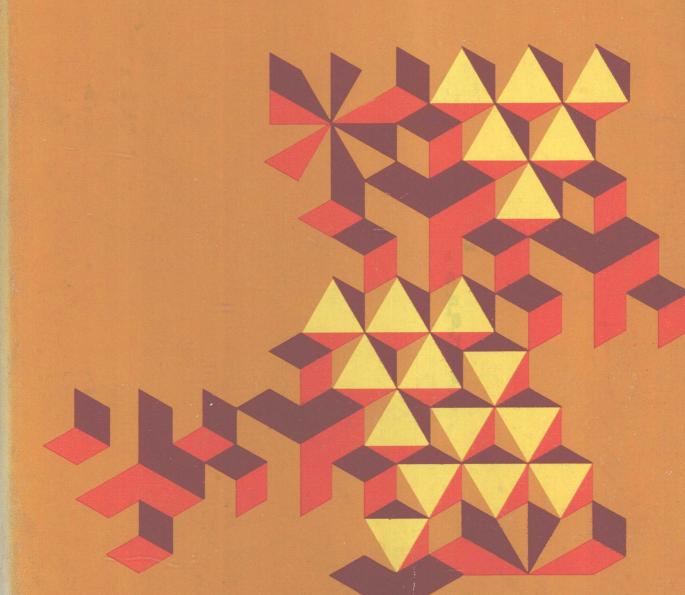
MARTIN J. GANNON MANAGEMENT

AN INTEGRATED FRAMEWORK
SECOND EDITION



MANAGEMENT

An Integrated Framework

Second Edition

Martin J. Gannon University of Maryland



LITTLE, BROWN AND COMPANY Boston / Toronto

Copyright © 1982 by Martin J. Gannon Copyright © 1977 by Little, Brown and Company (Inc.)

All rights reserved. No part of this book may be reproduced in any form or by any electronic or mechanical means including information storage and retrieval systems without permission in writing from the publisher, except by a reviewer who may quote brief passages in a review.

Library of Congress Catalog Card No. 81-82312 ISBN 0-316-303348

9 8 7 6 5 4 3 2 1

HAL

Published simultaneously in Canada by Little, Brown & Company (Canada) Limited Printed in the United States of America

Photographs on pages 4, 106, 212, 298, and 420 appear courtesy of the Ford Motor Company.

Dedicated to my wife Doris, with love and appreciation

Preface

Over the years professors of management have taught the basic undergraduate management course from various perspectives. Perhaps the major perspective has been that of the management process school, which argues that the individual manager completes his or her activities in a process that starts with planning and logically leads to organizing, directing, and controlling. However, some writers such as Simon (1976) and Mintzberg (1980) have attacked this perspective as not reflecting what managers actually do. At the same time, some professors began to teach the basic management course by either replacing or supplementing the management process perspective with other perspectives, including the quantitative, systems, and contingency perspectives.

This textbook is built around a contemporary management process perspective that integrates all the other major perspectives or schools in the management field. From this contemporary perspective, there are four organizational dimensions within which managerial activities take place: (1) planning and control, (2) organization design, (3) behavioral processes, and (4) managerial decision making. This organizational framework shows the relationships among these dimensions; managers and students can evaluate individual and organizational performance by examining these relationships. However, an instructor teaching the basic undergraduate course can use this organizational framework flexibly; it is easily adapted to any of the other major perspectives.

As this discussion implies, one of my major objectives in writing this book was to develop and refine this contemporary process approach or integrated organizational framework. But I also sought to

accomplish many other objectives.

This book is based on fifteen years of teaching the basic undergraduate management course. Students taking this course usually have limited work experience: they have not been involved much, if at all, in the management of organizations. Thus, I have tried to go well beyond the simple description and analysis of the work of managers. I have tried to convey a sense of what it is like to be part of a functioning organization in today's world.

The first two chapters set the stage by providing an historical overview of the management field. The two major streams of management—the traditional management stream and the behavioral science stream—as well as the schools within each stream are described in detail in these two chapters. Chapter 3 then describes the integrated organizational framework, and three short case studies give students a chance to apply it to real organizations. The organizational framework is then used as the framework for the next three parts of the book: planning and control, organization design, and behavioral processes. Part V focuses on specific organizational issues, including social responsibility, conflict and creativity, and managing change and development. Part VI, Managerial Careers and Orientations, examines the issues of management performance and career success and the outlook for management.

Each chapter of this book begins with a set of performance objectives, so that the student can direct and evaluate his or her own study. Discussion questions following each chapter encourage the reader to think beyond the text, to apply the concepts introduced to real or hypothetical situations. Suggestions for additional reading, also at the end of each chapter, indicate sources that can amplify the material.

In this book, there is a conscious attempt to allow the student to experience what it means to be a manager. After almost all chapters, there are critical incidents, short cases to be studied by the student or discussed in class. Longer case studies follow three parts of the book (Parts II, III, and V). Ordinarily, it is difficult to involve students actively in the solution of critical incidents and cases, because of limited classroom space. To overcome this problem, I have developed two experiential exercises, the Case Observational Method and Theoretical Case Analysis (see Appendices A and B). I developed Theoretical Case Analysis so that our organizational framework could be applied to the solution of cases. In addition, experiential exercises follow Parts IV, V, and VI. These include questionnaires on motivation, leadership, and conflict resolution; an exercise on group decision making; and one role playing exercise on the promotion interview.

This textbook also contains a continuous case, describing the history of the Ford Motor Company, before each of the first five parts of the book. Again, the student is exposed to real management prob-

lems, and he or she can apply our organizational framework to their solution if desired.

Thus this course can be taught entirely by means of lectures, by a combination of lectures and participatory methods, or entirely by means of participatory methods. My preference is for the second

option.

Throughout this book, I have attempted to strike a balance between the presentation of concepts and their illustration. Studies, examples, and case material all have been selected to illustrate a wide variety of organizational environments, including business corporations, government agencies, military organizations, universities, and health care organizations. In addition, I have tried to indicate the increasingly important role of women and minority group members in management.

Professors may not want to attain all of the objectives this book seeks to achieve; the text is structured so that each can choose his or her own approach in teaching the course. In short, the book is set up to be flexible, adaptable to the needs and preferences of various

instructors.

A Study Guide, a Test Bank, and an Instructor's Manual are also available. The Test Bank contains over 2200 questions, and it has been computerized. The Instructor's Manual is arranged sequentially by chapters and parts of the book and contains additional lecture material; summaries of topical articles for discussion; answers to discussion questions, critical incidents, and cases; experiential exercises; suggested projects, book reports, and films; and suggested teaching methods and approaches for presenting the course material.

Finally, I would appreciate any feedback you may wish to provide.

To the Student

At the end of the chapters and parts of this textbook, there are a number of critical incidents (short cases) and long cases, some or all of which you may be asked to evaluate, either individually or as a group. The following steps should simplify your task:

1. First skim the case, then read it carefully, taking notes, so that

you understand it completely.

2. Identify and list problems. List facts by problem areas from the notes you have taken and from a third reading of the case if desired. Then use these facts to diagnose the causes of each problem.

3. Identify the major problem.

4. Develop alternative solutions to this major problem. First, list all identifiable solutions; then reduce the list only to feasible solutions. Repeat this process for minor problem areas.

5. Evaluate alternatives and select the most feasible solution to the major problem. First, list pros and cons associated with it. Weigh the pros and cons and then select the best alternative. Repeat this process for the solution of minor problems.

6. Defend each of your choices by questioning the workability of the solution selected, listing all possible problems that may arise.

This case format follows closely our treatment of managerial decision making (Chapter 4). If you would like to go beyond this format, you can employ the experiential exercise, Theoretical Case Analysis (see Appendix B). This exercise applies the integrated organizational framework used in this book to the solution of case problems.

About the Author

Martin J. Gannon (Ph.D., Graduate School of Business, Columbia University) is Professor of Management and Organizational Behavior at the College of Business and Management, University of Maryland, College Park, Maryland. He has also served as Acting Associate Dean for Academic Affairs and Chairperson of the Faculty of Organizational Behavior and Industrial Relations within this college, and has received an Outstanding Faculty Award from the MBA Alumni Association at Maryland. He has been awarded a Senior Research Fulbright Fellowship to Germany for the 1981–1982 school year.

Mr. Gannon has written over fifty articles in such journals as the Academy of Management Journal, the Academy of Management Review, the California Management Review, Business Horizons, the Journal of Applied Psychology, and Industrial Relations. In addition, he is the author of Organizational Behavior (Little, Brown, 1979) and co-editor of Readings in Management (Little, Brown, 1977). He has served as President of the Eastern Academy of Management and as Chairperson of the Personnel/Human Resources Division of the Academy of Management. He has been and is a consultant to a large number of organizations, including the U.S. General Accounting Office, the Upjohn Company, the Chemical Bank of New York, the National Commission for Manpower Policy, and the National Association of Personnel Consultants. Mr. Gannon has been involved in management training programs for the Advanced Executive Programs at Columbia University, Unilever of England, the University of Maryland, and various government agencies.

Acknowledgments

I would like to thank the following individuals for reviewing all or part of this book prior to publication:

Professor John R. Anstey, College of Business Administration, University of Nebraska

Professor Peter Arlow, Department of Management and Marketing, Shippensburg State College

Professor John Bachman, Management Development Programs, College of Business Administration, University of Tennessee Professor Lloyd Baird, School of Management, Boston University

Professor P. Nick Blanchard, Department of Management, Eastern Michigan University

Professor Stephen J. Carroll, Jr., College of Business and Management, University of Maryland

Professor Richard Cosier, School of Business, Indiana University Professor Dallas Defee, School of Management, State University of New York at Binghamton

Professor Kirk Downey, College of Business Administration, Oklahoma State University

Professor K. Fatehi, Department of Management, College of Business, Western Illinois University

Dr. James Gatza, American Institute for Property and Underwriters Professor Lee A. Graf, Department of Management and Marketing, College of Business, Illinois State University

Professor Ronald Greenwood, School of Business Administration, University of Wisconsin

Professor Vincent Luchsinger, College of Business Administration, Texas Tech University Professor James M. McFillen, College of Administrative Science, Ohio State University

Professor Michael McGinnis, Department of Management and Marketing, Shippensburg State College

Professor Jack Mendleson, Department of Management, Arizona State University

Professor Jan P. Muczyk, Department of Management and Labor, College of Business Administration, Cleveland State University

Professor Paul Thompson, Graduate School of Management, Brigham Young University

Professor Robert Vecchio, Department of Management, College of Business and Administration, University of Notre Dame

Professor Robert Wood, College of Business and Management, University of Maryland

Professor Daniel Wren, Division of Management, College of Business Management, University of Oklahoma

Elizabeth Zubritsky, College of Business and Management, University of Maryland

There are two individuals whom I especially want to cite for their help, Peter Arlow and Michael McGinnis, both Associate Professors at Shippensburg State College in Pennsylvania. These professors wrote the Study Guide to accompany the textbook. Also, Professor Arlow was my co-author for Chapter 16 and Professor McGinnis for Chapters 6 and 7. Their help proved to be invaluable.

I also want to thank my wife Doris and our two children, Marlies and Reid. They have been very patient and helpful and have complained only very mildly about the inconveniences associated with the writing of a book.

In addition, I wish to thank the staff of Little, Brown and Company for providing much-needed assistance and advice—particularly Milton Johnson, my editor; Sue Warne, my book editor; and Nancy Arbuckle, editorial assistant. Although many individuals have been helpful, I must take final responsibility for any errors or omissions.

Contents

PART I AN INTRODUCTION TO MANAGEMENT 3

CONTINUOUS CASE: The Ford Motor Company, 1903–1912 5

1 Traditional Management 7

Management in Preindustrial Society 8
Early Concepts of Management, 9 A Working Definition, 10

Max Weber and Bureaucracy 10

Capitalism, 12 Bases of Authority, 12 Bureaucratic Organizations, 13 Other Preconditions, 15

Henri Fayol and the Management Process School 17
General Management, 17 Functions of Management, 18 Principles of Management, 20 Fayol's Bridge, 21 Criticisms, 22

Frederick Taylor and Scientific Management 22
Worker-Management Relations, 23 Task Management, 23 Taylor's
Four Principles, 25 Problems of Application, 26

The Quantitative School 28
Summary 29
Discussion Questions 30

Critical Incident 30

Suggested Readings 31

2 Management and the Behavioral Sciences 32

Human Relations 33
Initial Experiments of the Hawthorne Study, 33 Test Room
Experiments, 34 Interviewing Program, 35 Observation Room
Study, 36

Systems Theory 37
Assumptions, 38 Barnard's Systems Theory, 38 Evaluation, 40

Human Resources 42
Argyris's Theory, 42 Theory X and Theory Y, 43

Contingency Theory 44
Organic and Mechanistic Structures, 46 Tosi and Carroll's Perspective, 48 Critique, 50
Summary 51
Discussion Questions 52
Critical Incidents 52
Suggested Readings 54

3 Management Within an Organizational Framework 55

Organizational Dimensions of Management 56
Planning, 57 Control, 59 Organization Design, 60 Behavioral Processes, 61 Managerial Decision Making, 61
Relationships Within the Organizational Framework 62

Impact of Planning and Control, 62 Impact of Design, 64 Impact of Behavioral Processes, 64 Setting for Managerial Decision Making, 64

Relationships to Management Schools 68
Traditional Management, 68 Behavioral Science Stream, 69

Dynamics of the Framework: Three Cases 70
The New Engineers, 70 U.S. Office of Personnel Management, 74
Branch Banking, 76

Summary **78**Discussion Questions **79**Suggested Readings **80**

4 Managerial Decision Making 81

Stages in Decision Making 82
Stimulus Event, 82 Information Search, 82 Problem Formulation, 83
Evaluation of Alternatives/Choice, 83 Implementation, 84

Decision Environments 84

Amount of Uncertainty, 84 Perceived Psychological Conflict, 85
Goals and Policies, 85 Organizational Level, 86 Societal
Expectations, 87 Culture, 87

Decision Strategies 88

Two General Strategies, 88 Programmed and Nonprogrammed Strategies, 89 Certainty-Uncertainty Strategies, 90

Suboptimization 91
Human Limits to Rationality, 91 Biased Information Search, 92
Defective Strategies for Making Decisions, 93

Improving Decision Making 93
Normative Models, 93 Problem Factoring, 94 Decision Heuristics, 96
Use of Groups, 97 Groupthink, 98

Summary 99
Discussion Questions 100

Critical Incidents 101

Suggested Readings 102

PART II PLANNING AND CONTROL 105

CONTINUOUS CASE: The Ford Motor Company, 1913–1920 **107**

5 An Introduction to Planning 110

The Organizational Planning Process 111

Defining the Mission: Giant Food, 111 Goals and Strategies, 112

Objectives and Tactics, 113 Policies, Procedures, and Rules, 114

Simultaneous Activities, 115

Forecasting 115

Types of Forecasts, 116 A Forecasting Typology, 117 Qualitative Forecasting Techniques, 119 Time Series Analysis and Projection, 120 Mathematical Models, 121

Planning with Precise and Imprecise Goals 122 Specifying Goals, 122 Departmental Planning, 124

Management by Objectives (MBO) 124
Research on MBO, 126 Limitations, 127 Advantages, 128 The Future

of MBO, 129
Strategic Failures 129
RCA and IBM, 129 Itel and Lloyd's of London, 130 The Edsel, 131
Duke Tobacco, 131 Chinese Fast-Food Chain, 132

Summary 133
Discussion Questions 134
Critical Incidents 135
Suggested Readings 136

6 Planning Techniques 137

Break-even Analysis 138
Costs, 139 Price, 139 Demand, 139
Capital Budgeting 141
Linear Programming 142

Networks 144
Gantt Chart, 144 PERT and CPM, 145
Probabilistic Models 148
Expected Value, 148 Waiting Line Analysis (Queuing), 149 Decision Trees, 150 Simulation, 150
Implications for Managers 152
Summary 154
Discussion Questions 155
Problems 155

7 Techniques for Controlling Organizational Systems 158

Suggested Readings 157

The Concept of Control 159
Feedback and Feedforward Control, 159 Control of Members and Subsystems, 160 Combinations of Control, 161

Budgetary Control 162
Types of Budgets, 162 Standard Costs, 162 Responsibility Centers, 163
Zero-based Budgeting, 164

Inventory and Quality Control 165

Three Inventory Models, 165 Defining and Monitoring Quality, 167

Management Information Systems 167
Computers and Centralization, 168 Designing the MIS, 169 Key
Attributes, 170 Networks and MIS 171 Impact of the Computer, 171

Attributes, 170 Networks and MIS, 171 Impact of the Computer, 171 Additional Control Techniques 172

Financial Statements, 172 Cybernetic (Machine-controlled) Systems, 173 Attitude Surveys, 173 Management Audit, 174

Summary 174
Discussion Questions 175
Suggested Readings 176

8 Selection and the Personnel Control Process 177

Selection 178
Job Search Methods, 178 Tests, 180 Application Blanks, 181 The Hiring Interview, 183
Job Orientation 184
Training and Development 185
Training, 186 Development, 189
Performance Appraisal 193
Rating Methods, 193 Additional Issues, 197

Reward Systems 199
Motivational Framework, 199 Employee Preferences, 201
Summary 202
Discussion Questions 203
Critical Incidents 204
Suggested Readings 205

PART II CASE STUDY: Monitoring the Performance of Bank Tellers 206

PART III ORGANIZING 211

CONTINUOUS CASE: The Ford Motor Company, 1921–1929 213

9 Classical and Contemporary Concepts of Organizing 216

Hierarchy and Specialization 217
Building the Organization, 217 Bases of Departmentalization, 223
Constructing Guidance Systems, 226

Barriers to Integration 233
Voluntary Barriers, 233 Hierarchical Barriers, 234

Improving Integration 236
Structural Methods, 236 Personal Methods, 239

Summary 239

Discussion Questions 240

Critical Incidents 241

Suggested Readings 243

10 Alternative Methods of Organizing 244

Modern Forms of Organization 245
Federal Decentralization, 245 Project Management, 247 Matrix Organization, 249
Specialized Forms of Organization 256

Professional Organizations, 256 Government Organizations, 257 Specialized Service Organizations, 258 Etzioni's Typology, 259

Economic Forms of Organization 260
Employee-owned Companies, 260 Conglomerates, 261 Vertical and Horizontal Integration, 261 Ventures, 262 State-backed Corporations, 262 Multinational Corporations, 263
Summary 264
Discussion Questions 265
Critical Incident 266
Suggested Readings 267

11 A Contingency Approach to Organizing 268

Three Critical Factors 269
The Blau Study, 269 The Woodward Study, 270 The Lawrence and Lorsch Study, 272 Successful Integrators, 274 The Chandler Study, 275 An Alternative Explanation, 276
The Information-Processing Synthesis 276
Five Strategies, 277 Seven Steps for Creating Lateral Relations, 278
Summary 280
Discussion Questions 282
Critical Incident 282
Suggested Readings 283

PART III CASE STUDIES: The Overly Successful Bank 284 State University Medical Center 287

PART IV DIRECTING BEHAVIORAL PROCESSES 291

CONTINUOUS CASE: The Ford Motor Company, 1930–1945 293

12 Interpersonal Communication 298

Perception 299

Factors Influencing Perception, 300 Organization of Perception, 302

Communication Among Individuals 305

A Basic Model, 305 Barriers to Communication, 306 Communication Networks, 307 Two-Step Flow, 309 Methods of Communication, 310 The Yale Studies, 312

Interpersonal Communication and Managerial Work 313
Nature of Managerial Work, 313 Styles, 316
Summary 318