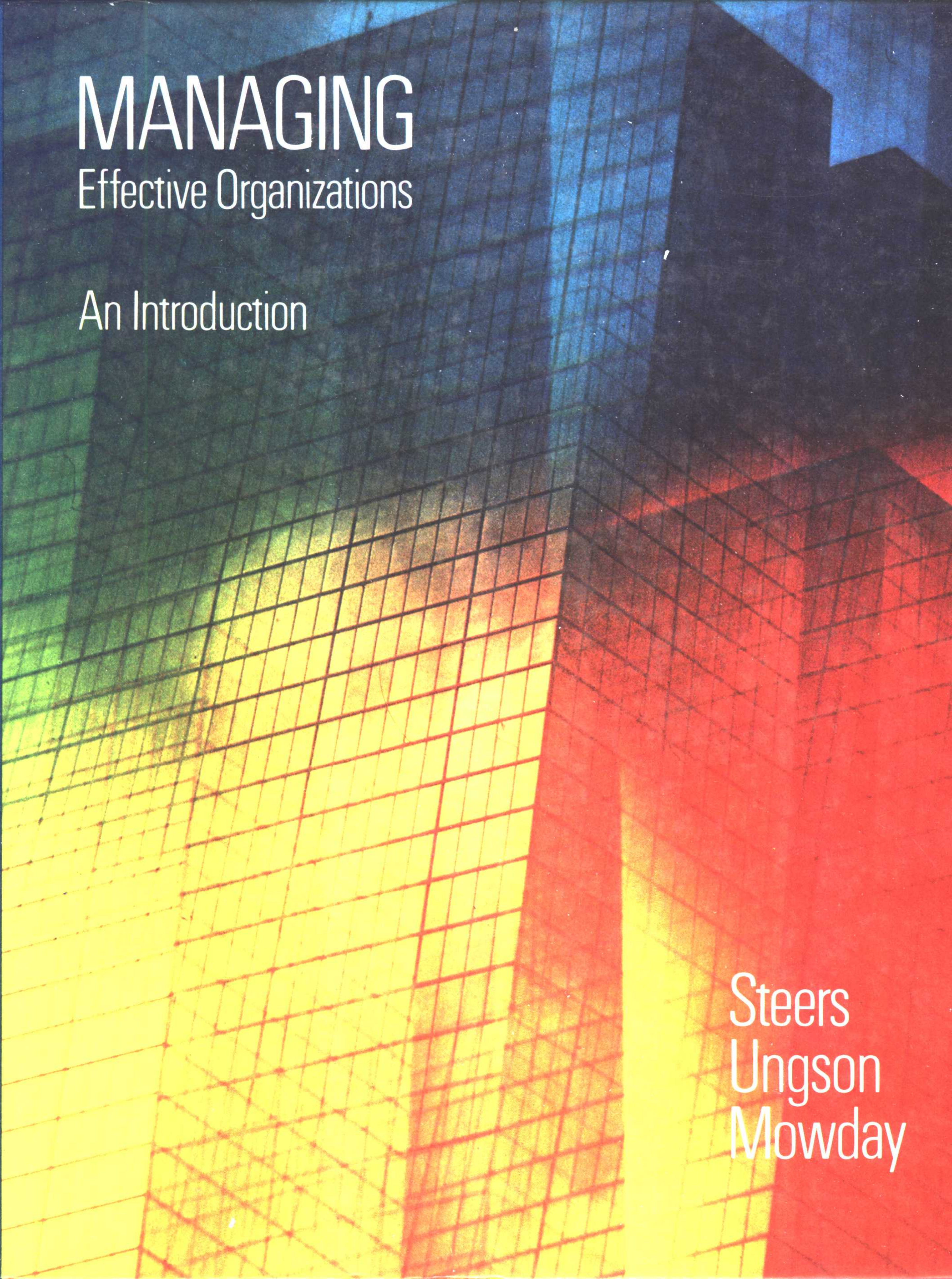
MANAGING
Effective Organizations

An Introduction

Steers
Ungson
Mowday



Managing Effective Organizations

An Introduction

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Preface

The emergence of management as a profession and science during the 1920s provides a pivotal event in explaining the historical development of the United States industrial structure. Effective management was a response to the inefficiencies, bottlenecks, poor controls, and administrative malaise that plagued the early enterprises. Many of these problems were solved using managerial techniques and tasks advanced by pioneering management scientists such as Frederick Taylor, Henry Fayol, Henry Gantt, and Frank and Lillian Gilbreth. The resulting era of productivity was associated with systematic planning, high volume standardization, effective coordination within and between organizational hierarchies, and rigid control of both the worker and the production process.

In the following sixty years, the practice of management has developed further into a discipline. Homilies about good management practices are now systematized into tools, tasks, skills, and techniques. The study of management is typically organized around the key functions of planning, organizing, directing, and controlling; and consequently, most current textbooks on management have adopted this perspective.

Our text was inspired by spirited discussion among academics and practioners on various shortcomings of management education and on new challenges faced by American managers. The inability to effectively integrate into the world economy and to retain our international competitiveness raised questions about management education and renewed debates on the role of government. Furthermore, books that presented critical comparisons between American and Japanese styles of management were fast becoming best-sellers. Our attention centered on the question: What managerial competencies are needed for the executive to become and remain effective in these modern times?

Modern managers need to develop strategies to offset the shock of changes from emerging markets, international competition, and government policy. New design templates are needed to improve an organization's internal adaptive capabilities. Behavioral and social skills need to be developed to meet the requirements of managing complex organizations and changing corporate cultures. This book combines state-of-the-art theories and research with contemporary management concerns. It focuses on the issue of effective organizations and how to manage an organization so that it becomes effective.

In this book, we offer an integrated concept of management that builds on three managerial competencies: technical, behavioral, and strategic. In contrast to many textbooks that examined management from the inside out, this book is intended to provide a broader managerial perspective that is responsive to current problems and opportunities. Our purpose, however, is not to replace the traditional focus on planning, organizing, directing, and controlling, but to elaborate on it. The book offers several essential features in order to achieve these goals:

First, it presents a triadic model of management/organizational effectiveness: (a) *Technical competencies* (Chapters 4–8) include planning for a changing environment, designing organizations, managerial decision making, developing control systems, and operations and production control. (b) *Behavioral competencies* (Chapters 9–14) include encouraging motivation and performance, effective leadership, management of work groups, effective communication, handling conflict and power, and human resource management. (c) *Strategic competencies* (Chapters 15–19) include strategic analysis, managing organizational change, dealing with government and society relations, and understanding international considerations.

Second, this book allows the instructor flexibility in structuring the course to his or her perspective. He or she can emphasize the traditional management functions of planning (Chapters 1, 2, 3, and 4), organizing (Chapters 5, 11, and 13), directing (Chapter 6, 9, 10, 12, and 14), and controlling (Chapters 7, 8, and 11). Each chapter presents a comprehensive treatment of the subject matter, including contemporary trends that have impacted the managerial function. Alternatively, the instructor can opt to present the traditional view as illustrated above and supplement it with recent managerial issues. In such a case, strategic analysis (Chapter 15) can complement chapters on planning; organizational change (Chapter 16) provides an excellent tie-in with the chapters on organizing; and social issues (Chapter 19) offers additional background material for chapters on directing and controlling. Finally, the instructor can make full use of the triadic model of this book, emphasizing how technical, behavioral, and strategic competencies define the modern managerial role.

Third, a strong pedagogy supports the content of the book. Each chapter contains a short introductory vignette, a chapter outline, key terms, chapter objectives, boxed features providing real-life examples of specific points, a chapter summary, chapter discussion questions, and a case study with questions. In addition, many chapters have exercises that allow the student to apply the material discussed in the text. A complete glossary of important terms used in the text can be found at the end of the book.

Fourth, this book has several chapters that are not found in many management textbooks. A whole chapter is devoted to operations and production management (Chapter 8) — a topic that is becoming more important on account of declining productivity in the United States. Chapter 15 ("Strategic Adaptation to the Environment") covers the changing structure of the United States economy and offers practical guidelines for dealing with these changes. Chapter 17

("Understanding the Role of Government") discusses the changing role of government and how managers can operate effectively in regulated and deregulated environments. Finally, Chapter 18 ("International Considerations in Management") offers an overview of the complexities and requirements of operating in a global economy.

In writing this book, we benefited from the counsel, advice, and criticisms provided by the following reviewers: Allen Bluedorn, University of Missouri; David Gray, University of Texas at Arlington; Marvin Karlins, University of South Florida; James C. McElroy, Iowa State University; Kenneth R. Thompson, University of Arkansas; Phil Van Auken, Baylor University; and Malcolm Walker, San Jose State University.

We also wish to thank Kenneth D. Ramsing, University of Oregon, for writing Chapter 8 ("Operations and Production Control") and George Z. Vozikis, University of Miami, for writing Chapter 18 ("International Considerations in Management"). We acknowledge the assistance of Ann Hall for her work as developmental editor, and of Charlie Cole, University of Oregon, for developing supplementary material. Eve Mendelsohn of Kent Publishing Company took the arduous task of coordinating the three of us — even at times when we were on sabbatical, on leave, or on vacation — to ensure that the book was as complete as possible. Margaret Kearney provided invaluable help in obtaining permissions and drafting some of the chapter vignettes. Dave Anthony and Jack McHugh, Editors at Kent Publishing Company, provided encouragement at different phases of this project.

We think that no book in management can be written without acknowledging the intellectual works of the early management theorists. We are grateful to them and to our professors who taught us about their works. Finally, we express our appreciation to our colleagues, friends, and families for their support: to Dorothy Wynkoop, our Departmental Secretary, for her inspiration on how work should be done; to Sheila and Kathleen for their support and good cheer; to Judith Herzfeld for her patience, care, and encouragement; and to Mary, Graham, and Garrett for their understanding.

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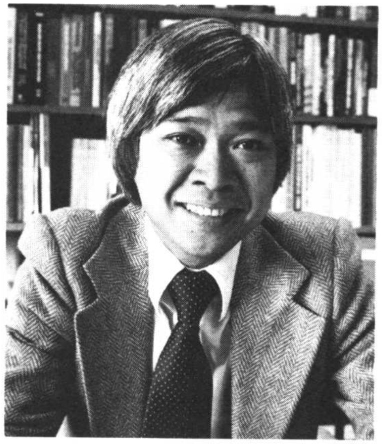
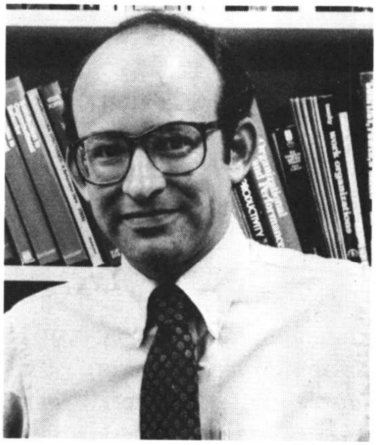


Gerardo R. Ungson



Richard T. Mowday

Richard M. Steers is Associate Dean and Professor of Management at the University of Oregon. His primary research interests are in employee and job performance, organizational adaption and effectiveness, employee turnover and absenteeism, and organizational commitment. He is author of ten books and over sixty articles and has served on four editorial boards including those of the *Academy of Management Review* and the *Administrative Science Quarterly*. In 1984 he was elected Vice-President and Program Chair of the Academy of Management. Professor Steers is Kent's Consulting Editor in management.

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Richard T. Mowday is Associate Professor of Management at the University of Oregon. His research focuses on organizational commitment, turnover and absenteeism, the early employment period, and the psychological processes of employee reactions to work organizations. He has co-authored several books and serves on the editorial review boards of the *Academy of Management Journal*, the *Journal of Management*, and the *Journal of Vocational Behavior*. He is an international consulting editor for the *Journal of Occupational Psychology* and Chairperson-Elect of the Organizational Behavior Division of the Academy of Management.

Contents

PART II Technical Competencies of Management 91

Chapter 4 Planning in a Complex Environment 92

Chapter 5 Designing Effective Organizations *130*

Chapter 6 Managerial Decision Making *166*

Chapter 7 Control Systems in Organizations *202*

Chapter 17 Understanding the Role of Government 550

Chapter 18 International Considerations in Management 578

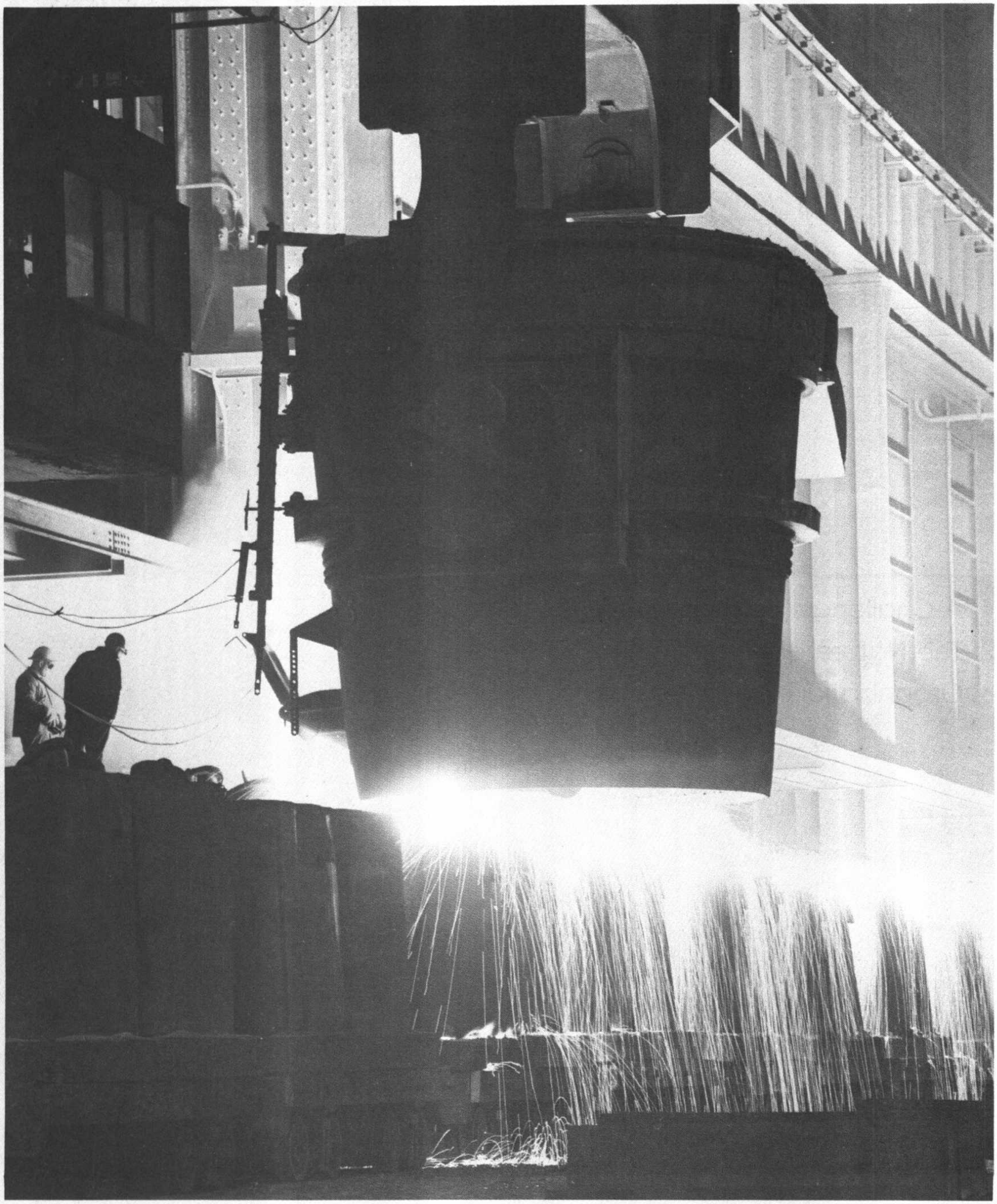
Chapter 19 Social Issues in Management 620

PART V The Future of Management 645

Chapter 20 Managing Effective Organizations in the Future 646

PART I

The Nature of Management and Organizations



CHAPTER 1

A Challenge for Management

During the past five years, the country's big steel producers have lost billions of dollars and laid off hundreds of thousands of steelworkers. In 1953, 682,000 steelworkers held high-paying jobs. Presently, the industry only employs 396,000, and analysts are predicting a further decline to 185,000 by the year 2000.

The problems are enormous: insufficient capital, high labor costs, raw materials problems, shrinking markets, and foreign competition. The major producers are also facing increasing competition from minimills. These are small domestic steel producers that use a production process called continuous casting. Long ribbons of molten steel are produced and then cut into slabs. Eighty-six percent of Japan's steel and 61 percent of Europe's is continuously cast, compared to 26 percent of the steel produced in the United States. The major advantage of continuous casting is that it greatly increases product yield.

In order to survive large domestic steel producers must reduce their steelmaking capacity by closing facilities that cannot be modernized, and they must invest in continuous casters to compete with the minimills. Many steel executives want government assistance and tougher trade laws to control foreign imports.

Even if the industry does survive, one thing is certain: Most laid-off steelworkers will not get their jobs back, and the next few years are going to be tough ones for the survivors.

Sources: "Big Steel's Big Chill," by Harry Anderson with Richard Manning, *Newsweek*, October 10, 1983, p. 71; "Time Runs Out for Steel," *Business Week*, June 13, 1983, pp. 84–94.

Chapter Outline

- Declining United States Industrial Performance
- Challenges for the Modern Executive
- Plan of the Book

Key Terms

- recession
- stagflation
- key competencies
- technical competencies
- behavioral competencies
- strategic competencies
- inflation
- rising entitlements

Chapter Objectives

After studying Chapter 1 you should be able to

1. Discuss how industry in the United States is losing ground in the world marketplace.
2. Identify the social and policy reasons for American productivity problems.
3. Understand why recent economic periods have been so turbulent.
4. Explain limitations in the present practices of management that are contributing to productivity problems in the United States.
5. Identify three key competencies needed by today's managers and trace their historical development.
6. Describe four stages companies seem to go through in developing their management processes.

Introduction

We have heard a great deal in recent years concerning a general decline in productivity in North America and western Europe. We hear that our companies and industries are losing their competitive edge. We hear that managers have lost the ability to make their organizations truly effective. Some people have suggested that truly effective organizations in many instances simply are not possible.

Although few would deny that many organizations face a crisis in productivity and organizational effectiveness, most managers are not yet willing to give up the fight. There are, in fact, many ways to improve the situation.

This book has as its central theme the study of what can be done to resolve this crisis. But before we begin to consider remedies, it is important to understand the nature and extent of the problem. We foster such understanding in our first chapter by considering two related issues: the causes of our declining productivity and some limitations on corporate management. We then begin to explore what it takes to be an effective manager.

Declining United States Industrial Performance

During the past two decades, industry in the United States has lost considerable ground to competition in world markets. In the 1970s the United States lost 23 percent of its share of the world market, compared with a 16 percent decline in the 1960s. The losses in the 1970s were particularly significant because they occurred in the wake of a 40 percent depreciation in the value of the dollar, which decreased the cost of American goods in foreign markets and made foreign imports more costly. It is estimated that this decline in the American competitive position during the 1970s alone resulted in $125 billion in lost production, plus the loss of about two million jobs in industry ("The Reindustrialization of America," 1980).

The scope of this problem is shown dramatically in Figures 1.1 and 1.2, which chart the declining share of American products in domestic and foreign markets. Few industries have escaped this decline. The American aircraft industry, long a leader and innovator, had 66 percent of the world market ten years ago but has only 58 percent today. We expect its market share to decrease further as European and Japanese aircraft corporations continue to develop and become more aggressive.

The share of the world market in plastics held by the United States declined from 28 percent in 1962 to 13 percent in 1980. Also affected were the drug industry (from 28 percent in 1962 to 15 percent in 1980), agricultural machinery (from 40 percent in 1962 to 24 percent in 1980), and textile machinery (from 15 percent in 1962 to 7 percent in 1980) ("The Reindustrialization of America," 1980). In many respects we have lost our competitive edge in the marketplace.