I. History of Management (Continued)

This section focuses on the shift from strict scientific management to recognizing social factors.

- **The Human Relations Movement:**
  - **The Hawthorne Studies:** These influential studies began as an attempt to measure the impact of light on productivity but discovered that social issues and management attention increased productivity more than physical conditions[111111111].
  - **Chester Barnard:** He introduced the concept of the **"Zone of Indifference,"** suggesting that workers will comply with orders if they are indifferent to them and the orders do not conflict with personal beliefs[2222].
  - **Mary Parker Follett:** She focused on **Conflict Resolution** and proposed **"Integration"** (where both parties reach an agreement) as a superior alternative to dominance or compromise[3333].
- **Contingency and System Management:**
  - **Systems School:** This theory views the firm as an **"Open System"** that interacts with its environment, taking in resources (**Inputs**) and transforming them into products (**Outputs**)[4444].
  - **Contingency School:** This school proposes that there are no universal rules; rather, the best management action **"depends"** on the unique situation and external factors[5555].

II. External and Internal Environments

Chapter 4 discusses how the environment shapes organizational structure and culture.

- The External Environment:

This includes all outside factors affecting the organization[6]:

  - **Economic Forces:** Such as inflation, exchange rates, and globalization[7777].
  - **Technological Forces:** Digital technologies and AI that automate value chains[8888].
  - **Sociocultural Forces:** Includes demographics, values, and workforce diversity[9999].
  - **Natural Disasters:** Extreme weather and human-induced environmental problems[10].
- Environment-Industry Fit:

Environments are classified by Uncertainty and Complexity[11]:

- o **Simple + Stable:** Low uncertainty (e.g., container manufacturers)[12].
  - o **Complex + Unstable:** High uncertainty (e.g., computer firms, airlines)[13].
- Organizational Structures:

Structures adapt to the environment:

- o **Mechanistic Structure:** Best for stable environments. Characterized by top-down hierarchy, centralization, and rigid rules[14].
- o **Organic Structure:** Best for unstable environments. Characterized by flexibility, decentralization, and horizontal communication[15].

Common Structural Types:

- o **Functional Structure:** Grouped by expertise (e.g., Marketing, Finance)[16].
- o **Divisional Structure:** Grouped by product or market[17].
- o **Geographic Structure:** Grouped by location[18].
- o **Matrix Structure:** Combines vertical and horizontal lines of authority (dual reporting)[19].
- o **Networked Team Structure:** Informal and flexible networks[20].
- o **Virtual Structure:** Uses technology to operate without physical boundaries (e.g., Uber, Airbnb)[21].
- The Internal Organization:

Includes dimensions like leadership, strategy, and culture. The McKinsey 7-S Model illustrates how seven internal elements (Structure, Strategy, Systems, etc.) are interconnected22.

- Corporate Culture:

Culture acts as the "glue" of the organization. The Competing Values Framework classifies cultures into four types23232323:

- o **Adhocracy Culture:** External focus and flexible (Dynamic, entrepreneurial)[24].
- o **Clan Culture:** Internal focus and flexible (Family-like, mentoring)[25].
- o **Hierarchy Culture:** Internal focus and stable (Structured, efficient)[26].
- o **Market Culture:** External focus and stable (Results-oriented, competitive)[27].

The Evolution of Management Thought

Management thought evolved by recognizing that **social factors are a source of power** in the workplace.

Early Management Theories

• **Scientific and Administrative Management:** Frederick Winslow Taylor introduced the **scientific method** to management, developing the four principles of scientific management and the notion of time study. Henry Gantt developed the **Gantt chart**, which allows for the process of control to occur. Henri Fayol's administrative theory was the first general statement on management theory, focusing on top executives and organizational commitment. Max Weber stressed the **rule of law** and formalized, legalistic operations, developing the idea of a modern bureaucracy where hiring and promotion should be based on **knowledge**, not birth circumstances.

The Human Relations Movement

The human relations movement added a significant social element to the study of work. It is primarily associated with Elton Mayo, who emphasized the role of **nonmonetary motivators and attitudes**.

• **The Hawthorne Studies:** These were the most influential, misunderstood, and criticized research experiments in social science. They began in 1924, though Mayo did not become involved until 1927.

    ◦ The first phase, the illumination study, was inconclusive.

    ◦ In the relay-assembly-test-room (second phase), production increased regardless of the variable manipulated. Mayo theorized that **social issues and the attention paid by supervisors** played a role in increasing production, though financial incentives were also a clear performance driver.

◦ The bank wiring room study (third phase) found that existing work groups decided to **restrict output** (6,000 to 6,600 connections a day) regardless of financial incentives, and workers who produced more were ostracized. These studies popularized the idea that **attitudes affect performance**.

• **Chester Barnard:** He contributed the concept of the **"zone of indifference,"** meaning workers will comply with orders if they are indifferent to them, provided they meet four criteria: the workers must have the ability to comply, understand the order, the order must align with organizational goals, and it must not violate personal beliefs.

• **Mary Parker Follett:** She found a way to use human relations tenets to solve problems associated with scientific management. Follett focused on how to reduce conflict, proposing three ways to resolve conflicts:

1. **Dominance:** One party dictates the terms.

2. **Compromise:** Neither side gets exactly what it wants.

3. **Integration:** Both parties state preferences and attempt to reach a satisfactory agreement (illustrated by the window example).

Modern Management

• **Systems School:** This school developed the concept that firms are an **open system** that interacts with the external environment to gain valued resources. This interaction constrains what managers can do, as their actions are often determined by outside factors (e.g., employment law, supply and demand).

• **Contingency School:** This school changed management thought by proposing that **there are no universal rules in management**; external and internal factors create unique situations, and the most appropriate response depends on the specific situation. Its key statement is "it depends".

• **Contemporary Management:** Since the 1970s, modern management has focused on the development of rigorous managerial **theories** that provide predictions and explanations. Currently, the idea of **evidence-based management** is proposed, which seeks to recommend managerial practices that have been scientifically tested.

Organizational Environments and Structures

To succeed, organizations must adapt to and fit with the forces in their **external environments**.

External Environment Forces

The external environment (or general environment) is an inclusive concept involving all outside factors that impact operations. These major macro forces include:

• **Sociocultural forces:** Affecting values, beliefs, attitudes, and generational trends (e.g., the large millennial workforce seeking engaging work and the rise of the #MeToo era pressuring organizations for transparency).

• **Technological forces:** Ubiquitous influences like digital technologies, Artificial Intelligence (AI), and blockchain, which increase competition, speed, and efficiency.

• **Economic forces:** Elements such as exchange rates, wages, inflation, recessions, and globalization.

• **Government and Political forces:** Policies, laws, and events (e.g., wars, health-care reform, trade policies) that increase uncertainty.

• **Natural disasters and human-induced problems:** Events like high-impact hurricanes, climate change, water crises, and large-scale involuntary migration.

Organizational Structure and Environmental Fit

Organizational structures are broadly categorized as either **mechanistic** or **organic**.