



Managing the modern organization

Third edition

**Haimann
Scott
Connor**

Managing the modern organization

Third edition

Theo Haimann

Saint Louis University

William G. Scott

University of Washington

Patrick E. Connor

Oregon State University

Houghton Mifflin Company Boston

Dallas Geneva, Illinois Hopewell, New Jersey

Palo Alto London

Originally published as *Management in the Modern Organization*.

Copyright © 1978 by Houghton Mifflin Company. All rights reserved. No part of this work may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying and recording, or by any information storage or retrieval system, without permission in writing from the publisher.

Printed in the U.S.A.

Library of Congress Catalog Card Number: 77-75879

ISBN: 0-395-25512-0

Preface

Systems, processes, functions, and contingencies are the backbone of modern management theory and practice. Previous editions of this book were built around these concepts, and the new edition continues the orientation. Our objective is still to integrate the proven, traditional, functional approach to managing with current developments in the contingency approach, systems theory, and the behavioral sciences. This framework permits us to discuss managing in systems terms, with regard to the external environment that influences the nature of organizational inputs and outputs. The relationship between the planning and controlling functions is one example of the use of this kind of analysis in our book. Another example is the interrelationship of goal setting, planning, and organizational design.

We consider managing a facilitating activity that allocates and utilizes resources, influences human action, and plans change in order effectively to accomplish rationally conceived goals. Managing consists, therefore, not of simply one activity, but of several distinct, though interrelated processes—planning, organizing, staffing, influencing, and controlling. The systems approach helps the student to understand the intricate relationships among these five processes and thus to visualize managing as a dynamic, unified activity. In addition, the contingency approach highlights the importance that situational factors have in determining effective managerial performance.

Our point of view enables us to incorporate in this book current developments in managing and in the behavioral sciences. Attention is given to sociology and psychology as they bear upon managing human resources. Thus leadership, group dynamics, and motivation are all appropriate subjects to treat within the framework we have selected. Moreover, quantitative tools and techniques can be included. We discuss such quantitative subjects as operations research, PERT, rational decision making, and financial controls. The level of our treatment is introductory, however, requiring a minimum of mathematical preparation.

This edition of *Managing the Modern Organization* retains its emphasis on the five basic managerial functions. These functions represent the essential elements of managing; they are what managers do. By weaving

the functional approach into a systems framework and buttressing it with contingency analysis, we strive to make management pertinent to the student of the late 1970s and early 1980s. One overwhelming fact of our society is that it is dominated by professional managers in such organizations as business firms, universities, hospitals, government departments, and social agencies. Our book therefore portrays management as a critical discipline and underscores the professional nature of the management field.

Many important changes have been made in this third edition of *Managing the Modern Organization*. First, we have integrated the concepts of systems and contingencies more thoroughly with the text material. We use these ideas as common themes throughout the wide span of subject matter covered in the text. Second, we try to present our subject in a dynamic mode. Therefore, we write about *managing* to convey the idea of people actively engaged in the critical job of running an organization. In order to emphasize the last point, we have written a new Chapter 1 called "Managing" to set the stage for the discussion of functions that follows. Third, a comprehensive revision and updating of all the existing chapters in the book has been accomplished. Major improvements over the previous edition have been achieved by adding material on organization design, performance appraisal, MBO, planned change, individual and small-group behavior, motivation and leadership, executive development, and organizational effectiveness. Included in the revision are new introductory and concluding chapters, and new chapters in the "Organizing" and "Influencing" Parts. Fourth, chapters on decision making and communicating have been separated from the managerial functions Parts in order to highlight their particular roles as significant linking activities. Fifth, every effort has been made to depict managing as an integrated process involving a logical progression of functions and objectives. This point of view is expressed as a diagram, repeated at each Part introduction, which shows readers where they have been, where they are now, and where they are going.

These and other improvements have been made to ensure that this book is an effective teaching and learning instrument. Our objective is to give beginning business and administration students the foundation necessary for advanced work in management, and for courses like marketing, finance, accounting, and public administration, which sometimes rely on a management orientation.

Theory, concepts, and illustrative examples of practice are fine starting points for building an understanding of managing. But they do not reflect the everyday organizational world entirely. Organizations have ways of taking turns and jumps that cannot be foreseen through abstractions alone. Very likely the sharpest insights into the challenges managers face come from the analysis of case studies based on organizational experiences.

This edition has many new cases. At the end of each discussion of a process is a number of short cases that enable students to apply to real situations the concepts covered in each Part of the book. Concluding the

book is a number of comprehensive cases describing complex situations and showing the interaction of all the managerial functions.

The cases reveal the interdisciplinary nature of management. In them are many contributions from the behavioral sciences, as well as many of the theoretical concepts discussed in the book. Close analysis of the case studies will demonstrate both the relevance and the limitations of theory. It will also reaffirm the importance of the human factor in managing and reemphasize the need for managers to utilize human resources effectively.

Two problems of language that we faced when writing the first two editions continued to bother us as we prepared this one. Throughout the text we use the term *subordinate* to designate a person who is below a manager in an organization's hierarchy. We make no qualitative judgment by our use of this word and certainly are not disparaging nonmanagerial people. The term should be understood to denote position, not worth. The other problem results from the lack of a pronoun in English that unambiguously refers to men and women together, making awkward "his or her" and "he or she" locutions unnecessary. Current authoritative publications, including those issued by the federal government, use the masculine pronoun even when a reference is to men and women. Nonetheless, we have for the most part attempted to avoid such language wherever possible.

A book of readings and a study guide are available for use with this third edition of *Managing the Modern Organization*. Patrick E. Connor has compiled and introduced a collection of articles drawn from current literature on management. The anthology *Dimensions in Modern Management* (2d edition) is coordinated chapter by chapter with this textbook. Douglas B. Simpson of California State University, Fresno, has prepared the Study Guide, which summarizes the key points of each chapter of *Managing the Modern Organization*, provides objective questions for review, and suggests discussion questions for individual and class use. The aim of the Study Guide is to maximize students' comprehension of and involvement in the subject of the textbook. *Dimensions in Modern Management* and the Study Guide, used in conjunction with *Managing the Modern Organization*, comprise a set of complementary materials designed to enhance the teaching and learning effectiveness of our book.

For instructors, Professor Simpson has also prepared an excellent instructor's manual which should be gratefully received by busy instructors and those new to the teaching of management. Professor Simpson has worked closely with us to provide a helpful and informative manual.

Our revision of the text has benefited from suggestions made by many individuals. Detailed analyses and reviews of the manuscript were prepared by Gabor Abou El Enein (Mankata State University, Minnesota), LaRue Hubbard (Glendale Community College, Arizona), and Michael J. Jedel (Georgia State University). Some users of the second edition kindly took the time to suggest ways to improve the third edition. They are George S. Abshier (Indiana State University), P. H. Anderson (University of Minnesota), Phil Anderson (Bowling Green University, Ohio), John C. Athanassiades

(Georgia State University), Richard E. Baldwin (Cedarville College, Ohio), Hrach Bedrosian (New York University), Bruce C. Brunfield (Jackson State University, Mississippi), M. F. Cairol (The College of Insurance, New York), Howard M. Carlisle (Utah State University), G. N. Clawson (California State College, Dominguez Hills), Charles C. Dean (Dublin, Virginia), John Deeney (Delaware State College), Charles Drake (Piedmont Technical College, South Carolina), Leo A. Giles (Community College of Denver), Sister Paulette Gladis (Avila College, Missouri), Allen K. Gulezian (Central Washington State College), F. James Hahn (Western State College, Connecticut), Raymond Hilgert (Washington University, Missouri), William J. Jedlicks (William Rainey Harper Company, Palatine, Illinois), William J. Kearney (University of Cincinnati), Alan MacDonald (Park College, Missouri), Jack McDonnell (California State College, San Bernardino), J. B. Orris (Butler University, Indiana), Margaret A. Paraniham (Loyola University, Louisiana), H. Dean Ryder (Gloucester County College, New Jersey), John E. Seitz (Oakton Community College, Illinois), Donald R. Shaul (California State University, Fullerton), Harvey Shore (University of Connecticut), C. J. Walters (Menlo College, California), Fred Ware, Jr. (Valdosta State College, Georgia), and Warren C. Weber (California State Polytechnic University). The ideas and comments of all these people helped us to prepare this book.

Finally, all of us wish to acknowledge the contributions made by others to the writing of this book, especially the assistance we received from our editors at Houghton Mifflin. In addition to the considerable tolerance shown by his family, and the invaluable assistance of Elizabeth M. Smith, Patrick Connor appreciates the contribution given to his peace of mind by a Portland FM radio station.

T. H.
W. G. S.
P. E. C.

Contents

Preface xxi

Chapter 1 Managing 1

Where it happens 1

Who makes it happen 2

Focusing on managing 2

Systems theory

Contingency approach

Human values

What managing is about 8

What happens: The process of management 9

Managers' skills

Management functions 11

Planning

Organizing

Staffing

Influencing

Controlling

Fundamental linking processes 13

Decision making

Communicating

Basic managerial purpose 14

Organizational effectiveness

Interrelationships of functions, processes, and purposes

Summary 15

Discussion questions 15

Supplementary readings 16

Part I The managerial perspective 17

Chapter 2 Landmarks in management history 20

Management in preindustrial times 20

The Industrial Revolution 23

The scientific management movement 24

The start of scientific management and the ASME

Frederick W. Taylor

The mental revolution of scientific management

The classical period 28

The management process

The human relations movement

Organization theory

Transition 32

Summary 33

Discussion questions 34

Supplementary readings 34

Chapter 3 Modern management: Systems, science, and emerging issues 35

Management principles, systems, and contingencies 35

The systems approach

The contingency approach

Technological change 38

Work force changes

Complex organizations

Organizational interdependence

Science and management 41

The behavioral sciences

Science and quantitative methods

Science and communication

Emerging issues in management 45

Energy

Capital generation

The physical environment

Summary 48

Discussion questions 48

Supplementary readings 48

Part II Planning 49

Chapter 4 Objectives, policies, and contingencies 51

A model for examining objectives 52

Research on business objectives

Grand strategy

Strategy	
Balancing objectives	
Changing objectives	
Policies	60
Characteristics	
Origin	
Communication	
Periodic policy review	
Procedures	64
Methods and rules	66
Summary	66
Discussion questions	67
Supplementary readings	67

Chapter 5 The nature of planning 68

Planning as an intellectual process and a primary function	69
Relationship to the other managerial functions	
Control and feedback	
The manager plans	70
Time span	
Planning participation	
Characteristics of planning	71
The planning period	
Commitments	
The trend toward long-range planning	
Integration of short- and long-range plans	
The good plan	
Dissemination	
Summary	75
Discussion questions	75
Supplementary readings	76

Chapter 6 Information for planning: Forecasting 77

The place of forecasting in modern organizations	77
Economic variables and control	
Organization for forecasting	
Forecasts as planning premises	
External planning premises and forecasts	81
The general business climate	
Industry climate	
Availability of information	
Techniques	
Internal planning premises and forecasts	88
The sales forecast	
Other internal planning premises	
Forecasts in general	93
Shortcomings	

Length of the forecast period	
Expense	
Summary	94
Discussion questions	95
Supplementary readings	95

Chapter 7 Planning: The action phase	96
Strategy and long-range planning	97
A systems concept	
Strategy compared with tactics	
New long-range planning processes	
The role of the planning staff	
Short-range planning	101
Revenue and expense forecast	
Cash forecast	
Pro forma statements	
Budgets	
PERT	
Limitations of planning	110
Internal limitations	
External limitations	
Summary	114
Discussion questions	114
Supplementary readings	115

Cases for Part II 117

Case II/1 The Mohawk Shoe Company	118
Case II/2 The Central Lumber Company	119
Case II/3 The good citizen	120
Case II/4 The Optico Company	121
Case II/5 The closing of Middletown	123
Case II/6 The Elbert Manufacturing Company	125

Part III Organizing 127

Chapter 8 Introduction to organizing: Two underlying concepts	130
An ageless concept: Span of management	131
Span and organizational levels	

Determining the proper span

Span: How large?

The trade-off problem

A second concept: Authority 139

The source and nature of authority

Formal-authority theory

Acceptance theory

The organizational character of authority 144

Bases of authority

Types of authority

Interaction of the sources of authority

Summary 149

Discussion questions 150

Supplementary readings 150

Chapter 9 Structuring the organization: Departmentalization 152

Evolution of the division of labor 152

Specialization and efficiency

Steps in the division of labor

Departmentalization 154

Departmentalizing by function

Departmentalizing by product

Departmentalizing by territory

Departmentalizing by customer

Departmentalizing by process and equipment

Departmentalizing by time

A composite organizational structure 164

Summary 164

Discussion questions 166

Supplementary readings 166

Chapter 10 Structuring the organization: Managing through authority 167

Delegating authority 168

The scalar chain

Unity of command

The process of delegation

Decentralizing authority 176

Centralization

Decentralization

When to decentralize

How much to decentralize

Decentralization in the various functions

Recent trends

Summary 188

Discussion questions 188

Supplementary readings 188

Chapter 11 Structuring the organization: Line-staff relationships 189

Line and staff 189

Historical evolution of staff

Evolution of staff in organizations

Role and authority of staff

Functional authority

The relation of staff to line 197

Levels of staff participation in the organization

Staff growth patterns

Human problems of line-staff relations

Other specialized organizational functions 201

“Assistant-to”

Liaison

The traditional organizational structure 202

Summary 204

Discussion questions 205

Supplementary readings 205

Appendix A Preparing formal organization charts and manuals 206

Organization charts 206

Advantages

Limitations

Responsibility for charting

Types of charts

Additional charting considerations

Organization manuals 213

Content

Preparation and revision

Chapter 12 Managing the structure: Coordinating 217

The meaning of coordination 218

Definitions and interpretations

Coordination and cooperation

Self-coordination

Achieving coordination 220

The difficulties of coordinating

Contingencies in coordinating

Types of coordinating

The principles of Mary Parker Follett

Coordination and the five managerial functions

Liaison people

External coordination

Summary 229

Discussion questions 230

Supplementary readings 230

Appendix B Problems with traditional structures 231

Problems for people 231

Attitudes

Behavior

Problems for the organization 232

Rules

Delegation

Conclusion 236

References 237

Chapter 13 Committees 238

Types of committees 239

Function and level

Line and staff committees

Temporary or standing committees

Committees: Some assets 240

Combined opinion

Coordination and cooperation

Development of executives

Representation of interest groups

Committees: Some liabilities 242

High costs

Effectiveness limited to certain situations

Divided responsibility

Danger of weak compromise decisions

Strain on interpersonal relations

Effective operation of the committee 245

Clear definitions of function, scope, and degree of authority

Selection of appropriate members

Reasonable number of members

Thorough preparation for meetings

Committee procedures

The right chairperson

Group interaction

Follow-up of committee action

Evaluation of committee work

Summary 249

Discussion questions 251

Supplementary readings 251

Chapter 14 Designing organizations 252

Design characteristics 252

Differentiation

Formalization

Centralization

Situational management 254

Organizational goals 255

Design constraints 255

External environment

Organizational technology

People

A design example 258

Two situations

Two designs

A contemporary design: The matrix organization 261

The matrix idea

Purpose

An example

Conclusion

Summary 267

Discussion questions 267

Supplementary readings 267

Cases for Part III 269

Case III/1 The A. B. Electronics Company 270

Case III/2 The concerned boss 272

Case III/3 The frustrated engineer 274

Case III/4 The Fabric Outlet Stores 275

Case III/5 The manager's dilemma 276

Case III/6 The Good Samaritan Hospital 278

Part IV Staffing 281

Chapter 15 The staffing process 283

The scope of the human resource system 283

The general nature of staffing 285

A line function

Staffing policies

Sequence of steps in staffing

Special problems of staffing 289

The problem of measurement

The small number of staffers

Nonstandardized positions

Summary	290
Discussion questions	290
Supplementary readings	291

Chapter 16 Forecasting executive needs	292
External factors in the demand for executives	292
Work force issues	
Industry issues	
Legislative issues	
Economic issues	
Internal factors in the demand for executives	295
Determining the types of executive needed	297
Position descriptions	
Skills	
Determining the number of managers needed	300
Executive inventories	
Replacement tables	
Summary	302
Discussion questions	302
Supplementary readings	303

Chapter 17 Performance appraisal of managers	304
An appraisal system	305
The appraisal process	307
Who should appraise?	
Regularity of appraisal	
How far down?	
Review of the appraisal	
Implementing the appraisal program	
Difficulties in appraising	
The assessment center approach	312
The management by objectives approach	315
MBO as a system	
An appraisal of MBO	
Summary	319
Discussion questions	319
Supplementary readings	319

Chapter 18 Executive change and development	321
Executive obsolescence	322
Expanding managerial horizons	323
Executive development in the appraisal system	323
In-organization executive development programs	324
Planned progression systems	
Lateral transfers	
Special projects	

- Temporary assignments
- Assistant-to positions
- Coaching and counseling
- Out-organization executive development programs 328**
- College and university programs
- Special institutes
- Use of consultants
- Trends in executive development 330**
- Summary 330**
- Discussion questions 331**
- Supplementary readings 331**

- Chapter 19 Selecting and training new managers 332**
 - Recruitment and selection 333**
 - Public policy issues in recruitment
 - Initial screening
 - Interviewing, testing, and final selection
 - Training 336**
 - Assessing training needs
 - Training objectives
 - Principles of learning
 - Training programs 338**
 - Presupervisory work
 - Additional presupervisory training
 - Assignment to managerial positions
 - Additional training devices 341**
 - Committees
 - Junior boards
 - Training outside the firm
 - Evaluation of training programs 343**
 - Summary 344**
 - Discussion questions 344**
 - Supplementary readings 344**

- Chapter 20 Executive compensation 345**
 - Salary determinants 346**
 - Internal consistency and external competitiveness 347**
 - Internal evaluation of management positions
 - External compensation alignment
 - Other forms of direct financial compensation 349**
 - Incentive and bonus systems
 - Stock options
 - Profit sharing
 - Pension plans
 - Indirect financial compensation 355**
 - Compensation contingencies 356**
 - Communication