

Chapter 2- Management History- Revise key terms

Learning outcome 2.1: Provide some examples of early management practice.

Studying history is important because it helps us see the origins of today's management practices and identify what has and has not worked. We can see early examples of management practice in the construction of the Egyptian pyramids and in the arsenal of Venice. One important historical event was the publication of Adam Smith's *The Wealth of Nations*, in which he argued the benefits of division of labour (job specialisation). Another was the **Industrial Revolution**, where it became more economical to manufacture in factories than at home. Managers were needed to manage these factories, and these managers needed formal management theories to guide them.

Learning outcome 2.2: Discuss the important contributions of scientific management and general administrative theorists within the classical approach.

Frederick W. Taylor, known as the 'father' of scientific management, studied manual work using scientific principles – that is, guidelines for improving production efficiency – to find the '**one best way**' to do those jobs. His four principles were

- (1) use scientific methods to find the best way to do a job
- (2) scientifically select, train and develop the workers
- (3) ensure cooperation from the workers by offering incentives
- (4) allocate work and responsibilities to workers and managers

The Gilbreths' primary contribution was finding efficient hand-and-body motions and designing proper tools and equipment **for optimising work performance**. Fayol believed that the functions of management were common to all business endeavours but also were distinct from other business functions. He developed 14 principles of management from which many current management concepts have evolved. Weber described an ideal type of organisation, which he called a '**bureaucracy**', as having characteristics that many of today's large organisations still have. Today's managers use the concepts of scientific management when they analyse basic work tasks to be performed, use time-and-motion studies to eliminate wasted motions, hire the best-qualified workers for a job, and design incentive systems based on output. They also use the concepts of **general administrative theory** when they perform the functions of management and structure their organisations so that resources are used efficiently and effectively.

Learning outcome 2.3: Discuss the development and uses of the organisational behaviour approach.

The early OB advocates (Robert Owen, Hugo Munsterberg, Mary Parker Follett and Chester Barnard) contributed various ideas, but all believed **that people were the most important asset of the organisation** and should be managed accordingly. The Hawthorne Studies, which **started as a scientific management experiment, dramatically impacted management beliefs about the role of people in organisations**, leading to a new emphasis on the human behaviour factor in managing. The organisational behaviour approach has largely shaped **how today's organisations are managed**. Many current theories of motivation, leadership, group behaviour and development, and other behavioural issues can be traced to the early OB advocates, the Hawthorne Studies, and the contributions from human relations and behavioural scientists.

Learning outcome 2.4: Describe the quantitative approach

The quantitative approach involves applications of **statistics, optimisation models, information models and computer simulations** to management activities. Total quality management is a management philosophy devoted to continual **improvement** and **responding to customer needs and expectations**. Today's managers use the quantitative approach especially **when making decisions** as they plan and control work activities such as allocating resources, improving quality, scheduling work or determining optimum inventory levels.

Learning outcome 2.5: Explain the systems and contingency theories in the contemporary approach

The systems theory says that an organisation takes in inputs (resources) from the environment and transforms or processes these resources into outputs that are distributed into the environment. It helps us to understand management, since managers must ensure that all the interdependent units are working together in order to achieve the organisation's goals; it helps managers to realise that decisions and actions taken in one organisational area will affect others; and it helps managers to recognise that organisations are not self-contained, but instead rely on their environment for essential inputs and as outlets to absorb their outputs.

The contingency theory says that organisations are different, face different situations and require different ways of managing. It helps us to understand management, because it stresses that there are no simplistic or universal rules for managers to follow. Instead, managers must look at their situation and determine that, if this is the way my situation is, then this is the best way for me to manage.

Learning outcome 2.6: Provide examples of current trends and issues that are influencing management today.

Many changes have taken place during the early part of the 21st century that are directly affecting the practice of management. Globalisation, workforce diversity, ethics, entrepreneurship, learning organisations and knowledge management and climate change/global warming are all examples of current trends and issues that are influencing today's managers. Just like the impact of the Industrial Revolution in the late 18th century on the emergence of management, today's trends and issues continue to influence and change the way organisations are managed.

Key Terms- Chapter 2

Division of labour- The breakdown of jobs into narrow and repetitive tasks.

Industrial Revolution- A period during the late 18th century when machine power was substituted for human power, making it more economical to manufacture goods in factories than at home. E.g the steam engine was invented.

Classical Approach- First study of management which emphasised rationality and making organisations/workers work efficiently as possible.

Advantages- better use of resources, higher efficiency, fair selection of employees, work needs and demands are fulfilled.

Disadvantages- neglects human factors as it motivates to work for monetary benefits rather than human resource development, no scope of creativity.

Scientific management- An approach that involves using a scientific method to define the 'one best way' to get a job done.

Advantages- Enhance performance, Efficiency is increased, less production time, instructions are simplified.

Disadvantages- Management has complete control, can be demotivating, not suitable for teams, stress.

Therbligs- A classification system for labelling basic hand motions.

How it's done: A workplace task is analyzed by recording each of the therblig units for a process, with the results used for optimization of manual labour by eliminating unneeded movements.

Eliminates unnecessary hand movements to optimize efficiency and productivity.

General Administrative theory- An approach to management that focuses on describing what managers do and what constitutes good management practice.

- Created by Henri Fayol
- 14 administrative principles
- Order
- Meetings and reports

Principles of management- Fundamental rules of management that could be taught in schools and applied in all organizational situations.

Bureaucracy- A form of organization characterized by division of labor, a clearly defined hierarchy, detailed rules and regulations, and impersonal relationships.

Advantages:

1. Role of manager defined- clear direction
2. Increased efficiency of organisational structures
3. Increased effectiveness of administration

Disadvantages:

1. Difficult to translate into organisations- general/not very specific
2. Managers able to interpret their role in various ways- minimal consideration for employees' feelings
3. Ideal employee commits entire life to organisation- difficult to Achieve

Organisational Behavior (OB)- refers to the actions (behaviors) of people at work.

Advantages-Builds relationships at work, improves goodwill of an organisations, facilitates motivation, helps achieve goals quickly, higher efficiency

Disadvantages-

- Behavioral bias: It further causes dependence, discontentment, indiscipline, and irresponsibility.
- Law of diminishing returns: It says that beyond a certain point, there is a decline in output even after each additional good or positive factor.
- Unethical practices and manipulation of people: Knowledge of motivation and communication acquired can be used to exploit subordinates in an Organization by the manipulative managers.

Hawthorne studies- A series of studies during the 1920s and 1930s that provided new insight into individual and group behaviors.

Human relations movement- The belief that a satisfied worker will be productive.

behavioral science theories- Psychologists and sociologists who relied on scientific method for the study of organisational behavior.

Advantages:

1. Worker recognition/appreciation
2. Consideration of employees' well-being
3. Building a relationship between workers and managers

Disadvantages:

1. Oversimplified human behavior- one way works for all
2. Difficult to predict workplace behavior
3. Strategies based on predicted behavior vs. observed behavior

Quantitative approach- The use of quantitative techniques to **improve decision making**. E.g Mathematical approaches → counting, formulas

Using formulas to improve decision making

- Businesses know the exact amount of input and output

Total quality management- A philosophy of management driven by continual improvement and responding to customer needs and expectations.

- Long term customer customer satisfaction = success

Closed system- Systems that are not influenced and do not interact with their environment.

Opened system- Systems that interact with their environment.

Contingency Theory- A management theory that suggests organisations are different, face different situations and require different ways of managing.

Advantages:

1. Acknowledges the business environment (drawing from Scientific and Behavioural Management)
2. Recognises multiple methods/approaches to manage an organisation (not just one best way)
3. versatile business structure- can be changed to suit the organisation and changes in the industry

Disadvantages:

1. Constant changes to environment/structure of the organisation- challenging for management
2. Difficult to accurately choose the most suitable contingency approach/plan
3. No clear procedure/guidelines to follow- dependent on business

Workforce diversity- The ways in which people in an organization are different and similar to one another.

- Gender, race, ethnicity, age differences
- Promotes multiculturalism within the work place

Entrepreneurship- The process of starting new businesses, generally in response to opportunities.

Advantages:

- Control
- Excitement → enjoyable (doing what you love)
- Flexibility
- Freedom
- Rational salary

Disadvantages

- Competition
- Work schedule
- No regular salary

Learning organisations- Organisations that have developed the capacity to learn, adapt and change continuously.

- Done by managers

Knowledge management- Cultivating a learning culture where organisational members systematically gather knowledge and share it with others in the organisation so as to achieve better performance.

Human relations management- Employees have job satisfaction.

CHAPTER 3-

Learning outcome 3.1: Contrast the actions of managers according to the omnipotent and symbolic views.

According to the omnipotent view, managers are directly responsible for an organisation's success or failure. The symbolic view argues that much of an organisation's success or failure is due to external forces outside managers' control. The two constraints on managers' discretion are the organisation's culture (internal) and the environment (external). Managers are not totally constrained by these two factors, since they can and do influence their culture and environment.

Omnipotent view- managers are directly responsible for an organisation's success or failure
Symbolic view- much of an organisation's success or failure is due to external forces outside managers' control.

Learning outcome 3.2: Identify the factors in an organisation's specific and general environments.

An organisation's specific environment is made up of four components that have a direct impact on managers' decisions and actions and are directly relevant to the achievement of the organisation's goals. The main forces that make up an organisation's specific environment are customers, suppliers, competitors and pressure groups.

The external general environment includes those factors and forces outside the organisation that affect its performance. The main components include economic, demographic, political/legal, sociocultural, technological and global conditions. Managers face constraints and challenges from these components because of the impact they have on jobs and employment, environmental uncertainty and stakeholder relationships.

Learning outcome 3.3: Discuss the constraints and challenges facing managers in today's external environment.

Not all environments are the same. They differ by what we call their degree of environmental uncertainty, which is determined by two dimensions: degree of change and degree of complexity in an organisation's environment. These dimensions force managers to consider whether changes happen frequently or more seldom, as well as how complex their environment is, which is determined by whether they are influenced by many or few of the environmental components. The constraints and challenges they face will depend on the area of the environmental uncertainty matrix in which their organisation lies. Since uncertainty is a threat to an organisation's effectiveness, managers would prefer to operate in a stable and simple environment, but they are not usually in that position. Instead, managers find themselves in an increasingly complex and dynamic environment that requires sophisticated knowledge of the various components in their specific and general environments. Stakeholders are all the different constituencies in the organisation's environment that have a stake in or are affected by the organisation. They can include employees, customers, unions, shareholders, communities, suppliers, media, governments, trade and industry associations, competitors, and social and political action groups. Managers manage these stakeholder relationships by identifying who they are, what their particular interests or concerns might be, how critical they are, and what specific approach they should use in managing them.

Learning outcome 3.4: Discuss the characteristics and importance of organisational culture.

Organisational culture is the shared values, principles, traditions and ways of doing things that influence the way organisational members act.

The **seven dimensions of culture** are: attention to detail, outcome orientation, people orientation, team orientation, aggressiveness, stability, and innovation and risk taking. In organisations with **strong cultures, employees are more loyal and performance tends to be higher**. The stronger a culture becomes, the more it affects the way managers plan, organise, lead and control.

Learning outcome 3.5: Explain the sources of an organisation's culture and describe how it is transmitted to employees.

The original source of a culture **reflects the vision of the organisational founders**. A culture is maintained by employee selection practices, the actions of top managers, and socialisation processes. Culture is also **transmitted to employees through stories, rituals, material symbols and language**. These elements help employees 'learn' what values and behaviours are important, as well as who exemplifies those values.

Learning outcome 3.6: Describe some current issues in organisational culture.

The content and strength of an organisation's culture influence the behaviour of its members. The characteristics of an innovative culture are **challenge and involvement, freedom, trust and openness, idea time, playfulness/humour, conflict resolution, debates and risk taking**. A customer-responsive culture has five characteristics: outgoing and friendly employees; jobs with few rigid rules, procedures and regulations; empowerment; clear roles and expectations; and employees who are conscientious in their desire to please the customer. A culture that embraces **sustainability** is high on top management support and the use of metrics to measure the organisation's performance in relation to sustainability initiatives. Workplace **spirituality** is important because employees are looking for a counterbalance to the **stresses and pressures of a turbulent pace of life**; for involvement and connection that they often do not find in contemporary lifestyles; for something meaningful in their lives (especially among ageing baby boomers); and because of the failure of organised religion to meet the needs of some.

CHAPTER 5 Social responsibility and management- Revise key terms

Learning outcome 5.1: Discuss what it means to be socially responsible, and describe what factors influence that decision.

Social obligation, which **reflects the classical view of social responsibility, is when a firm engages in social actions because of its obligation to meet certain economic and legal responsibilities**. **Social responsiveness** is when a firm engages in social actions in response to some popular social need. **Social responsibility is a business's intention, beyond its economic and legal obligations, to pursue long-term goals that are good for society**. Both of these reflect the socioeconomic view of social responsibility. One way to determine whether an organisation should be socially involved is by looking at arguments for and against it. Other ways are to **assess the impact of social involvement on a company's economic performance and evaluate the performance of socially responsible investment funds versus non-socially responsible investment funds**. We can conclude that a company's being socially responsible does not appear to hurt its economic performance.

Learning outcome 5.2: Explain green management and discuss how organisations can 'go green'.

Green management is when managers consider the impact of their organisation on the natural environment. Organisations can **'go green' in different ways**. **The light green approach is doing what is required legally, which is social obligation**. Using the market approach, organisations respond to the environmental preferences of their customers. Using the stakeholder approach, organisations **respond to the environmental demands of multiple stakeholders**. Both the market and stakeholder

approaches can be viewed as social responsiveness. The activist, or dark green, approach involves an organisation looking for ways to respect and preserve the earth and its natural resources, which can be viewed as social responsibility. 'Green' actions can be evaluated by examining reports that companies compile about their environmental performance, by looking for compliance with global standards for environmental management (ISO 14000), and by using the Global 100 list of the most sustainable corporations in the world.

Learning outcome 5.3: Discuss the factors that lead to ethical and unethical behaviour.

'Ethics' refers to the principles, values and beliefs that define right and wrong decisions and behaviour.

The factors that affect ethical and unethical behaviour include:

- An individual's level of moral development (preconventional, conventional or principled);
- individual characteristics (values and personality variables – ego strength and locus of control);
 - structural variables (structural design, use of goals, performance appraisal systems and reward allocation procedures)
 - organisational culture (shared values and cultural strength)
 - issue intensity (greatness of harm consensus of wrong,
 - probability of harm
 - immediacy of consequences
 - proximity to victims and concentration of effect)

Since ethical standards are not universal, managers should know what they can and cannot do legally. It is also important to recognise any cultural differences and to clarify ethical guidelines for employees working in different global locations. Finally, managers should know about the principles of the Global Compact.

Learning outcome 5.4: Describe management's role in encouraging ethical behaviour.

The behaviour of managers is the single most important influence on an individual's decision to act ethically or unethically. Some specific ways managers can encourage ethical behaviour include paying attention to employee selection; having and using a code of ethics, recognising the important ethical leadership role they play and how what they do is far more important than what they say; ensuring that goals and the performance appraisal process do not reward goal achievement without taking into account how those goals were achieved; using ethics training and independent social audits; and establishing protective mechanisms.

Learning outcome 5.5: Discuss current social responsibility and ethics issue.

Managers can manage ethical lapses and social irresponsibility by being strong ethical leaders and by protecting employees who raise ethical issues. The example set by managers has a strong influence on whether employees behave ethically. Ethical leaders also are honest, share their values, stress important shared values and use the reward system appropriately. Managers can protect whistleblowers (employees who raise ethical issues or concerns) by encouraging them to come forward; by setting up ethics hotlines; and by establishing a culture where employees can complain and be heard without fear of reprisal. Social entrepreneurs play an important role in solving social problems through seeking opportunities to improve society by using practical, innovative and sustainable approaches. Social entrepreneurs want to make the world a better place and have a driving passion to make that happen. Businesses can promote positive social change through corporate philanthropy and employee volunteering efforts.

Chapter 5- Revise key terms

Social Obligation- When a firm engages in social actions because of its obligations to meet certain economic and legal responsibility that benefit society at large.

Companies involved with social responsibility often take action to voluntarily eliminate production practices that could cause harm for the public, regardless of whether they are required by law.

Classical View- The view that management's only social responsibility is to maximise profits

- Worker dissatisfaction
- Increased profit → better for the company

Socioeconomic view- The view that management's social responsibility goes beyond making profits to include protecting and improving society's welfare

- Environmental assessment
- Better for the society
- Decreased profits

Social Responsiveness- The capacity of a firm to adapt to changing societal conditions

- Social media trends

Social responsibility- A business's intention beyond that required by law or economics, to pursue long-term goals that are good for society

Social screening- Applying social criteria (screens) to investment decisions

Green Management- The recognitions of the close link between an organisation's decisions and activities and its impact on the natural environment.

Examples

- To stop using coal and toxic fumes that damage the Ozone and use biodegradable fuels instead
- Exposing harm chemical wastes in a safe manner

Sustainability Report- A framework for reporting an organization's performance, encompassing the 'triple bottom line' of economic, environmental and social issues

Ethics- Principles, values and beliefs that define what is right and wrong behavior

- Paying the employees fairly
- Following the law
- Taking into account of religious and cultural beliefs

Values- Basic convictions about what is right and wrong

- Paying the employees fairly
- Following the law
- discrimination

Ego Strength- A personality measures of the strength of a person's convictions

Locus of control- A personality attributes that reflects the degree to which people believe they control their own life.

Values-based management- The organisation's values guide employees in the way they do their jobs

Code of ethics- A formal statement of an organisation's primary values and the ethical rules it expects its employees to follow

Whistle-blower- An individual who raises ethical concerns or issues to others inside or outside the organisation

Social entrepreneur- An individual or organisation that seeks out opportunity to improve society by using practical, innovative, and sustainable approaches