

# READINGS IN MANAGEMENT STRATEGY AND TACTICS

**JOHN G. HUTCHINSON**

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# Readings in Management Strategy and Tactics



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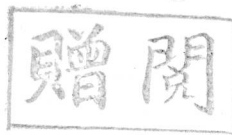
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Management  
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## Preface

The main objective of this book is to provide a series of perspectives on the kinds of key issues facing managers today and tomorrow. It is also designed to provide reference materials for practitioners and students desirous of keeping in touch with the literature and practice of management. Thirdly, it seeks to broaden and deepen the coverage of standard texts on management, particularly my own, *Management: Strategy and Tactics*. In order to develop and heighten understanding of critical management duties and concepts, the selections reflect a conceptual, theoretical, and technical orientation enriched with specific examples and illustrations taken from practice.

The book's main ideas are grouped under eight major headings. The first section contains historical and contemporary management ideas ranging from Niccolò Machiavelli to Douglas McGregor. The second involves the recognition of problems and opportunities, and covers the processes and techniques of planning and forecasting. Part III deals with decision making, including a look at the multiplicity of decision-making methodologies, while the fourth section probes various aspects of the relationship between strategy and organizational design. Part V considers theories and methods for evaluating and reviewing contributions to organizational objectives, while the sixth major unit concentrates on the development of superior performance on the part of individuals, groups, subunits, and organizations. The next to last section looks into the management of critical areas of operation, including the management of international business, the management of government-business relations, managing research and development activities, and the management of labor relations. The final unit takes a brief look at management in the future and what managerial techniques may evolve over the next four or five decades.

Part I offers various perspectives on historical and emerging ideas in the field of management. The opening article by Harold Koontz sets the stage by summarizing the range of managerial theories and schools which comprise what he calls "The Management Theory Jungle." Following this is a selection of benchmark contributions to management theory written by Douglas McGregor and others. In addition, two articles describe schools or concepts that are exerting major influences on the management theory of today or tomorrow: Kenneth Boulding's description of general systems theory and this author's own summation of basic management processes.

The second major unit, recognition of problems and opportunities, deals

with a look ahead, a look within, and a look around. Growth, forecasting, and strategy determination are linked and explored in both specific and general terms. Articles by William Newman and Ewing Reilley describe and discuss the critical factors in strategy determination. The three remaining articles describe some specific methods by which planning and forecasting can be carried out more effectively. J.W. Redfield offers a comprehensive view of forecasting in concise terms; R.W. Miller's essay does the same for PERT. A *Business Week* article describes a forecasting technique which bases business forecasts on both judgmental and statistical methodologies. Though the dates on some of the articles in this section do not reflect the latest offerings in the literature, they do offer excellent, concise coverage.

Decision making, the fine art of choice, is the third key area. Again, a dualistic approach is used, with some articles presenting descriptive views of decision making, while others concentrate on its analytical facets. The articles by Wilson and Alexis and Herbert Simon are more conceptual than technical. They lay out the broad dimensions of decision making and the kind of critical variables entering into the decision process. The remaining pieces are directed toward greater specificity. David Miller's lucid, brilliant comments on the logic of decision making are unparalleled in their coverage of the various payoff matrices. Miller has the happy ability to state relatively difficult material in a form readily understandable to nonexperts. The Emory and Niland article provides examples of how decision-making techniques can be applied to solve particular kinds of operating problems.

The next section deals with choice among alternative strategies and the structures needed to implement these strategies. As in previous sections, both conceptual and how-to-do-it approaches are given relatively equal coverage. Included in this unit are classic articles by Alfred Chandler, Rensis Likert, and Antony Jay which lay out ideas on how strategy and structure should be recognized, constructed, and/or implemented. A selection by Chester Barnard deals with the delicate art of delegation, which is given quite a different treatment in a tongue-in-cheek article by C. Northcote Parkinson, whose famous "Parkinson's Law" is universally quoted because of its all-too-close-to-home forays against organizational pomposity. The article by Ralph Cordiner illustrates the use of decentralized organization concepts in the General Electric Company. These concepts, though somewhat dated, are the model upon which many modern decentralized organizations are structured. The remaining article by Louis Allen offers ways to improve line-staff relations.

The next major grouping, "Evaluation and Review of Contribution," focuses on management information systems, standards of performance, and the variety of control devices and methods used to identify individual and group contributions to organizational effectiveness. The article by A.E. Amstutz points out the direction of management information system development. Potential pitfalls and problems encountered in the use of management information systems are discussed by John Dearden and V.F. Ridgway. Standards are treated at three levels in an article by this author, indicating how standards set to meas-

ure individual performance need close care and nurturing. Four other articles report on specific systems used to evaluate performance. Edward Roberts describes the use of Jay Forrester's industrial dynamic's approach as a control device. A *Business Week* article stakes out the claim that "direct costing" is an improvement over standard absorption costing in the compilation of meaningful cost information for management. Earl Strong and Robert Smith illustrate how break-even charts can be used to assess potential inputs and returns in certain kinds of situations, and Professor E. Kirby Warren illustrates how balance can be obtained between planning and control in a business framework.

The next major subdivision, "Developing Superior Performance," deals with the revitalization and improvement of both individual and organizational performance. Organizational approaches to revitalization are described in John O. Tomb's financially oriented article on integrated planning and control, and George Odiorne's listing of the twenty common errors in goal setting encountered in his "management by objectives" approach to revitalization. Blake and Mouton's "Managerial Grid" article and Mason Haire's review of the human resources needed to develop enterprise management to the fullest extent are also organizational in approach. Group revitalization methods are treated in Walter Wikstrom's article on sensitivity (T-group) training and in Robert Albrook's discussion of participative management.

Because some areas are especially vital to managerial success, they were singled out for special treatment. The first of these is international operations. The size, growth, and importance of the international business scene is described by Sanford Rose in his thoughtful and important comments on developments in world business. Some general guides to improving international business activities and operations are then provided by Gilbert Klee, and specific suggestions on managing the overseas management function are offered by Richard Robinson.

Government-business relations also deserves special attention. The first selection, an excerpt from a prize-winning book by Keith Davis and Robert Blomstrom, comments on the state of the arts in government-business relations. Dean Courtney Brown's thoughtful article on the growing need for a greater interaction between the business community and government units contains a valuable lesson on both past dealings between these parties and some lead-ins to the pattern of future relationships.

Since technology and its first cousin, research and development, are critical to the future, they, too, are singled out. The particular problems involved in improving the productivity of research work are probed by Herbert Shepard, who points out the dilemmas encountered in industrial research, and by Igor Ansoff, who offers a scheme for evaluating applied research in business firms. E.I. Green and Charles Whiting define the meaning of creativity and how it may be utilized to the fullest extent through using organizational and operational methods designed to mine the inherent creativity of personnel already employed by organizations.

The final area of special coverage is the management of labor relations.

George Hardbeck first describes the many ways in which modern unionism is again at the crossroads of its future development pattern. The Committee for Economic Development's pamphlet on union powers and functions spells out what one group of businessmen feel is the best blending of powers. The Hutchinson article looks at possible operation during a strike action from a theoretical and practical point of view. This article is included because of the increasing number of strikes recently conducted under operating situations, particularly the well-publicized series of strikes involving public employees.

The text's closing unit takes a look at the shape of things to come. Max Ways of *Fortune* and F.J. Borsch, President of General Electric, propose what management might well be like in the next fifty years. Their basic guess is that it will be more participative and much more complicated.

Though the readings in this book present coverage reflecting the bias of one person, their final selection followed lengthy consultation with individuals representing many aspects of management, education, and practice. It is the author's hope that they do shed light on the key issues of today and tomorrow and that they will prove to be of genuine value to a wide range of students, professors, and practitioners of the art and science of management.

New York, N.Y.  
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John G. Hutchinson



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No group of articles can present the entire range of theories and concepts encountered in the literature of management, and no such claim is made for this set of perspectives on management. The main thrust of these articles is found in a selected series of benchmark works by well-known management writers and several supporting pieces which connect and relate historical thinking in management to contemporary formulations. Included in the former category is Douglas McGregor's categorization of managerial behavior as "Theory X" or "Theory Y." The articles seeking to bind and relate the various managerial theories and ideas are headed by Harold Koontz' analysis of "The Management Theory Jungle," which summarizes current and historical schools of thought, indicates why such differences exist, and makes some comments about future research in management. The remaining articles include Kenneth Boulding's brilliant ideas on the shape of general systems theories; the thinking of Hampton, Summer, and Webber on the psychological factors that affect individual behavior in organizations; and John Hutchinson's cursory summary of the managerial processes of planning, organizing, and controlling.

Articles in this section, though not all-inclusive, do provide sufficient coverage to give both students and practitioners a good "feel" of the ideas and theories underlying the discipline and practice of management.

## Part I

# Perspectives on Management



An old hand at hacking his way through theoretical jungles and jumbles, Professor Koontz describes the existing state of the arts in management theory and the problems and opportunities posed for students, scholars, and practitioners. It is his general aim to outline methods and criteria used to clarify the assumptions underlying management theory and to improve its utility and relevance.

# 1 The Management Theory Jungle

Harold J. Koontz

Although students of management would readily agree that there have been problems of management since the dawn of organized life, most would also agree that systematic examination of management, with few exceptions, is the product of the present century and more especially of the past two decades. Moreover, until recent years almost all of those who have attempted to analyze the management process and look for some theoretical underpinnings to help improve research, teaching, and practice were alert and perceptive practitioners of the art who reflected on many years of experience. Thus, at least in looking at *general* management as an intellectually based art, the earliest meaningful writing came from such experienced practitioners as Fayol, Mooney, Alvin Brown, Sheldon, Barnard, and Urwick. Certainly not even the most academic worshipper of empirical research can overlook the empiricism involved in distilling fundamentals from decades of experience by such discerning practitioners as these. Admittedly done without questionnaires, controlled interviews, or mathematics, observations by such men can hardly be accurately regarded as *a priori* or “armchair.”

The noteworthy absence of academic writing and research in the formative years of modern management theory is now more than atoned for by a deluge of research and writing from the academic halls. What is interesting and perhaps nothing more than a sign of the unsophisticated adolescence of management theory is how the current flood has brought with it a wave of great differences and apparent confusion. From the orderly analysis of management at the shop-room level by Frederick Taylor and the reflective distillation of experience from the general management point of view of Henri Fayol, we now see these

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and other early beginnings overgrown and entangled by a jungle of approaches and approachers to management theory.

There are the behavioralists, born of the Hawthorne experiments and the awakened interest in human relations during the 1930's and 1940's, who see management as a complex of interpersonal relationships and the basis of management theory the tentative tenets of the new and undeveloped science of psychology. There are also those who see management theory as simply a manifestation of the institutional and cultural aspects of sociology. Still others, observing that the central core of management is decision-making, branch in all directions from this core to encompass everything in organization life. Then, there are mathematicians who think of management primarily as an exercise in logical relationships expressed in symbols and the omnipresent and ever revered model. But the entanglement of growth reaches its ultimate when the study of management is regarded as a study of one of a number of systems and subsystems, with an understandable tendency for the researcher to be dissatisfied until he has encompassed the entire physical and cultural universe as a management system.

With the recent discovery of an ages-old problem area by social, physical, and biological scientists, and with the supersonic increase in interest by all types of enterprise managers, the apparent impenetrability of the present thicket which we call management theory is not difficult to comprehend. One can hardly be surprised that psychologists, sociologists, anthropologists, sociometricists, economists, mathematicians, physicists, biologists, political scientists, business administration scholars, and even practicing managers, should hop on this interesting, challenging, and profitable band wagon.

This welling of interest from every academic and practicing corner should not upset anyone concerned with seeing the frontiers of knowledge pushed back and the intellectual base of practice broadened. But what is rather upsetting to the practitioner and the observer, who sees great social potential from improved management, is that the variety of approaches to management theory has led to a kind of confused and destructive jungle warfare. Particularly among academic disciplines and their disciples, the primary interests of many would-be cult leaders seem to be to carve out a distinct (and hence "original") approach to management. And to defend this originality, and thereby gain a place in posterity (or at least to gain a publication which will justify academic status or promotion), it seems to have become too much the current style to downgrade, and sometimes misrepresent, what anyone else has said, or thought, or done.

In order to cut through this jungle and bring to light some of the issues and problems involved in the present management theory area so that the tremendous interest, intelligence, and research results may become more meaningful, it is my purpose here to classify the various "schools" of management theory, to identify briefly what I believe to be the major source of differences, and to offer some suggestions for disentangling the jungle. It is hoped that a movement for clarification can be started so at least we in the field will not be a group of

blind men identifying the same elephant with our widely varying and sometimes viciously argumentative theses.

## THE MAJOR "SCHOOLS" OF MANAGEMENT THEORY

In attempting to classify the major schools of management theory into six main groups, I am aware that I may overlook certain approaches and cannot deal with all the nuances of each approach. But it does seem that most of the approaches to management theory can be classified in one of these so-called "schools."

### THE MANAGEMENT PROCESS SCHOOL

This approach to management theory perceives management as a process of getting things done through and with people operating in organized groups. It aims to analyze the process, to establish a conceptual framework for it, to identify principles underlying it, and to build up a theory of management from them. It regards management as a universal process, regardless of the type of enterprise, or the level in a given enterprise, although recognizing, obviously, that the environment of management differs widely between enterprises and levels. It looks upon management theory as a way of organizing experience so that practice can be improved through research, empirical testing of principles, and teaching of fundamentals involved in the management process.<sup>1</sup>

Often referred to, especially by its critics, as the "traditional" or "universalist" school, this school can be said to have been fathered by Henri Fayol, although many of his offspring did not know of their parent, since Fayol's work was eclipsed by the bright light of his contemporary, Frederick Taylor, and clouded by the lack of a widely available English translation until 1949. Other than Fayol, most of the early contributors to this school dealt only with the organization portion of the management process, largely because of their greater experience with this facet of management and the simple fact that planning and control, as well as the function of staffing, were given little attention by managers before 1940.

This school bases its approach to management theory on several fundamental beliefs:

1. that managing is a process and can best be dissected intellectually by analyzing the functions of the manager;

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<sup>1</sup> It is interesting that one of the scholars strongly oriented to human relations and behavioral approaches to management has recently noted that "theory can be viewed as a way of organizing experience" and that "once initial sense is made out of experienced environment, the way is cleared for an even more adequate organization of this experience." See Robert Dubin in "Psyche, Sensitivity, and Social Structure," critical comment in Robert Tannenbaum, I. R. Weschler, and Fred Massarik, *Leadership and Organization: A Behavioral Science Approach*, McGraw-Hill Book Company, New York, 1961, p. 401.

## 6 Perspectives on Management

2. that long experience with management in a variety of enterprise situations can be grounds for distillation of certain fundamental truths or generalizations—usually referred to as principles—which have a clarifying and predictive value in the understanding and improvement of managing;
3. that these fundamental truths can become focal points for useful research both to ascertain their validity and to improve their meaning and applicability in practice;
4. that such truths can furnish elements, at least until disproved, and certainly until sharpened, of a useful theory of management;
5. that managing is an art, but one like medicine or engineering, which can be improved by reliance on the light and understanding of principles;
6. that principles in management, like principles in the biological and physical sciences, are nonetheless true even if a prescribed treatment or design by a practitioner in a given case situation chooses to ignore a principle and the costs involved, or attempts to do something else to offset the costs incurred (this is, of course, not new in medicine, engineering, or any other art, for art is the creative task of compromising fundamentals to attain a desired result); and
7. that, while the totality of culture and of the physical and biological universe has varying effects on the manager's environment and subjects, as indeed they do in every other field of science and art, the theory of management does not need to encompass the field of all knowledge in order for it to serve as a scientific or theoretical foundation.

The basic approach of this school, then, is to look, first, to the functions of managers. As a second step in this approach, many of us have taken the functions of managers and further dissected them by distilling what we see as fundamental truths in the understandably complicated practice of management. I have found it useful to classify my analysis of these functions around the essentials involved in the following questions:

1. What is the nature of the function?
2. What is the purpose of the function?
3. What explains the structure of the function?
4. What explains the process of the function?

Perhaps there are other more useful approaches, but I have found that I can place everything pertaining to management (even some of the rather remote research and concepts) in this framework.

Also, purely to make the area of management theory intellectually manageable, those who subscribe to this school do not usually attempt to include in the theory the entire areas of sociology, economics, biology, psychology, physics, chemistry, or others. This is done not because these other areas of



knowledge are unimportant and have no bearing on management, but merely because no real progress has ever been made in science or art without significant partitioning of knowledge. Yet, anyone would be foolish not to realize that a function which deals with people in their various activities of producing and marketing anything from money to religion and education is completely independent of the physical, biological, and cultural universe in which we live. And, are there not such relationships in other “compartments” of knowledge and theory?

### THE EMPIRICAL SCHOOL

A second approach to management I refer to as the “empirical” school. In this, I include those scholars who identify management as a study of experience, sometimes with intent to draw generalizations but usually merely as a means of teaching experience and transferring it to the practitioner or student. Typical of this school are those who see management or “policy” as the study and analysis of cases and those with such approaches as Ernest Dale’s “comparative approach.”<sup>2</sup>

This approach seems to be based upon the premise that, if we study the experience of successful managers, or the mistakes made in management, or if we attempt to solve management problems, we will somehow understand and learn to apply the most effective kinds of management techniques. This approach, as often applied, assumes that, by finding out what worked or did not work in individual circumstances, the student or the practitioner will be able to do the same in comparable situations.

No one can deny the importance of studying experience through such study, or of analyzing the “how-it-was-done” of management. But management, unlike law, is not a science based on precedent, and situations in the future exactly comparable to the past are exceedingly unlikely to occur. Indeed, there is a positive danger of relying too much on past experience and on undistilled history of managerial problem-solving for the simple reason that a technique or approach found “right” in the past may not fit a situation of the future.

Those advocating the empirical approach are likely to say that what they really do in analyzing cases or history is to draw from certain generalizations which can be applied as useful guides to thought or action in future case situations. As a matter of fact, Ernest Dale, after claiming to find “so little practical value” from the principles enunciated by the “universalists,” curiously drew certain “generalizations” or “criteria” from his valuable study of a number of great practitioners of management.<sup>3</sup> There is some question as to whether Dale’s “comparative” approach is not really the same as the “universalist” approach he decries, except with a different distiller of basic truths.

By the emphasis of the empirical school on study of experience, it does

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<sup>2</sup> Ernest Dale, *The Great Organizers: Theory and Practice of Organization*, McGraw-Hill Book Company, New York, 1960, pp. 11–28.

<sup>3</sup> *Ibid.*, pp. 11, 26–28, 62–66.