of what you would do if you were getting information about a product to buy for the company you were working for: (a) click the “Site Demo” option that will let you experience ThomasRegister®, (b) select the “Site Demo” to see how easily products can be located, (c) step through the “Orders & RFQs (Request for Quotes) Demo” section to see how that step in the ordering process works, and (d) check out either the “CAD Drawings Demo” or the “My TR Demo,” depending on which interests you more.
SuperJuice

Luisa de la Cruz sat in her new office thinking about her company’s future. After working her way up the corporate ladder for 15 years, she has just been appointed CEO of SuperJuice, a Florida-based company that makes juice and juice drinks that are marketed to high schools and restaurants throughout the Southeast. For nearly two decades, SuperJuice has been the most successful juice drink maker in the region. However, profits haven’t risen for four straight years, and several new competitors continue to steal market share. In fact, one of the new companies was started by two former SuperJuice employees who left the company after top management continually rejected their ideas for new exotic drink mixes or new approaches to marketing. It made Luisa cringe to realize that the hottest-selling drink flavors in Florida and several other states had been invented in SuperJuice’s own labs but were now being made and sold by a competitor. Competitors were setting up drink carts at outdoor festivals and advertising with jingles and slogans that caught the imaginations of the region’s youth. Even Luisa’s own 17-year-old son often purchased her competitors’ products, saying “SuperJuice is for kids. This stuff rocks.”

SuperJuice management has always prided itself on the company’s efficient set of systems, both in the factory and at headquarters. Managers concentrated on making a high-quality product as inexpensively as possible. “SuperJuice is like a well-oiled machine,” Luisa told herself with some pride. Most of the company’s 200 employees had joined SuperJuice right out of high school or college and liked the way the company operated. They showed up for work on time, performed their jobs efficiently, and rarely complained. The long-standing rules and procedures, combined with an organizational culture that reflected the traditional, family-oriented background of SuperJuice’s Cuban-born founder, contributed to a level of politeness and civility in the company that sometimes seemed like a throwback to the 1950s. “SuperJuice is a calm and civilized place to work in the midst of a rapidly changing, chaotic world,” Luisa reflected with pleasure.

But her pleasure evaporated as she realized that the company could collapse beneath her if it didn’t somehow respond to the changes in the environment. She remembered the scandal that had erupted several years ago when two new employees started “breaking the rules” and pushing for changes in the company. The two worked odd hours, played rock music, and decorated their offices with brightly colored posters, unique photographs, and fanciful “dream catchers” hung from the ceiling. Occasionally, one would tape a note to his door that read, “Gone to the movies to get my creative juices flowing!” Although both workers were highly productive, top management quickly took action to try to bring the two back in line. They worried that this kind of attitude would have a negative impact on the productivity of other employees, who were accustomed to coming to work and putting in their solid eight hours. The previous CEO really blew his stack when the two presented four new drink flavors they had concocted on the sly. He was so angry about the unauthorized use of lab time that he nearly fired both employees on the spot. Luisa remembered finding one of the employees in the lab dejectedly pouring the prototypes down the drain. “You know you can’t do anything new in this company,” Luisa told her at that time. “It’s just not the SuperJuice way.” Since that time, SuperJuice has lost a few other young, ambitious employees who have chafed under the tight management control.

Luisa knew she was promoted because she had always followed the rules. But she also realized that continuing to follow the rules could take this company she loved right into bankruptcy. She knows the company has a lot of potential, starting with its loyal, committed workforce. But where should she begin? Can SuperJuice really change itself into a forward-thinking, creative company?

Questions

1. What are some of the social, political, and economic forces affecting SuperJuice and calling for a new approach to management?
2. What do you believe Luisa needs to do first to begin a transformation at SuperJuice?
3. How would you suggest she turn SuperJuice into a learning organization? Think about specific changes she can make to get all employees thinking of new and exciting ways to revitalize the product line and way of doing business.


17. Useem, “Entrepreneur of the Century.”

18. The following is based on Wren, Evolution of Management Thought, Chapters 4, 5; and Claude S. George, Jr., The History of Management Thought (Englewood Cliffs, N.J.: Prentice-Hall, 1968), Chapter 4.


37. F. J. Roethlisberger and W. J. Dickson, Management and the Worker.


39. Tausky, Work Organizations: Major Theoretical Perspectives, 55.


41. Julie Gehrke, “Power to the Painters,” Painting and Wallcovering Contractor (September–October 2003), 84.


64. Reinhardt, “From Gearhead to Grand High Pooh-Bah.”


67. Quoted in Colvin, “Managing in the Info Era.”


Chapter 1: Original Penguin Rides Out Turbulence

Penguins have always been cool. But golf shirts with a little flapping bird printed on them experienced a lull in coolness. In fact, their popularity remained frozen for two decades largely because they were worn by aging golfers. Now the penguins are back, flapping furiously—and, many would argue, coolly—not just on golf shirts but also on a wide array of men’s and women’s clothing and accessories, including shirts, shoes, hats, belts, neckties, handbags, and even bathing suits. These items represent the extreme makeover of a 50-year-old brand of clothing called Original Penguin. Now owned by Perry Ellis International, the Original Penguin brand of clothing is experiencing rejuvenation—thanks largely to Penguin’s vice president, Chris Kolbe.

Chris Kolbe knows that thawing out an old brand is a daunting task under the best circumstances. But the fashion industry is particularly difficult—the pace is dizzying, and the turbulence is sometimes terrifying. Kolbe’s activities as a manager are clearly characterized by variety, fragmentation, and brevity. For example, in a single day, Kolbe may be expecting several hundred samples from sources around the globe to arrive in time for a fashion show. He may have to decide whether to extend credit to a retailer or whether to drop one retailer in favor of another. He may have to review ad copy, return calls from fashion magazines, thumb through swatches of fabric, welcome sales reps arriving for a meeting, and fix his own computer. “We are always way behind and scrambling,” he says with a chuckle. But Kolbe thrives on these activities because he is convinced that the time is right for his penguins to regain their place in the market among other legendary figures such as alligators and polo ponies—and he intends to make it happen.

Because the Penguin division is a tiny component of the much larger Perris Ellis company, Kolbe serves all the management functions of planning, organizing, leading, and controlling—often during the course of one work day. “I take personal responsibility and accountability for everything that has the Penguin brand on it,” Kolbe notes.

Kolbe also fulfills all the roles of a top manager. He considers himself a hands-on manager, communicating constantly with his staff and keeping himself “involved in every detail so I don’t lose sight” of things. He develops relationships with employees so that they can work well together. “My job is really the A to Z in assembling a team of people who can focus on certain pieces of that business and deliver on the strategic goals for the company,” he explains. “I feel very fortunate to have such a good team.” He makes decisions about where to take the brand. Right now, he has his sights set on a more upscale market. He envisions his customers as comfortable suburbanites who want high-quality, fashionable casual clothing. But he doesn’t worry too much about direct competitors in the clothing industry. Instead, he focuses on how Original Penguin can compete for consumer dollars. “My role as vice president of Penguin really is... I’m acting president of a very small division—a start-up company attached to a larger company,” Kolbe observes. “So I really took on the A to Z of running a brand or running a company, from the... creative vision of the brand, to marketing the brand, to the business operations and sales of the brand.”

As for that turbulence? Kolbe shrugs it off. “In every business there are roadblocks. So your ability to focus on the roadblock or work around the roadblock sometimes comes down to your ability to be successful.” This is true even when the roadblock happens to be a shipment of women’s flip-flops that hasn’t arrived in time for the fashion show.

Questions

1. Describe the conceptual skills you think Chris Kolbe needs for his job as vice president of Original Penguin.

2. Suppose those flip-flops—or other components of the upcoming fashion show—don’t arrive in time. Describe how Chris Kolbe might manage the situation.

3. What do you think is the most difficult part of Kolbe’s job? Why?

Chapter 2: Original Penguin Becomes a Learning Organization

Taking charge of a company is both a challenge and a dream for any young manager. Chris Kolbe, vice president of Original Penguin, a division of Perry Ellis International, is no exception. Original Penguin is experiencing a total makeover, courtesy of Chris Kolbe and a small staff of designers, marketers, and finance managers. Once the domain of middle-aged golfers, the penguin logo now graces hats, neckties, shoes, and an entire line of fashionable women's clothing and accessories ranging from T-shirts and skirts to belts, shoes, handbags, and bathing suits. Original Penguin clothing now appears in such upscale department stores as Barney's and Saks—as well as its own retail store in midtown Manhattan. This hip new brand of clothing has come a long way from the golf courses of half a century ago.

Remaking a brand involves remaking an organization. In 1955, marketers for Munsingwear Penguin approached celebrities such as Bing Crosby and Bob Hope with the request to provide shirts for their golf tournaments. Then they contacted the Golf Association, asking for a list of its members—all men—to whom they sent sample golf shirts. The penguin logo quickly became associated with the men's pro golf tour. The company was run as a traditional organization, manufacturing a traditional product. But not any more.

Perry Ellis has made a strategy of acquiring languishing brands, such as Jantzen bathing suits and Penguin golf wear, and breathing new life into them. When Chris Kolbe was hired by the company to turn Original Penguin around, he was given a small New York office and two staffers. There was no way he could run the company as a traditional large corporation, nor did he want to. Original Penguin was about to become a learning organization, complete with teams, empowered employees, and a free flow of information.

Kolbe believes firmly in empowering employees with the freedom and resources to initiate their own ideas, make their own decisions, and perform their best. “Chris is easy to work with,” says marketing manager Laura Bellafronto. “He makes you feel comfortable and secure...he makes you want to be here and be working with him.” Kolbe is happy that he inspires that kind of loyalty. “I try to respect and treat everybody as I wish to be treated, but also I’m very comfortable with pushing people and asking a lot of them,” he remarks.

The free flow of information between Kolbe and his staff is key to the rejuvenation of Original Penguin. Kolbe makes sure he communicates with every employee the goals and needs of the company. “He has a vision that he makes clear to everyone,” says Laura Bellafronto.

Today, Original Penguin products sport an updated, more youthful look. “[They are] fashionably new, but not avant-garde,” says Kolbe. If the clothes are vintage inspired, Penguin’s new customers are too young to remember leisure suits or wall-to-wall shag carpeting. Kolbe's management style is as deceptively casual as the clothing itself—comfortable but made to last. “My authority [really derives] from what I do and how I communicate with people, my directness. I know when to have fun and I know when to be serious. I try to strike that balance.”

Questions

1. As the organization has grown from just three employees, Chris Kolbe has had to delegate more decisions to others. How important is this transition to Original Penguin's success as a learning organization? Explain.

2. Do you think that Kolbe views knowledge among his employees as an important resource? Why or why not?

3. What steps might Original Penguin as a company take to ensure the satisfaction of its employees?

8 Mile
Jimmy “B-Rabbit” Smith, Jr. (Eminem) wants to be a successful rapper and to prove that a white man can create moving sounds. He works days at a plant run by the North Detroit Stamping Company and pursues his music at night, sometimes on the plant’s grounds. The film’s title refers to Detroit’s northern city boundary which divides Detroit’s white and African American populations. This film gives a gritty look at Detroit’s hip-hop culture in 1995 and Jimmy’s desire to be accepted by it. Eminem’s original songs “Lose Yourself” and “8 Mile” received Golden Globe and Academy Award nominations.

This scene is an edited composite of two brief sequences involving the stamping plant. The first half of the scene appears early in the film as part of “The Franchise” sequence. The second half appears in the last 25 minutes of the film as part of the “Papa Doc Payback” sequence. In the first part of the scene, Jimmy’s car won’t start so he rides the city bus to work and arrives late. The second part occurs after he is beaten by Papa Doc (Anthony Mackie) and Papa Doc’s gang. Jimmy’s mother (Kim Basinger) returns to their trailer and tells him she won $3,200 at bingo. The film continues to its end with Jimmy’s last battle (a rapper competition).

What to Watch for and Ask Yourself
1. What is your perception of the quality of Jimmy’s job and his work environment?
2. What is the quality of Jimmy’s relationship with Manny, his foreman (Paul Bates)? Does it change? If it does, why?
3. How would you react to this type of work experience?
Part 1: Once Upon a Time at Disney

Since its founding in 1923, Walt Disney Co. has become more than just another corporation; it is an icon of American creativity and ingenuity. Walt Disney’s realization of animated and live-action films, TV shows, theme parks, and merchandising tie-ins is the triumphant story of an entrepreneur’s creative drive and vision.

However, it is under the leadership of Michael Eisner that Disney has become an entertainment conglomerate. Eisner’s management of the much-beloved brand is one of the great turnaround stories of the twentieth century. Today Disney’s global reach includes six theme parks, book publishing, cruise ships, TV and radio networks, Broadway theaters, and even a city (Celebration, Florida), created in the Disney vision of small-town life.

In recent years, Eisner, described as a very “hands-on” manager, has come under fire for a series of missteps, ranging from movie box-office busts; the loss of key executives; and underperforming theme park, retail store, and animation divisions; to mismanaging Disney’s partnership with digital animation pioneer Pixar.

But under his leadership, the company has thrived by adapting to a fast-changing entertainment environment whose consumers have grown up with Disney’s fresh-faced Americana but now demand increasingly sophisticated fare. Disney plays to its strengths, creating synergies throughout its brands and divisions; stressing efficiencies in its management and film-making divisions; and embracing new technologies and management competencies.

As you study your course of management this semester, you’ll follow the changing fortunes of Disney, one of America’s most-enduring organizations.

Since its founding in Hollywood in 1923 as Disney Brothers Studio, the company has steadily progressed in size and management style. Walt and his older brother, Roy, split their talents and energies: Roy handled money, Walt headed the creative side. Their small company was a flat, nonhierarchical organization where employees were on a first-name basis. “You don’t have to have a title,” said Walt. “If you’re important to the company you’ll know it.” Dedicated to creativity, innovation, and quality, Walt emphasized teamwork, communication, and cooperation.

The brothers churned out a series of short films starring Oswald, the Lucky Rabbit, which became so popular that the distributor commandeered the series. The Disneys eventually developed a new character—Mickey Mouse. Mickey received little notice until Walt added synchronized sound, a technology never before attempted in a cartoon. Mickey’s first feature, Steamboat Willie, was a hit, and a corporate identity was born.

Walt’s death in 1966 did not stop the company’s progress; his brother Roy oversaw the opening of Walt Disney World in 1971, which included Disney’s first on-site resort hotel. Tokyo Disneyland followed in 1976. But while the parks were booming, film output suffered. Rather than pushing new ideas, managers asked, “What would Walt have done?” The result was sequels rather than new productions.

As Disney incurred heavy costs to finish its Epcot attraction in 1982 and began developing a new cable TV venture, the company’s financial performance deteriorated. Corporate raiders zeroed in, planning to break up the company’s assets. In late 1984, backed by a friendly investment group, 42-year-old Michael Eisner was named chairman.

Eisner immediately began transforming Disney into a learning organization dedicated to creativity. He focused the entire organization on the primacy of its famous brand and the importance of corporate synergy. “This concept of cross-promotion and transformation of popular products into new media is an engine that helps drive our company,” Eisner said. “Synergy, for us, goes with creativity—which rhymes with selectivity, which means keeping one’s eye on the ball.” Each Disney unit was assigned a representative who reported to a corporate synergy group. Corporate gatherings, referred to as the “Cast of 100,” were held two to three times a year around the world to help create and reinforce relationships among divisions. Monthly operating reports, read thoroughly by Eisner, always included at least a paragraph on the latest cross-divisional initiatives.
Eisner lured skilled managers from his former company, Paramount Pictures, and pushed all employees closer to the “shop floor”—the operations where new ideas and products were created. Ever mindful of the importance of Disney culture, Eisner created a three-day training program at Disney’s corporate university that inculcated employees in the company’s history and Walt’s legacy. Training did not stop in the classroom, however: All new employees, including executives, spent a day dressed as characters at the theme parks to develop pride in the Disney tradition.

Building the Disney brand while preserving the corporate values of quality, creativity, entrepreneurship, and teamwork became Eisner’s mantra. In his view, “managing creativity” is the company’s most distinctive corporate skill. By the end of Eisner’s first 15 years at Disney’s helm, the company’s revenues had climbed from $1.65 billion to $25 billion, while net earnings rose from $0.1 billion to $1.2 billion.

Disney’s ability to read the public and respond to its changing tastes while retaining the wholesome image parents yearn for has created management challenges but is key to the company’s long-term survival.

Questions

1. How have the skills for a successful manager at Disney changed over the decades?
2. Why is it critical for Disney to be a learning organization?
3. What important management skills did Michael Eisner bring to Disney? Do you think his skills are still effective in today’s environment?
