

Module
01

IEEKMA4116
Edition 1

Management: Introduction

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Introduction

Management is the key to a society's progress. Peter Drucker, a prominent figure and the author of the best-selling Management book, said that no country is underdeveloped. There are, however, countries with insufficient management. How can management have such an important role? Here are some illustrations. Unilever is a consumer goods company with headquarters in the Netherlands. It has 136,000 employees worldwide, operating in 100 countries around the world. Their sales in 2009 reached a total of 39 billion pounds. Unilever has 400 brands under its name.¹ Another example would be Coca-Cola, a multinational company that sells beverages in more than 200 countries around the world. The company has 146,200 employees worldwide.² Coca-Cola offers more than 3,500 types of beverages, from soda, juice, water, healthy drinks, and others. Coca-Cola provides 1.7 billion services every day and has 275 bottling partners worldwide.³ These multinational corporations are facing extremely different environments from one country to another, or one region to another. These environments include: different cultures, different languages, different governments, different currencies, and other different things. How could one possibly manage such a big company?

Another example is the manufacturing of the Boeing 747 aircraft. The aircraft is designed for it to be able to fly at a speed of 800 km per hour, in extremely cold air that could kill humans, with an altitude of 10.4 km above the earth's surface. The aircraft was purposefully designed for the passengers to be able to breathe and survive on the plane. To produce the plane, it takes 6 million spare parts, 274 km of cable, 5 km of tubing, and 66,150 kg of aluminum. The height of the plane's tail reaches 19.4 meters (equivalent to a six-story building). The weight of the wing reaches 43,090 kg. The Boeing 747 aircraft is one of the pinnacles of human engineering. How can you manage a company spread across 100 countries across the world? How can you manage 6 million spare parts in an aircraft production? Management is the key to carrying out these activities to ensure they run smoothly. Thus, learning and mastering Management becomes significantly important.

1 <https://www.unilever.com/about>, retrieved on August 7, 2020.

2 <https://www.coca-colacompany.com/>, retrieved on August 7, 2020.

3 <https://sciencebasedlife.wordpress.com/2011/07/25/extreme-engineering-the-boeing-747>, retrieved on August 8, 2020.

Furthermore, one research institute stated that good managers have to have certain characteristics, such as being responsible, persistent, and diligent, and are able to motivate and build good relationships, as well as make decisions. Unfortunately, only one person out of every ten has all of these characteristics.⁴ One person in ten has the potential in becoming a good manager. A good manager, when combined with other factors such as employee engagement, might generate a profit increase of up to 48% higher than the average manager. If the number of managers increases, employee involvement is doubled as well, then the company's profit (Earning per share) is able to increase by 147% more compared to companies whose managers are of average abilities. The results of these studies have increasingly shown the importance of studying Management.

This module provides an introduction to Management and the development of Management Science. There are two learning activities in this module. Learning Activity 1 discusses an introduction to Management. Learning Activity 1 discusses the definition of a manager, their duties, and other related issues. Learning Activity 2 discusses the development of management theory and management science. Studying management science is important as it possesses plenty of advantages. The development of the world, technology, and civilization today is closely related to the development of science.

This module discusses the basic concepts of management and the development of management theory. It might be a great starting place for studying this Topic Book. This module consists of two Learning Activities. Learning Activity 1 discusses the meaning of management, and concepts related to it. Learning Activity 2 discusses the development of management theory and ideas. Overall, after studying this module, you are expected to be able to explain the following.

1. Definition of Management, Manager, and Organization.
2. Management Process.
3. Manager Roles.
4. Management Skills.
5. Management Challenges.
6. Classic Management Theory.
7. Human Relation Approach in Management.
8. Behavioral Approach.
9. Quantitative Approach.
10. Contemporary Management Theory.

⁴ <https://hbr.org/2014/03/why-good-managers-are-so-rare>, retrieved on August 17, 2020.

Learning
Activity

1

Basic Concepts of Management

A. ORGANIZATION AND MANAGER

1. Organization Definition

When discussing managers, we have to discuss organizations as well. A manager's work cannot be separated from the organization. What is meant by an organization? An organization can be defined as a group of people who work and coordinate together to achieve certain goals. For example, you are forming a committee to commemorate the Independence Day of the Republic of Indonesia. You gather your friends. Then, you share the task with your friends. You are in charge of coordinating, while your friend is in charge of fundraising, and some are in charge of compiling the list of events, other is in charge of contacting speakers and performers, and so on. The goal is clear, which is to organize an event to commemorate the independence day of the Republic of Indonesia.

Organizations are everywhere. Some organizations are created for business (to gain profit) such as companies. While some organizations are created to encourage social activities, such as financial gathering associations, and household and neighborhood management. There's also an organization that aims to coordinate countries in the world, it is none other than the United Nations (UN). Organizations are established to achieve certain goals, both for-profit purposes, and non-profit purposes.

What does coordination mean? When two people work together, they certainly require coordination. For example, in social activities, you usually do what is called a division of labor. Your friends do the stage decorations while you pick up the guest artist. What does being structured mean? Military organizations are examples of organizations that have a strict structure. In contrast, household or neighborhood activities are examples of organizations that have a lenient structure. Military organizations have clear job descriptions, clear superiors, as well as clear and binding rules. On the other hand, with household and neighborhood management, even though they have leaders as well, the structure isn't as strict, and the regulations are not as binding compared to military organizations.

What is meant by a goal? The goals of an organization may vary from one another. Companies are created with the purpose of obtaining profits through certain activities or providing certain services. Universities were built with the purpose of

expanding and developing knowledge. The military was established with the purpose of national defense. An organization's objectives will determine the characteristics of the organization itself.

Example of Organization

Which one of the two is an organization, and which one is not?

- a. To improve the welfare of an agency's retirees, the X Agency Retirement Cooperative was formed. The management was then formed, and the work began. The goal was set, which is to obtain profits that can be distributed to cooperative members. The job began with a total of 50 cooperative members. The cooperative began to show results in the first year of its formation. The average profit distributed to members reaches IDR 500,000 per person.
- b. A group of people staged a demonstration in front of the district office. At first, they intended to voice their aspirations, demanding an increase in wages. At first, the group of people started in an organized manner. They have a group leader, planned their activities, and planned to go home at 13.00 after the speech is read. But when they arrived in front of the sub-district office, the crowd of people turned into chaos. Some tried to damage the office, some clashed with security officers, and the whereabouts of the group leader was unknown. Their goal becomes unclear. They no longer have coordination between members of the group.

Kelompok dikatakan sebuah organisasi
jika ada koordinasi di dalamnya

Answer:

The organization is Example 1 as they are people who coordinate together to achieve a certain goal. Whereas Example 2 is not an organization, as they are indeed a group of people, however, this group of people does not have any coordination nor a clear goal to achieve.

2. Organizational Benefits

Organization comes with many benefits, especially since the achievement of goals will be more effective and more efficient with the use of the organization. The cooperation of people in an organization is what makes it possible.

In specific, organizations can provide benefits as follow.

Keuntungan yang didapat dari organisasi:

- a. **Organization as a service to society**

We have seen how plenty of organizations help in improving life. Police help in creating a safer life. Educational and religious organizations help in building a more peaceful and smarter society. Even companies established for profit provide services that are useful for society. Transport companies help in providing smoother travel, and food companies help in providing daily necessities.

b. ***Organization achieves goals***

We have discussed a lot of things in the previous section on how an organization can help individuals in achieving goals more effectively compared to working alone.

c. ***Organization provides careers***

In an established organization, the organization can help in fulfilling its member's needs. Those in need of money can work for the organization and get paid. Those who want to develop their careers further, and at the same time fulfill the need for achievement and recognition, will work their way up in an organization to become the main director. Some college students will even be ready to pursue a career in certain organizations as soon as they graduate.

d. ***Organizations maintain knowledge***

Organizations such as universities, museums, and even companies help in maintaining and sustaining existing knowledge. The ability to maintain knowledge is very important for human life, and this ability is what distinguishes humans from animals. Animals do not have the ability to keep the knowledge they have acquired. As a result, there is no accumulation of knowledge for animals, instead, humans have an accumulation that can be traced to the ancient Greeks who were famous for their philosophers such as Plato, and Aristotle. Accumulation allows for more advanced civilizations and faster civilization development. If you are solving a certain math problem, but you don't have much clue about math, you don't need to solve the problem yourself. Perhaps you won't even be able to find the solution after a year. You can read math books or ask math professors to quickly get an answer. Thus, you can cut down your study time.

3. Management

What is meant by the term Management? Management can be defined through a lot of ways. Below are some definitions of Management.

- a. Management is a process in which a group of people work together in directing others to work towards the same goal (Massie dan Douglas, 1992).
- b. Management is a process of working with and through others to effectively achieve organizational goals and efficiently use limited resources in a dynamic environment. (Kreitner, 2008).
- c. Management is the coordination of all resources through the process of planning, organizing, directing, and controlling, in order to achieve certain specified goals (Sisk, 1973).
- d. Management is the creation of an effective environment for people to work in formal organizations (Koontz, Harold, Cyril O'Donnell, dan Weirich, 1980).
- e. Management includes activities carried out by one or more people in coordinating activities conducted by other people to achieve goals that cannot be achieved by one person alone (Donnelly, Gibson, dan Ivancevich, 1984).

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- f. Management is the process of planning, organizing, directing, controlling, as well as the activities of the organization's members and other activities that use all organizational resources to achieve organizational goals that have been previously determined (Stoner, Freeman, dan Gilbert, 1995).
- g. Management is planning, organizing, directing, and controlling human resources as well as other resources to achieve organizational goals effectively and efficiently (Jones dan George, 2014).
- h. The art of getting things done through the others (Mary Parker Follet, 1918).

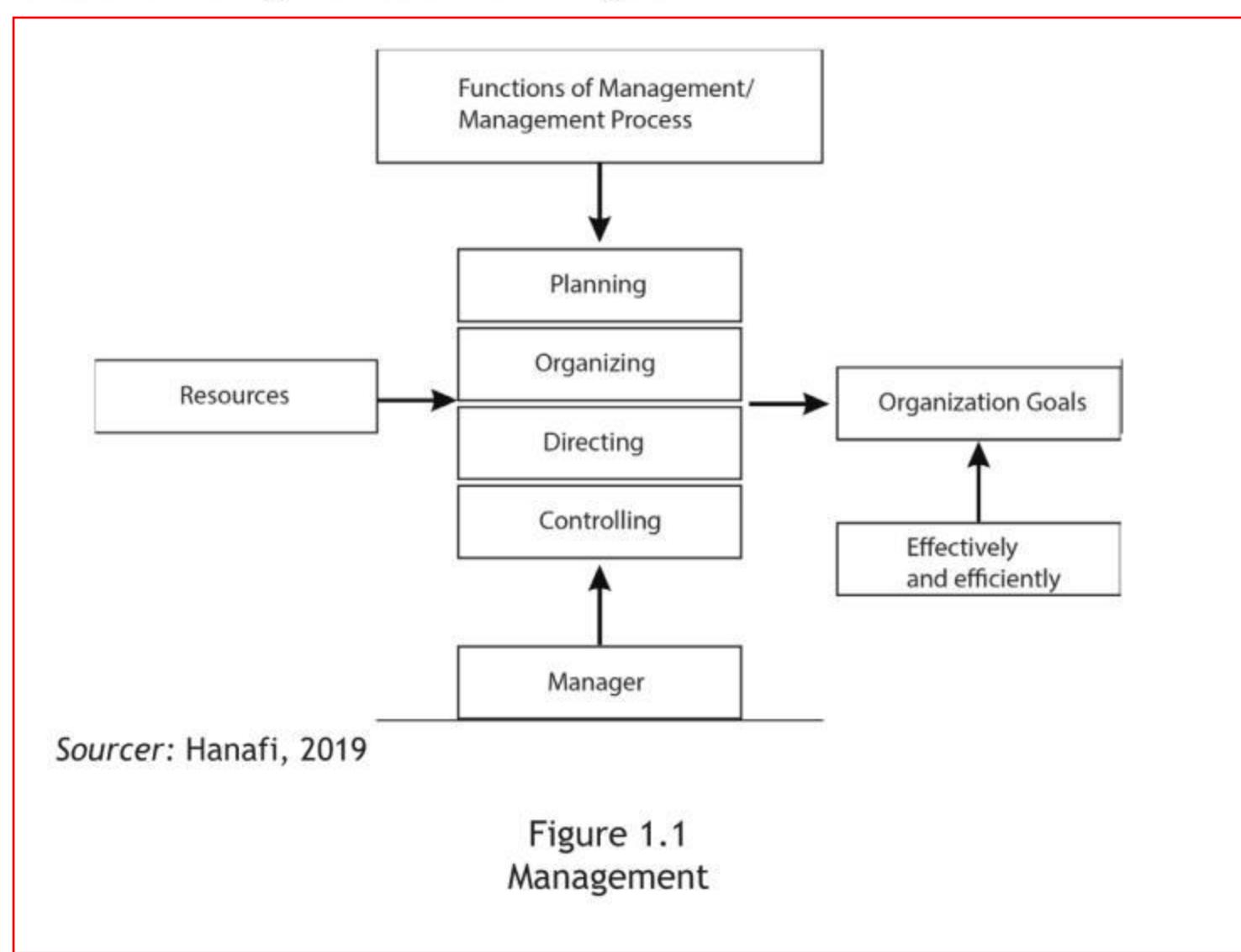
The definition of management above includes several keywords as follows.

- a. Processes in the form of planned activities.
- b. The activities of planning, organizing, directing, and controlling, which are often referred to as management functions.
- c. Coordination of activities.
- d. Organizational goals meant to be achieved through said activities.
- e. Organizational resources used to achieve said goals.
- f. The achievement of goals in an effective and efficient way.

From the definitions mentioned above, this module defines management as follows.

"Management is the process of planning, organizing, directing, and controlling activities to achieve organizational goals effectively and efficiently, with the use of organizational resources".

The following Figure 1.1 illustrates the definition and description of management, with association to organizations and managers.



The figure above shows that management activities, or management processes, are often referred to as management functions as well, including activities of planning, organizing, directing, and controlling that use certain resources to achieve certain organizational goals, efficiently and effectively. Who are the ones doing these activities? The managers are the one who performs the activity. Thus, a manager can be defined as a person who carries out management activities or management process activities. The activities of planning, organizing, directing, and controlling are referred to as the management process, which will be discussed in the next section. What type of resources or inputs are used by managers? These inputs are obtained from the environment and can be classified into human resources, physical, financial, and informational inputs. Some examples of the inputs generally used by organizations can be seen in Table 1.1.

Table 1.1
Input Examples

Input				
Organization	Human Resource (s)	Financial	Physical	Informational
University	Staffs	Assistance, Donation, Tuition Fees	Papers, Cars	Research Data
Company	Employees	Profit, capital fund	Materials Machine	Selling forecast, Rivalry information

Management intends for goals to be achieved effectively and efficiently. Two words that have become increasingly important today. In other words, the performance of managers is measured by the effectiveness and efficiency in achieving organizational goals, and not by merely achieving the organizational goals. These two words were popularized by Peter Drucker, a best-selling Management author. According to Drucker (2007), efficiency means doing things right, while being effective is doing the right things. We will discuss these two meanings even further.

Efficiency is the ability to use resources properly without wasting any unnecessary resources. In everyday life, we often hear news regarding companies that intend to increase efficiency by cutting unnecessary costs. Retrenchments are instigated at all levels of the company. Perhaps the meaning itself isn't entirely clear. Efficiency will be more understandable if it is associated with the concept of output-input ratio. Output is the result of an organization, whereas input is the resource used to produce that output. An efficient organization will try to maximize its output/input ratio. On the other hand, if the output/input ratio is lower, the company will become increasingly inefficient.

Effectiveness is doing the right thing. A company might be efficient, but not effective. For example, a United States car company in the 1970s produced large-sized cars. They might be able to work efficiently, but not effectively as there was more increase in demand for small and energy-saving cars than for big cars. The company's production of big cars also did not match the company's goal, which is to make a profit. Effectiveness has a lot to do with goal achievement and the extent the organization is willing to take to achieve said goals. The closer an organization is to its goals, the more effective it will be. Effectiveness will greatly determine the continuity of the organization. Companies must first be effective before trying to achieve efficiency (doing things right).

The following Table 1.2 describe the combination of efficiency and effectiveness.

Table 1.2
Combination of Efficiency and Effectiveness

	Ineffective	Effective
Inefficient	Didn't reach the goal Wasting resources	Reach the goal Wasting resources
Efficient	Didn't reach the goal Didn't waste resources	Reach the goal Didn't waste resources

Source: Hanafi, 2019

The table shows that the concepts of effective and efficient are interrelated. The upper left quadrant is the most severe as the managers cannot achieve goals and only manage to expend their organizational resources. Whereas, the best quadrant is the lower right one, as the managers are able to achieve goals and use their resources efficiently. The lower left and upper right quadrants are in-between. The upper right quadrant perhaps isn't the most frequently encountered type. The company might be able to achieve its goals but in a less efficient way.

Effectiveness and Efficiency Examples

- I have inherited a hand-typewriter machine manufacturing factory. Compared to its competitors, this factory is quite efficient. It can produce 100 typewriters in a year. Production costs are also relatively low. Currently, the sales of hand typewriters are starting to decrease. The supplies of hand typewriters machines began to pile up in the warehouse.
- I own a custom-assembled computer factory. The computers are assembled from various materials from several different suppliers. Compared to its competitors, my factory is too wasteful due to the lack of experienced workers and work

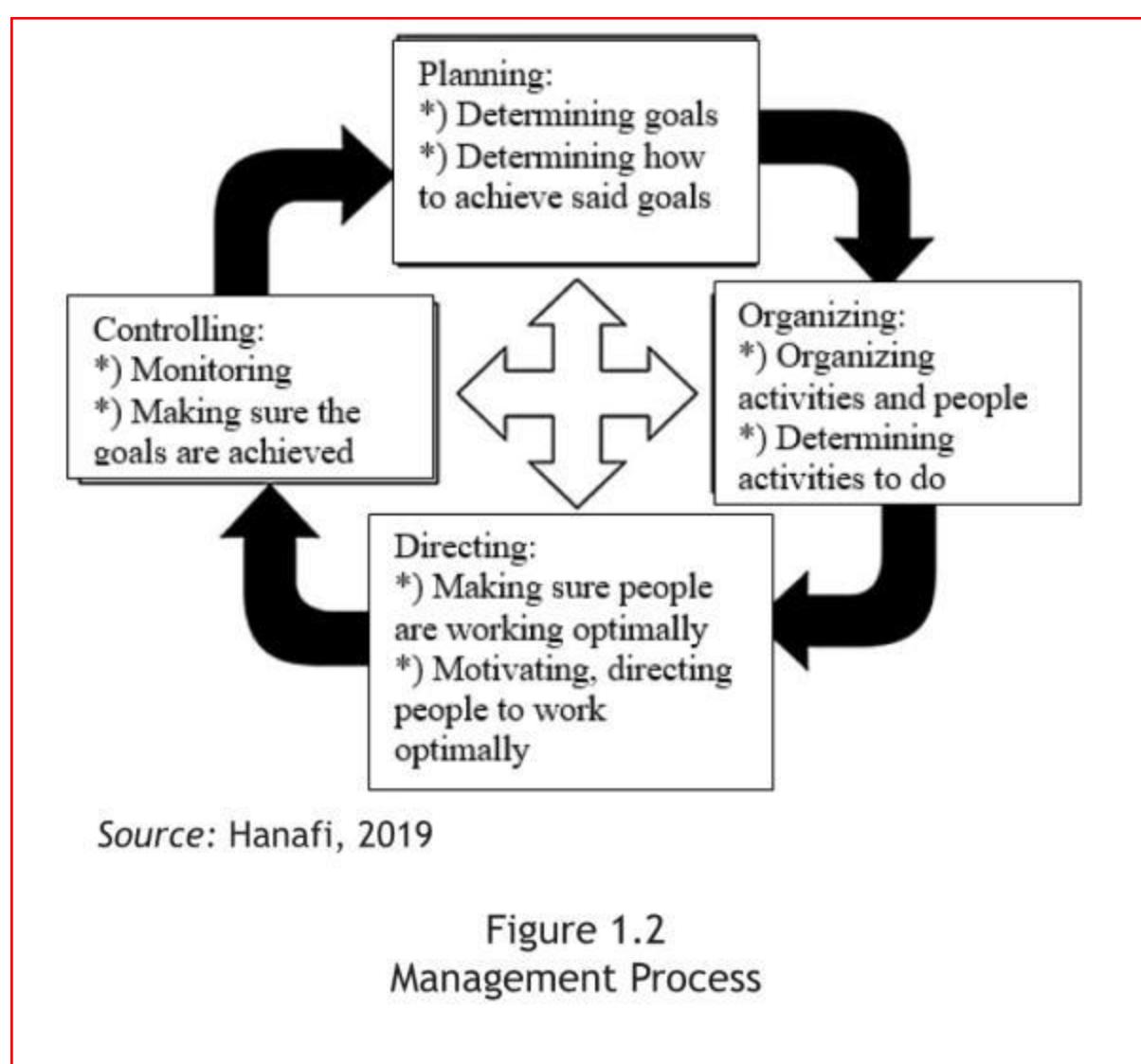
processes that are yet to establish. Such conditions affect the price of my computer to be slightly higher, while the profit lower than the competitors'. However, the computers my company produces are in demand, as the demand for computers, in general, is still quite high.

Example 1 is an example of an efficient but ineffective company. The company sells products that are no longer demanded by society. The company could not properly achieve its goals.

Example 2 is an example of an effective but inefficient company. The company sells products that are demanded by the community. However, their production process is less efficient.

B. MANAGEMENT PROCESSES

The process of management includes planning, organizing, directing, and controlling activities. The word process is added to describe the activities carried out systematically. These activities are carried out by managers at all levels. The frameworks of the four activities can be seen in Figure 1.2 below. The dark arrows show the theoretical sequence of activities, starting with planning, and ending with controlling, which then cycles back to planning. The light arrows indicate a more realistic sequence, which occurs in management practice.



This module uses four management process framework. However, readers might come across other books that use three frameworks:

1. planning,
2. implementation, dan
3. controlling.

While others use five frameworks:

1. planning,
2. organizing,
3. staffing,
4. leading, dan
5. controlling.

Notice how the Implementation on the first model is broken down into:
Implementation → organizing and directing

Whilst Organizing and Staffing in the second model are being combined into Directing.

Staffing and Leading → Directing

In brief, there are many variations of management functions. Starting from the simple one, the three functions, to a more complex one, the five functions. The following sections will further explain each of these management functions.

1. Planning

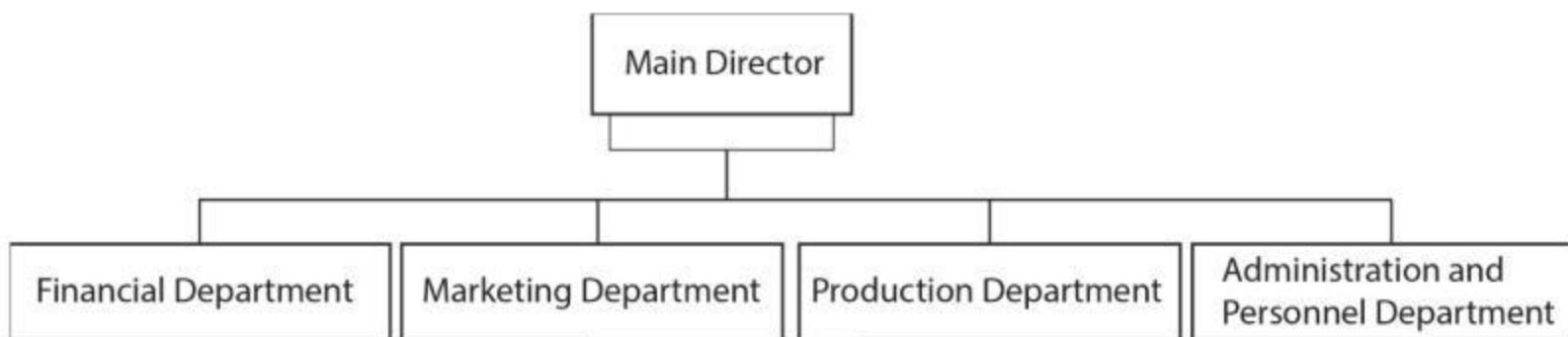
Planning is defined as the activity of setting organizational goals and choosing the best way to achieve said goals. Decision-making means determining or choosing alternatives to achieve goals from several existing alternatives, and it is a part of planning as well. Planning is required in directing organizational activities. First, a plan is set for the organization as a whole. Then, a more detailed plan for each section or division is determined. This way, the organization has an overall consistent plan.

Some of the benefits of planning are (1) directing organizational activities including the use of resources and their utilization to achieve organizational goals, (2) strengthening the consistency of organizational members' activities to ensure that they adhere to organizational goals, and (3) monitoring organizational progress. If in the execution the organization deviates from the goals that have been set, improvements can be made. The third benefit is closely related to the activity of control. Control requires planning, and planning benefits control.

2. Organizing and Staffing

The next step is organizing. We may interpret organizing as the activity of coordinating resources, tasks, and authority among organizational members to ensure that organizational goals can be achieved efficiently and effectively. For example, most company activities are organized around key corporate functions such as marketing, finance, production, administration, and personnel.

Each function is grouped into its own department or section. Each section is led by a manager who's responsible to the main director. Such organization can be described in Figure 1.3 below.

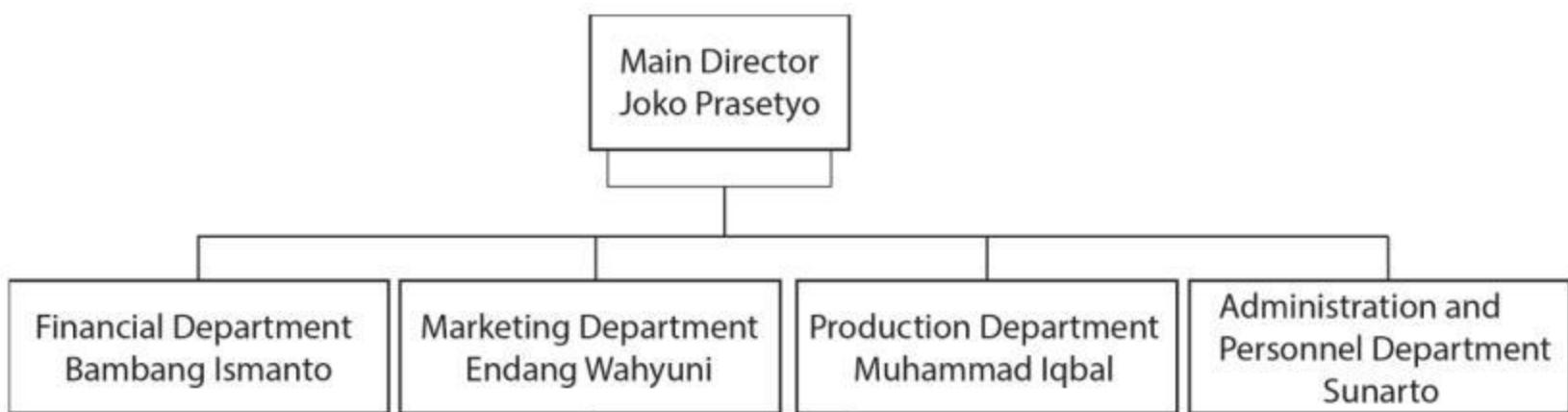


Source: Arranged by the Author

Figure 1.3
Organizational Structure

Such structure may not be appropriate if it is implemented in a university organization, even though the university produces goods (graduates or research). It would be more appropriate to classify the functions into faculties, each led by a Dean. The Dean will be responsible to the Chancellor while the teaching staff will be responsible to the Dean, although the nature of this responsibility is much more lenient than that of Production Department employees to the Production Manager. This relatively lenient structure is inappropriate when applied to military organizations. The military has a tighter structure, clear powers, clear rules, and consequences. The structure of an organization is arranged according to the goals and resources of the organization. Aligning the organization's structure with its goals and resources is referred to as organizational design activities.

After the organizational structure is determined, the individuals who will fill positions in the organization are then chosen. The organizational structure above will be more complete with the names of the authorities in the relevant department, as shown in Figure 1.4.



Source: Arranged by the Author

Figure 1.4
Organizational Structure with Names

3. Leading

After the organizational structure is established and the individuals are chosen, the next step is to design the way these people work to achieve the organizational goals. Managers need to “direct” these individuals. More specifically, directing in this context includes activities of giving directions, influencing others, and motivating the person to work. Directing is usually regarded as the most challenging yet most important management activity because it deals directly with people.

Arranging people to work for organizational goals is not an easy task. Managers need to be able to create an atmosphere that can encourage people to work. The method used may vary greatly from one organization to another. Microsoft, a software maker in the United States, creates a very casual working environment. Employees that consist of programmers do not have specific working hours. They are allowed to check in and out at any time and usually check out of the office at night. They are not required to wear a uniform, they may come in a T-shirt or jeans. A pool table is provided in the workplace with soft drinks. Principally, as long as they are able to complete their work and produce good software, there will be no problem with work regulations. Such atmosphere is perhaps similar to universities' atmosphere, where teaching staff is allowed to come at any time. But such a lenient atmosphere will not work if it is implemented in a military organization that requires high discipline. It may also not work if applied in a manufacturing company that produces standardized goods where creativity isn't required as they require good work discipline.

4. Controlling

The final element of the management process is control. Control aims to see whether the organization's activities are in accordance with the plan. Managers should always monitor the progress of the organization. The function of control includes four activities:

- determining performance standards,
- measuring the achievements that have been achieved so far,

- c. comparing the achievements that have been achieved with the standard of achievements, and
- d. making improvements if the organization deviates from predetermined performance standards, then returning to the planning function for the next period.

5. Management Process in Implementation

The previous description of the management process shows the theoretical sequence of the management process. All managers have to perform the four functions discussed (planning, organizing, leading, and controlling). However, in its implementation, such description isn't always visible. Oftentimes, we see managers running around without having the time to think and plan things calmly. Manager in its implementation seems to be reactive in dealing with an event. They are much more action-oriented. The model of the management process described above seems to be incompatible with the implementation of management.

However, if you manage to carefully notice, the said managers still performed the four management functions we discussed earlier. The managers did the function of planning, though, at times, the plans might be set in a very period. When a manager yells at his subordinates to finish work quickly, he is performing the function of directing. However, the sequence (shown by thick lines in the Management Process figure) used in the implementation may not be entirely correct. In the implementation, managers often jump back and forth in performing the four functions. For example, the manager plans and then directs (shown more accurately by the dotted lines in the figure). Therefore, in its implementation, the four functions of management are performed interactively and sometimes simultaneously.

C. TYPES OF MANAGEMENT

Managers can be classified by their level and field. Based on the level, managers are divided into: (1) lower-level managers (first line), (2) middle-level managers (middle), and (3) upper-level managers (top). Based on their fields, managers can generally be divided into two groups: (1) general manager (general), and (2) functional manager. Functional managers can be further divided by their field into: (1) marketing manager, (2) financial manager, (3) operational manager, (4) human resource manager (Personnel), and (5) other managers.

1. Based on Hierarchy

a. Top management

Top-level managers are responsible for the company as a whole. Usually, they consist of a small group of managers. Their job is to determine the company's goals, strategies, and policies in general, which then will be translated more specifically by the managers below them. They decide strategic decisions that will determine the survival of the organization, such as building new factories, making new products, and entering

international markets. The names for these positions may vary: President Director with other Directors, President Director, and Vice President Director. In the United States, the more popular term for the top-level manager is CEO (Chief Executive Officer).

b. Middle-level management

Middle-level managers consist of a larger group of managers compared to top managers. Their job is to carry out the goals, strategies, and policies that have been set by the top managers, as well as to coordinate and direct the activities of lower-level managers and operational employees. The position of middle-level managers is in-between top managers and lower-level managers. They become a bridge between top managers and lower-level ones. Names for these positions may vary: marketing manager, financial manager, and divisional manager.

c. Lower-level management or first line

Lower-level managers' job is to directly supervise the job of employees. They do not supervise other managers. Their job is to supervise and coordinate operational activities carried out by employees. This position is usually called a supervisor. Examples of such lower-level managers: the production supervisor, sales supervisor, and administrative supervisor.

2. Based on Function

a. General manager

A general manager is responsible for overseeing certain units that rule several fields at once. A divisional manager is an example of a general manager. The general manager is responsible for the division's marketing, finance, and operational activities. Managers of specific divisions, international branches, and regional branches are other examples of general managers.

b. Functional manager

Functional managers are responsible for one specific organizational activity. For example, a marketing manager oversees an organization's marketing activities. He is not responsible for the organization's financial activities, even though he coordinates with the financial manager and other managers. In contrast, the financial manager is responsible for the financial activities of the organization such as raising funds and allocating them.

Generally, functional managers involve the functional activities of the company. The well-known functional activities would be the activities of marketing, finance, human resources or personnel, and production. These managers are often found in a corporate organization. However, some companies have even more specific manager activities such as Public Relations. The manager who handles these activities is called the Public Relations Manager (or PR for short). Large companies often have large enough research and development activities that require manager supervision. The manager is

called the Research and Development Manager. Companies that view information as an important resource will assign an Information Systems Manager. The areas or activities that managers cover may vary from one company to another.

3. Management Levels and Skills

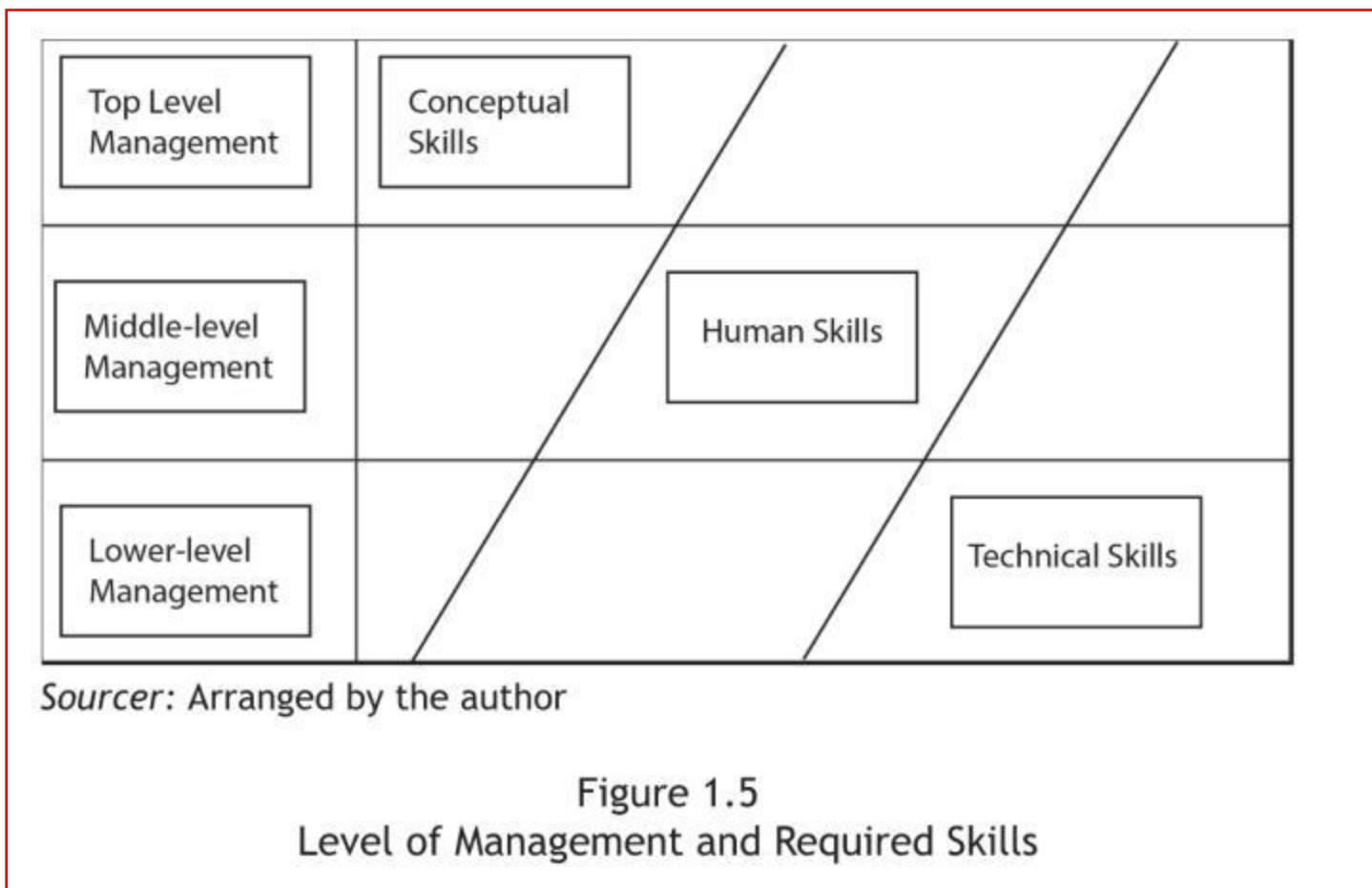
Although all managers carry out the management process (planning, organizing, directing, and controlling), the allocation of time for these managers differs from one another in carrying out their activities. Top managers will sit more in their offices formulating company strategy, meeting other people, and holding meetings. Meanwhile, operational managers (lower level) spend more in the field, meeting operational employees, and knowing more about operational activities than top managers. The activities of managers of large international companies are of course different from those of small companies. Although they perform the same activities, the skills required differ between each level of manager.

The top managers require more conceptual skills, while the middle managers require more human skills, and the operational managers with more technical skills. Nevertheless, every manager should have all three of the skills, though with a different emphasis.

What are conceptual, human, and technical skills? Robert L. Katz (1955), who identified these three skills, defines conceptual skills as the ability to coordinate and integrate organizational activities and interests. This kind of ability is more abstract. It is the ability to see the organization as a whole, and see the interdependence between parts of the organization, as well as the future of the organization and its environment, and how the environment affects the organization. Human skills are defined as the ability to understand other people, work with others, as well as encourage and motivate others both individually and in groups.

Whereas technical ability is the ability to understand and carry out operational activities. The production supervisor will know when the engine oil requires a replacement, and how to replace the damaged engines.

The following Figure 1.5 describes the relation between the levels of managers with their required skills.



The figure above shows that top managers require more conceptual skills, while operational managers require more technical skills. Nevertheless, every manager must have all three, although with different emphases.

4. Analytical and Conceptual Skills

Other than the previously discussed conceptual skills, managers need to have analytical skills as well. In analyzing problems, managers are expected to be able to break down large problems into smaller parts, then provide solutions to solve them. For example, the manager notices the productivity of a department is decreasing. Then he analyzes the cause and found several possibilities: low wages, unpleasant work atmosphere, and unpleasant supervisors. After conducting an investigation, the manager concluded that the department's supervisor was indeed not pleasant to work with. The manager takes action with replacing the supervisor. After that, the department's productivity finally increased.

The mentioned skills above are different from conceptual skills, where managers are expected to have an "overall picture" of the situation faced by their organization and are expected to be able to see the relationships between parts and the relationship between the organization and its environment.

D. MANAGERIAL ROLE

In the previous section we've seen that in the implementation, managers tend to carry out steps differently from the management process. The management process is more interactive when compared. Henry Mintzberg (1973) did a day-to-day observation of managers' behavior. From his observations, Mintzberg concluded that managers carry out certain roles. What is meant by role? The role is closely related to expectations. For example, someone who becomes a lecturer at a university will act as a lecturer. Society

expects certain behavior from a lecturer, for example, being able to teach or being able to research. When the person returns home, he will act as the head of the family at home. This role requires different behaviors, such as repairing the house or playing with his children.

Mintzberg (1973) concluded that all managers, from corporate to even gangster leaders, have similar activities. First, they gain their status from formal authority. The company manager is appointed by the Board of Commissioners and therefore obtains authority through this appointment. Gangster leaders are most possibly appointed by their members and thus leadership status is obtained through said appointment. From this appointment, managers are involved in interpersonal activities with employees, managers under them, fellow managers colleagues, and superiors. Then, they obtain information through these interactions with other people. Said information will then be used for decision-making. Table 1.3 below describes the managerial roles.

Table 1.3
Managerial Roles

Role	Specific Role (s)	Illustration
Interpersonal (human relations)	Figurehead	Becoming the organizational symbol, leading meetings, opening organizational events
	Leader	Setting an example to subordinates, motivating subordinates
	Liaison	Coordinating interdepartmental activities
Informational	Monitor	Monitoring and supervising internal organizational activities
	Disseminator	Disseminating information to members of the organization
	Spokesperson	Becoming a representative of the organization, giving speeches in social events
Decision-making	Entrepreneurship	Making decisions to drive the company's growth, such as making new products, and expanding the business
	Disturbance Handler	Troubleshooting problems, such as resolving labor strikes or disputes within the organization

Role	Specific Role (s)	Illustration
	Resources Allocator	Allocating resources within the organization, like determining budgets for departments, determining salaries and bonuses
	Negotiator	Negotiating with parties related to the organization, for example suppliers or distributors

1. Interpersonal Roles

Interpersonal roles cover as follows.

- a. **Figurehead.**
- b. **Leader.**
- c. **Liaison.**

a. *Figurehead*

The role of a figurehead is more of a manager's role as the symbol of the company's leader. This role is rather ceremonial. For example, the manager attends and officially opens (by cutting the ribbon) the opening of a new factory, welcomes organizational guests, and attends the wedding of his employees. The manager becomes the symbol and personification of the organization he leads. Sometimes managers are held responsible for events that happen to their organization, even though these events are beyond their control.

b. *Leader*

Managers are expected to be the leader of their subordinates. Managers are the ones carrying out employee recruitment, providing training, and motivating employees to work in order to achieve organizational goals. To a certain extent, the success or failure of subordinates is a reflection of the manager's ability as a leader.

c. *Liaison*

Managers also often play the role of liaison, both with those within and those outside of the organization. If some regulations are unfavorable to the organization, managers can approach the parties related to the regulations to minimize the effects of their unfavorability. Sometimes, the manager becomes the organization's liaison with its competitors. Because of this, alliances often occur between two companies that previously competed with each other.

2. **Informational Roles**

With the role of human relations, managers are able to acquire a lot of necessary information. The role of this information is a consequence of the interpersonal role's continuation. There are three kinds of information roles: (1) monitor, (2) disseminator, and (3) spokesperson.

a. *Monitor*

The role of the monitor stimulates managers to constantly and actively look for information that's useful for the organization. The manager may do this by asking his subordinates, keeping up with the news, reading management books, and seeking information on business opportunities through his networks. Due to the role of the monitor, managers become the most informed people in the organization.

b. *Disseminator*

Through the role of disseminator, managers distribute the information they acquired to other parties, especially their subordinates, so their subordinates are able to perform their duties properly. The information can be in the form of meeting results, forecasts results, managerial analysis, or even information obtained from parties outside the organization. If the role of monitor and disseminator is combined, it will appear that the position of the manager is quite important in the flow of information within and outside the organization.

c. *Spokesperson*

The role of the spokesperson puts the manager as the representative of the organization in conveying information to outsiders. Divisional managers need to convey information about their divisions to top management. While a manager of an organization represents the organization in hearings with members of the House of Representatives. In contrast to the role of the figurehead symbol, when the manager's role is only ceremonial, the spokesperson's role involves the manager conveying information to outsiders.

3. **Decision Roles**

Information is an important input in decision-making. Thus, the logical consequence of the informational roles is the role of decision-making. The decision-making role consists of three types: (1) entrepreneurship, (2) disturbance handler, (3) resource allocator, and (4) negotiator.

a. *Entrepreneurship*

Managers are always constantly trying to advance their organization. Through the role of entrepreneurship, managers make important decisions such as launching new products, merging with other parties, and other decisions. These decisions are the decisions that will determine the survival of the organization.

b. Disturbance handler

As it is not possible for the organization to always run as smoothly as desired, managers are expected to be able to resolve any disturbances that may arise in their organization. These disturbances include strikes, scarcity of raw materials, and others.

c. Resource allocator

Resources are always limited, while needs are unlimited. Managers should allocate these limited resources in a way that organizational goals can be achieved efficiently. Managers will usually determine their priorities by finding out which needs must be prioritized and see what can be done later.

d. Negotiator

With the role of a negotiator, the managers are able to negotiate with related parties. Managers negotiate with trade unions or other external parties such as suppliers. The manager also acts as a mediator during disputes between organizational employees that may possibly occur. Managers are parties that are expected to take the role of negotiator as they have more information regarding the organization than any other parties and have formal authority as a representative of the organization.

The roles of managers, as described by Mintzberg, provide another vision and complement the description of the management process discussed earlier. Mintzberg reminds us that the environment faced by managers is completely uncertain and always changing. An effective manager has neither the time nor the inclination to be a thinker. Effective managers are characterized by being action-oriented (which means they do more than they think). An effective manager must be able to play appropriate roles depending on the situation at hand. The ability to play the appropriate roles depending on the situation is an indicator of an effective manager.

E. MANAGEMENT CHALLENGES

The world is characterized by dynamic environmental changes. The changes in the environment will inevitably affect management. Just like the others, if management or managers do not adapt to these changes, then said managers will no longer be effective. The manager will “perish”. Managers must always adjust to their environment to succeed in surviving and growing. This learning activity will be closed with a review of several issues that might be a challenge for managers. These issues are (1) education and experience (professionalism), (2) the need for vision, (3) globalization, and (4) ethics and social responsibility.

1. Education and Experience (Professionalism)

Education is not the only requirement for ensuring the success of a manager. In fact, many managers are successful even though they have never had formal education. Of course, we may argue that without formal education, the managers might have been

able to study informally. But in the future, with the splendor of the professionalism era, formal education will become increasingly important. Formal education, besides offering degrees, also offers a more systematic method of learning. Universities usually offer management education, ranging from undergraduate majoring in Management, to a more professional management education such as Masters of Management (MM). Abroad, professional education programs are more commonly known as MBA (Master of Business Administration).

The educational process is not limited to undergraduate or master's programs only. Even after graduation, managers are expected to continue their learning. Universities also offer advanced education. Further professional program of Management for executives is offered to managers with several years of work experience. Companies also actively organize in-house training for their employees. Many of the company's managers are "hijacked" (moved) to other companies as some of the training is regarded as excellent. In the banking sector, Citibank is one example of such company.

There's a saying that says the experience cannot be replaced. To become a good manager, education alone is not enough. Some management techniques cannot be taught through formal education but can be learned through experience. Most successful managers have extensive experience. Long-term experience can help develop managerial skills, which can be more beneficial than simply reading management books. In order for managers to have sufficient experience, some companies recruit college graduates who have just started working in specific branches. What is the relationship between education and experience? It seems that a combination of the willingness to learn with experience can form good managerial skills.

Education is expected to from skills and a willingness to learn can be used for absorbing lessons from experience.

2. The Need for Vision

What is a vision, and why is it important for a manager? Vision is defined as the ability to see the future (long term); in terms of organizational goals and how to achieve those goals. Great leaders or managers generally have a clear vision in any case. Vision sparks the spirit of work and creation. A social organization's leader may have a mission to improve its members' intelligence, hence why the organization is always trying to improve the education system. Bill Gates, the founder of Microsoft (a software company in the United States), has a vision of making computers effortless for everyone to use, as easy as people setting up and watching television. With that vision, the products produced by Microsoft are purposefully designed to achieve the said vision. Windows, the operating system produced by Microsoft, was generated from Gates' specific vision. Windows has made computers a familiar term to most people because operating computers has become easier. Computer users don't need to type complicated commands like they did when using the DOS (Disk Operating System) operating system; they just need to "click" on the desired program.

3. Globalization

The term globalization is a word that has become very popular lately. Globalization, or the international dimension, has become increasingly important for multinational companies that operate in several countries, which are also increasing in number. With the loosening of restrictions between countries (APEC, NAFTA), trading between countries is thriving more than ever. Going international is a strategic choice for companies that want to continue to expand. Globalization has turned this world into one big community. Residents in one part of the world are now able to quickly learn about developments in the other corner of the world. In addition, the boundaries between countries have begun to diminish. For example, restrictions on foreign ownership or foreign investment have now been reduced. Foreign investors are now able to own 100% shares of public companies in Indonesia. Globalization creates challenges and opportunities. If we are not well prepared, foreign companies will be able to enter and dominate the Indonesian market. On the other hand, globalization also allows domestic companies to expand abroad and learn from foreign companies to strengthen their competitiveness.

What must be prepared to do business on an international scale? Managers must prepare to start simple; by improving international communication (which means being able to communicate in English as it is an international language), and understanding international regulations, up to understanding the cultures of other countries.

4. Ethics and Social Responsibility

Is ethics an important factor for the success of a manager? The answer to this question is still controversial. For example, the prohibition against US multinational corporations bribing foreign governments for the companies' own benefit raises concerns that it will decrease the competitiveness of US multinational corporations compared to multinational corporations in other countries which do not prohibit it. However, the majority argues that managers must study ethics.

Regardless of whether the answer was right or wrong, or even good or bad, ethics are able to raise managers' awareness regarding the effect of their actions on other parties. Establishing a factory in a new area will certainly have some effects such as providing jobs, however, it will also produce factory waste. In other words, there are parties who are benefited and others who are disadvantaged by a manager's decision. Therefore, managers are expected to be more sensitive to the consequences of their decisions.

Suppose the manager is insensitive to his environment, what will happen? The worst possibility that could happen would be the company getting shunned by the people. Companies might even face claims for the damages caused, which could demolish the company's reputation. Such incidents may potentially occur as people are becoming more intelligent, and the consumer protection movement (consumerism) is getting stronger.

Being a part of the environment as well, the manager takes on a dual task. The manager's task is not merely to achieve organizational goals and gain profit, but also to contribute to society. In other words, managers must also be aware of their social responsibilities. Managers are expected to help the development of society while keeping the organization alive at the same time and to live and develop with the community while taking on their organizational duty.



Exercise

To understand the material above, please complete the following exercise!

Take a look at the manager's role framework. Then, evaluate your managerial ability using the framework. Make a rating scale from 1 (lowest) to 10 (highest). Then, for roles with low scores, analyze alternative solutions that can be done to increase the score. Here are some examples of alternative fixes. Discuss with your friends.

Role	Specific Role (s)	Illustration
Interpersonal	Figurehead	How to develop image, behavior, and good reputation. How to become an inspiration to your subordinates.
	Leader	Develop positive attitudes and self-confidence
	Liaison	Expand your network.
Informational	Monitor	Develop skills to process data quickly and effectively, filter information to avoid overload. Keep-up with the latest information.
	Disseminator	Develop communication skills, both oral and written.
	Spokesperson	Develop presentation and public speaking skills.
Decision-making	Entrepreneurship	Develop problem solving skills and creativity to generate new ideas. Organizational change skills are important as well to implement plans effectively.
	Disturbance Handler	Develop skills to manage conflict.
	Resources Allocator	Develop skills to manage resources, eg creating a budget, prioritizing programs, cutting unnecessary costs.
	Negotiator	Develop negotiating skills.

Key Ideas for Exercise Answer

Education is expected to form skills and a willingness to learn that can be used for absorbing lessons from experience.

**Summary**

This module discusses an introduction to management. Managers' work, which involves the coordination of two or more people who work together in a specific manner to achieve certain goals, is inseparable from the organization. The organization is required to achieve goals more effectively. Managers perform management processes and use inputs to achieve organizational goals. The management process includes planning, organizing, directing, and controlling. Although in theory the process of management is executed a logical sequence, in its implementation, the management process isn't always carried out sequentially and is often done simultaneously instead.

There are different types of managers based on their levels, namely the top, middle-level, and lower-level management. The managerial skills required are also different for each management level. The upper levels require more conceptual skills, while the lower levels require more operational skills. Based on specialization, management is divided into general and functional management. Henry Mintzberg provides a new perspective by introducing managerial roles. Managerial roles include interpersonal, informational, and decision-making roles. How to become a successful manager? There seems to be no certain and fixed formula. But a successful manager is inseparable from several things, such as education, experience, vision, ethics, and international dimensions.

TERM INDEX

Manager	Efficiency	Formal Authority
Management	Effectivity	Managerial Roles
Organization	Management Levels	Interpersonal Roles
Goals	General Management	Informational Roles
Management Process	Functional Management	
Role-taking	Decision	
Planning	Conceptual Skills	Effective Manager
Organizing	Interpersonal Skills	Vision
Directing	Technical Skills	Ethics
Controlling	Analytical Skills	Global Dimension
Staffing		



Formative Test 1

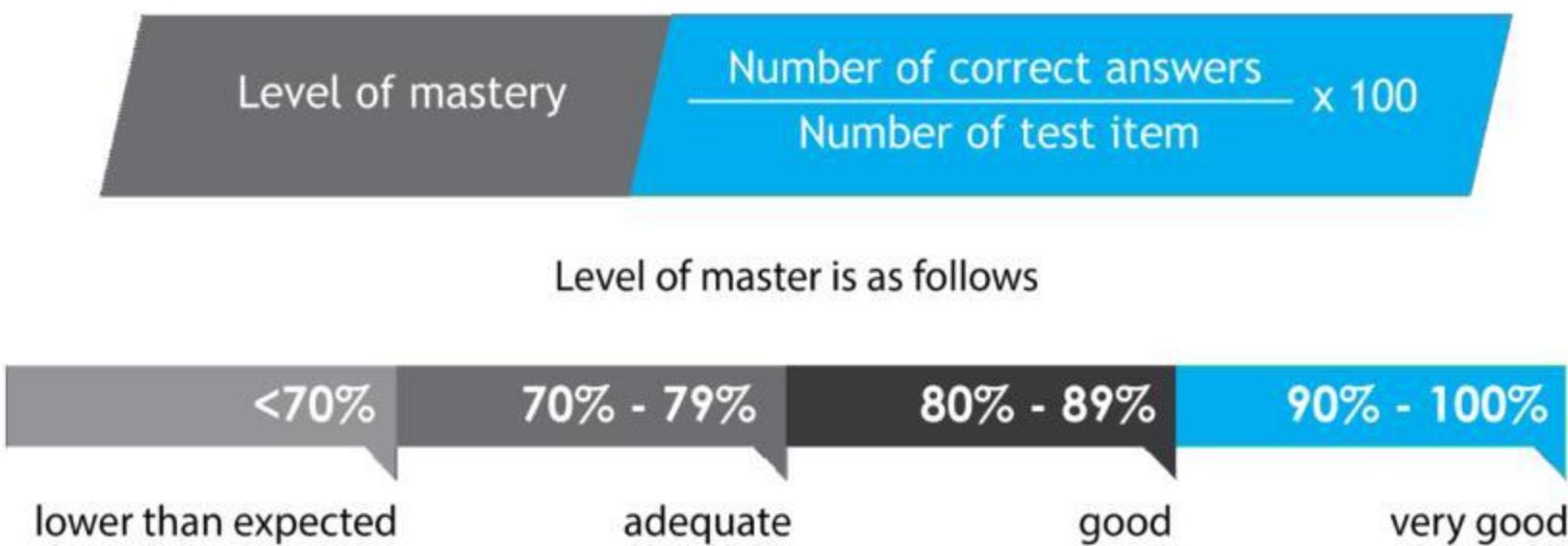
Choose the correct answer!

- 1) The correct order of management functions is
 - A. planning, organizing, staffing, leading, controlling
 - B. organizing, planning, controlling, staffing
 - C. planning, staffing, leading, organizing, controlling
 - D. planning, organizing, actuating
- 2) One company produces manual typewriter machine. The company has been producing these typewriters for decades, thus the manufacturing process is very efficient. However, typewriters are no longer commonly used as people prefer using computers to type. The example above can be explained with the following words
 - A. ineffective
 - B. inefficient
 - C. effective
 - D. efficient
- 3) Creating an organizational structure is an example of the management process of
 - A. planning
 - B. organizing
 - C. directing
 - D. controlling
- 4) The concept of managerial role is introduced by
 - A. Henry Mintzberg
 - B. Mary Parker Follet
 - C. Koontz
 - D. Henry Fayol
- 5) A manager cuts the ribbon and gave a speech at the opening of a new branch. The manager is performing the role of
 - A. figurehead
 - B. informational
 - C. decision-making
 - D. negotiator

1.28 Management: Introduction

- 6) The top management requires more ... skills.
 - A. conceptual
 - B. interpersonal
 - C. technical/operational
 - D. applicable
- 7) A manager's job requires skills, experience and knowledge. The combination of these skills is referred to as
 - A. ethics
 - B. practitioner
 - C. professionalism
 - D. scholar
- 8) Motivating employees to work optimally is an example of the management process of
 - A. planning
 - B. organizing
 - C. directing
 - D. controlling

Use key answers for Formative Test 1 which is located at the end of this module to determine the correctness of your answer. To make sure your mastery of the learning materials use the following formula.



When you attain level of mastery 80% or more, very good, you may continue to Learning Activity 2. Otherwise you have to review the material of Learning Activity 1. Pay attention to parts which you don't master yet.

Learning
Activity

2

Developments in Management: Theory and Thought

Theory of management might help in advancing the profession of management. Cooperation between management theorists and management practitioners might lead to amazing results. For example, Henry Ford, founder of the famous Ford's Model T automobile, took the idea of mass production of automobiles from Frederick W. Taylor, a management expert known as the Father of Scientific Management. Ford cars of the 1920s or 1930s was one of the most successful cars in the history of automobiles. This learning activity will discuss the development of management theory.

Why do we need theory? This type of questions arises often, especially from those who have been practicing management for a long time. They have successfully paved their way without the use of theory, so they might see it as a hindrance in their work. These people believe that theory turns a person into a philosopher, who spends their time thinking rather than working, and a philosopher will work in a fantasy world instead of a real one. Those are the arguments from people who question the benefits of theory.

As exemplified by Ford, the use of theory is able to make important contributions. The development of management theories, financial theories, and other theories is evidence that theory can be beneficial. The establishment of management schools (Master of Management programs or other similar programs) is also another proof that management theories are indeed useful. Is Management an art or a science? The most fitting answer would be that **management is both science and art**. Thus, management is inseparable from management science or theory.

Theory is a collection of systematically organized principles. **It seeks to describe the relationships between phenomena**. For example, you are observing fertile land around a volcano. Two phenomena might be related to your observation: fertile soil and volcanoes. You decided to go a step further and conclude: volcanoes contribute to the fertility of the soil, and of course, you can't possibly conclude the opposite, soil fertility contributes to volcanoes. You are now one step further, however, someone else observes that there's the existence of fertile soil even without the presence of volcanoes around. With this new "evidence", you then try to make further observations. You come to a new conclusion, that the volcano isn't the one contributing to the soil's fertility, but rather the substance that the volcano releases, which is called humus. You then revise

your previous conclusion into “humus contributes to soil fertility”. You have just made a theory. Next, you can make a prediction, which is if humus is given to soil, then the soil will be fertile.

Suppose there is a farmer whose soil is infertile, and desperately wants a fertile one. You have this theory of humus. The farmer’s land is then treated with humus and becomes fertile. This example illustrates how theory can be applied. If the farmer in question didn’t know the humus theory, he would have tried many different ways to fertilize his soil. First, he would probably try and make offerings every Friday Kliwon night (doing superstitious rituals). The second possibility is to buy a tractor. Now, notice how the farmer is engaged in an inefficient form of trial and error. Therefore, theory can help minimize trial and error, and improve the efficiency of our work, assuming that the theory is correct.

Each theory will develop concepts used to symbolize certain phenomena. In the preceding example, humus is used as a word that represents the substance responsible for making the soil fertile. In everyday language, concepts are similar to the words we use. A chair describes an object that one can sit on. Over time, concepts have become more and more numerous and specific. Other fields would not understand concepts from other fields. For example, the word market in economics means a place where buyers and sellers meet. In marketing, the market means buyers or potential buyers (people). The same word can have different meanings from different theories.

In short, management theory can help advance the application of management practices. This learning activity will discuss the development of management theory which includes:⁵

1. ancient management theory.
2. classical management theory, which includes: scientific management theory and classical organization/administration theory.
3. behavioral approach.
4. quantitative approach.
5. contemporary management theory.

The next section in this chapter will discuss these management theories in more detail.

A. ANCIENT MANAGEMENT THEORY

Management has been practiced since ancient times, although at that time management theory may not have been formulated as comprehensively. Perhaps management has even emerged alongside the emergence of human civilization. For example, the Egyptians were able to build the pyramids, a complex structure that could only be completed with good coordination. The Roman Empire developed a clear

⁵ See Stoner et al. (1995) Chapter 2

organizational structure, which greatly helped communication and control. Management concepts were also often discussed by Greek or Arabic (Islamic) philosophers in medieval times. Let's talk about some illustrations of management in ancient times.

1. Ancient Egypt

The Ancient Egyptian civilization produced a spectacular legacy, which are the pyramids, buildings that you may have already seen and are familiar with. The pyramids are gigantic structures. The construction of the pyramids involved thousands of people (more than 100,000 of them) and took about 20 years to complete one pyramid (there were several pyramids built). To build such gigantic constructions, management is needed. There must be managers in charge of planning, organizing, coordinating, and controlling activities, people, and resources, so that these pyramid buildings can be established.

2. Machiavelli

Machiavelli is an Italian thinker who formulated several principles of management in his book, *Discourses*, written in 1531.⁶ He listed the following principles which are relevant to contemporary management.

- a. Organizations will be more stable if their members have the freedom to express differences and resolve conflicts within the organization.
- b. One person can set up an organization, but the organization will be last longer if it involves the interest of many people who want to sustain the organization.
- c. Weak managers might be able to hold authority by following strong managers, but not by following other weak managers.
- d. Managers who wish to change an established organization must maintain at least a semblance of the ancient customs.

3. Sun Tzu

The Chinese philosopher, Sun Tzu, who lived about 2,000 years ago, wrote the book '*The Art of Wars*'. Some of the principles developed by Sun Tzu are:

- a. if the enemy advances, we retreat;
- b. if the enemy stops, we provoke;
- c. if the enemy attempts to avoid war, we attack;
- d. if the enemy retreats, we pursue.

Although the principles above were originally written for war, we can adapt them to a more business context, such as the business strategy. Business strategy will, to some extent, be related to the strategies of war.

⁶ Reprinted in Machiavelli, Niccolò (1981). *The Prince and Selected Discourses*. Translated by Daniel Donno (Bantam Classic ed.). New York: Bantam Books.

4. Adam Smith

Adam Smith was a classical economist who lived in the 18th century. In 1776, Adam Smith published his book *The Wealth of Nations*. He argued that society should practice labor division or job specialization. According to Adam Smith, a task can be broken down into smaller parts. Then, the task can be practiced and done repeatedly so that the person doing the task will become an expert. As a result, the person can do the task faster and the level of productivity will increase. The specialization theory inspired many people, including management theorists who lived after Adam Smith's era. Although management had been practiced and discussed in ancient times, such occurrences were relatively sporadic, and there were no systematic efforts to study management. Because of this, management, for several centuries, was forgotten. However, there was another reason for this. The science of economics developed first. Business or commerce was incorporated into the discipline of Economics. Typically, economics assumes management is already effective, and therefore the study of management did not develop. Another reason is that management is often considered an art or practice, and not a part of science. To become a good manager, it is not deemed necessary to study management theory, as apprenticeship or going straight to the field were much more encouraged. So is the management of science. Let's take typing skills as an example, the more you type, the more fluent your typing skills are, thus, learning the "science of typing" is deemed unnecessary.

In the late 19th century, new developments demanded a more serious study of management. At the time industrialization was flourishing, and companies were developing into giant corporations. Large companies such as IBM, and General Motors, began to emerge in the early 20th century. Their workers reached thousands. Production was done on a mass scale. Inputs come in large quantities, and therefore the production process must be conducted on a mass scale and efficiently. The management of large companies is certainly more complex. Therefore, better management studies are required.

B. CLASSICAL MANAGEMENT THEORY

1. Predecessors/Pioneers of Classical Management Theory

a. Robert Owen (1771-1858)

Robert Owen was the manager and owner of several cotton mills in England. At that time, the working conditions in the factories were very bad. Owen concluded that managers should become reformers. He saw the important role of workers as an asset to the company. Workers are not just an input, but a significant resource for the company. Furthermore, he improved the working conditions for his workers, by establishing better residences, establishing a shop where workers could buy goods at a low price. Reduced working hours to 10.5 hours per day from the previous 15 hours, and rejecting workers under the age of 10. Owen argued that by improving working conditions and

investing in human resources, companies can improve their output as well as profits. Other managers at that time preferred to invest in the technical side, such as machinery and neglected the improvement/investment in human resources.

In addition, Owen also introduced an open and daily appraisal system. This way, managers are expected to be able to locate problems quickly. This type of method also encouraged outstanding workers to take pride in having their names introduced to other workers. It encouraged the system of feedback which would be commonly used in the following years.

b. *Charles Babbage (1792-1871)*

Babbage was a professor of mathematics in England. With his quantitative background, he believed that scientific principles could be applied to improve the efficiency of production, and with the increase in productivity, he wishes to tone the operating costs down. His contribution is evident from his book *On the Economy of Machinery and Manufactures*. He advocated division of labor so that the work or operations of each factory could be analyzed separately. This way, training can be done less expensively. Workers performing the same job repeatedly would become more skilled and therefore create more efficiency. He believed that quantitative methods could be used to analyze company problems, such as the efficient use of raw materials or other facilities. With such ideas, Babbage was a pioneer of scientific management.

2. Scientific Management Theory

Scientific management theory emerged due to the need to increase productivity. In the early 20th century, giant corporations were emerging, while the supply of labor was relatively lacking. The predecessors of management theory also helped in giving rise to scientific management.

a. *Frederick Winslow Taylor (1856-1915)*

Frederick Taylor is called the father of scientific management. Taylor focused his attention on time and motion studies. In a steel mill in Philadelphia, Taylor saw workers, who practiced soldiering, deliberately slowing down their work lower than what they were capable of. Taylor then developed an analysis of the work. The work was then broken down into smaller parts before determining the time required to do the job (usually by looking at the time taken by good workers). He studied the best and fastest method to do the job.

Taylor then introduced the differential rate system. With this method, employees will get an increase in wages if they manage to exceed the predetermined standards. The wage increase was carefully calculated based on the estimated increase in company profits due to the production improvement. This way, wages become fair as they are scientifically determined. This method also allows both the company and the workers to gain profits. Inefficient workers didn't need to fear losing their jobs, as the supply of labor at that time was still insufficient.

Due to his theories, Taylor later worked as a consultant for several companies. That way Taylor felt he could apply his ideas more effectively, and reported that many companies were successful in using his methods. Let's take one factory as an example, where by analyzing and breaking down the work, a better method for the company was discovered. The number of workers can be reduced from 120 to as few as 35, working hours were also reduced from 10.5 hours to 8.5 hours, work accuracy increased by two-thirds, wages increase by 80 to 100 percent, and employees' willingness to work has also increased..

Despite the success in increasing productivity, many challenges arose from this method. Workers began to fear termination if their company used the methods developed by Taylor. These challenges against Taylor led to a strike at the Watertown Arsenal factory in Massachusetts, USA. Representatives (congressmen) later summoned Taylor for an explanation of his ideas. Taylor's explanations were written in two books: *Shop Management* and *The Principles of Scientific Management*.

Manajemen ilmiah menurut Taylor didasarkan pada beberapa langkah atau prinsip sebagai berikut ini (Gambar 1.6).

1. Develop a science for each work element, to replace the rule-of-thumb method of estimation.
2. Select the employees scientifically, and train them to do the work as specified in step 1.
3. Supervise employees to ensure that they follow the predetermined method in doing their work (as mentioned in step 1). Supervision is done scientifically.
4. Cooperation between management and workers is enhanced. Friendship between the two is also enhanced.

Figure 1.6
Scientific Management Principles

Taylor argues that in order for this principle to be successful, a complete mental revolution is needed, both on the management side and the workers' side. Rather than fighting over existing profits, it is better for both to focus on increasing productivity and making profits bigger as greater profits will benefit everyone. Taylor believes that both management and workers have the same interest in increasing productivity..

b. **Frank B. Gilberth (1868-1924) and Lillian Gilberth (1878-1972)**

Both are husband and wife who share a passion for management. Frank Gilberth studied the work of bricklayers in doing three things: teaching junior bricklayers, working quickly, and then deliberately slowing down. After his study, he proposed a more efficient work method. His method reduced physical movements down from 18 types to as few as 5 and increased output by 200-300 percent. This success led him to the study of motion and fatigue. According to him, eliminating movement would reduce

fatigue. Workers' productivity will rise as it is physically beneficial for the employees. Lilian Gilberth contributed to both industrial psychology and personnel management fields. She believed that the ultimate goal of scientific management is to help workers reach their full potential as human beings..

Both developed a three-stage promotional plan, which was intended as an employee development program to boost employee motivation. The three stages/positions can be described as follows.

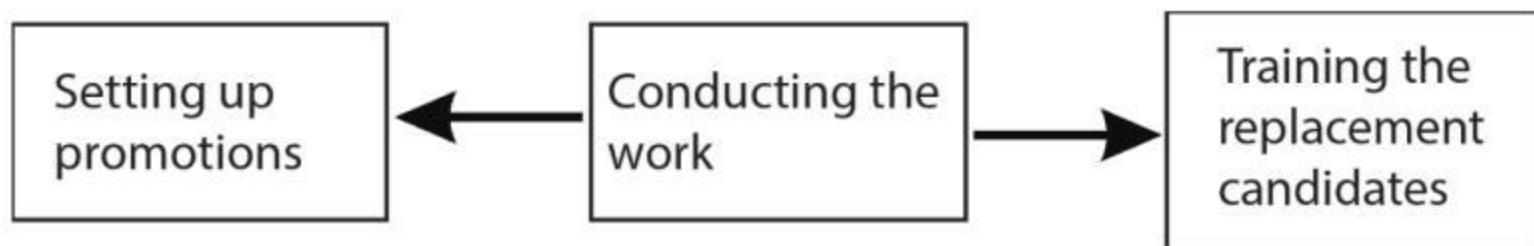


Figure 1.7
Gilberth's Promotional Plan

According to the method, a worker will work as usual while preparing for career promotion and training potential replacements. Therefore, the worker will become an executor, a learner, in the sense of preparing for a higher career, and a teacher in the sense of teaching potential successors.

c. *Henry L. Gantt (1861-1919)*

Gantt used to work with Taylor. However, he later worked on his own and managed to improve Taylor's method. He improved Taylor's payroll method (**differential rate system**) as he believed it wasn't motivational enough for workers. Every worker who can complete the workload of the day would receive 50 cents. The supervisor will also receive a bonus for each worker who meets the work standard for the day and if all employees can meet the predetermined standards. With such incentives, supervisors are expected to train workers better.

Gantt also introduced the **open grading system** which was Owen's idea. Workers' progress was recorded with a black box drawing if they met the standard and red if they failed to meet the standard. Gantt charts became popular and were used for planning, i.e. recording the schedule of a particular job.

d. *Contributions and limitations of scientific management theory*

Scientific management theory generates several important contributions. Mass production is one of the manifestations of scientific management theory. Goods are produced quickly and as much as possible, similar to the process of assembly line production. Such a production process is highly efficient. The idea of such an assembly even affects other sectors, such as services. Fast food restaurants such as McDonald's follow the idea of assembly line production processes. Job design, selection, and development of employees are also the result of scientific management theory. Scientific

management encourages a rational approach to problem-solving. Such approach encourages a scientific approach to management and encourages an approach to management as a science. This approach also encourages management professionalism.

Scientific management theory comes with some limitations. The assumption that people (workers) will try to fulfill their economic and physical needs does not always apply. Productivity or profit goals tend to lead to workers' exploitation. The assumption of the scientific management approach's versatility that management can be used for all situations and in all places is not entirely correct. This is because some approaches are suitable for certain times/places, but are not suitable for other times/places.

3. Classical Organizational Theory

Scientific management theory focuses on efforts to increase productivity.

Classical organizational theory (classical administrative theory) focuses more on the need to systematize ways of managing organizations whose complexities are increasing.

a. Henry Fayol (1841-1925)

Henry Fayol is a French industrialist who's often referred to as the father of the classical management school, due to his efforts in systematizing managerial studies. His thoughts were written into a book titled General and Industrial Management. According to Fayol, management practices can be grouped into several patterns that can be identified and analyzed. Furthermore, the analysis can be taught to other managers or prospective managers.

Fayol divided business activities into six main activities that are interrelated:

- 1) technical - producing products;
- 2) commercial - buying raw materials and selling products;
- 3) financial - finding and using funds;
- 4) security - safeguarding employees and company property;
- 5) accounting - recording and measuring transactions;
- 6) management.

Of these six activities, Fayol focused on management as he believed it was the most forgotten activity.

Fayol was the first person to categorize managerial activities into:

- 1) planning,
- 2) organizing,
- 3) directing, and
- 4) controlling.

Fayol believed that management activities include all four functions. Such categorization is quite influential today. Management books are usually written based on these four functions.

The principles of effective management practices, according to Fayol, can be seen in table 1.5 below.

Table 1.5
Fayol's Management Principles

1. **Division of Labor.** Specialization allows work to be more efficient. An assembly line is an example of specialization.
2. **Authority.** Managers should give orders in order for them to be carried out. Formal authority gives the right to order, but personal authority must also be achieved to allow orders to be more effective. An example of personal authority is the expertise possessed by the manager or the knowledge that exceeds the knowledge of his employees.
3. **Discipline.** Members of the organization must abide by the rules and agreements that govern the organization. Discipline results from good leadership at every level of the organization, fair agreements (e.g., achievement will be rewarded), and punishment for violations.
4. **Unity of command.** Each employee receives instructions from only one supervisor. If employees have multiple superiors, conflicts and chaos will occur.
5. **Unity of direction.** Activities in the organization that have the same goal must be directed by only one manager using a single plan.
6. **Individual interests must be subordinate to organizational interests.**
Individual interests must not overcome organizational interests.
7. **Payroll.** The payroll system must be fair, both for managers, and employees.
8. **Centralization.** Managers are responsible for their organization (therefore they have the authority to give orders to employees), but at the same time employees must be given sufficient authority to carry out their work. Thus, the optimal level of centralization and decentralization must be sought.
9. **Hierarchy.** The line of authority in the organization goes down from the top managers to the lower level employees in the organization.
10. **Command.** Resources (material and human) must be coordinated in such a way that they are always ready at the required time and place.
11. **Equality.** Managers must be fair in treating employees and be friendly with employees.
12. **Staff stability.** High and extreme turnover should be avoided as it makes the organization inefficient.
13. **Initiative.** Employees are given the freedom to take the initiative to do work.
14. **Esprit de Corps.** Teamwork, team spirit, sense of unity and togetherness should be encouraged and nurtured. An example of how to encourage team spirit is to use verbal language instead of written language.

Fayol believed that managers are not born, but taught. Management can be learned and practiced effectively if the basic principles are understood.

b. *Max Weber (1864-1920)*

Max Weber is a German sociologist who developed the theory of bureaucracy. According to him, an organization consisting of thousands of members needs clear rules

for members of the organization. Meanwhile, the ideal organization is said to apply bureaucracy when its activities and goals are rationally derived, and the division of labor is clearly stated. Bureaucracy is based on rational rules that can be used to design an efficient organizational structure. Technical expertise and evaluation based on merit are emphasized.

Weber's model of bureaucracy is used to understand the management of large organizations such as multinational companies that have thousands of employees. Note that Weber's bureaucracy is different from the popular understanding of bureaucracy, where people tend to interpret the word bureaucracy with a negative connotation, i.e., a slow organization who's unresponsive to change.

c. Contributions and limitations of classical organization theory

Fayol's systematization still has a considerable influence on management studies today. The systematization provides insight into areas that must be analyzed to improve management effectiveness. His contribution for practical managers is also quite significant. Managers are made aware of the problems that often arise in organizations.

Classical organizational theory has been criticized because it seems to be more appropriate for a stable, less volatile environment. Today's business environment is so rapidly changing that the validity of classical organizational theory is questioned.

d. Mary Parker Follet (1868-1933)

Mary Parker Follet differed slightly from her predecessors in the sense that she incorporated human elements and organizational structure into her analysis. These elements later appeared in the theory of human behavior and relationships. Follet believed that one becomes fully human when one is a member of a group. Consequently, Follet believed that management and workers have the same interests as they are members of the same organization. Furthermore, Follet developed a model of organizational control behavior when a person is controlled by the following three things:

- 1) self-control (of the person).
- 2) group control (from the group).
- 3) joint control (of the person and of the group).

In addition to those, Follet also develops control with the use of several fields such as politics, economics, and biology. In addition to individual control from each of these fields, there is joint control, when biological control meets political control, politics with economics, and so on.

e. Chester I Barnard (1886-1961)

Chester I Barnard was the Director of New Jersey Bell, a telephone company in the United States found in 1927. With his managerial experience and extensive reading of sociology, Barnard developed organizational theory. According to him, people come to formal organizations (such as companies) because they want to achieve goals that

cannot be achieved alone. As they try to achieve the organization's goals, they will also try to achieve their own goals. Organizations can run effectively if the balance of organizational goals and the goals of its members can be maintained.

Barnard recognizes the existence of informal groups in formal organizations. Formal groups can fulfill individual goals. Managers should utilize informal groups in such a way that they can be used to achieve organizational and individual goals. Barnard believes that the balance between organizational and individual goals can be maintained if managers understand the concept of the zone of acceptance, and workers will accept their superiors' instructions without questioning management authority. If the employee's area of acceptance is larger, the smoother the organization's activities will be. Barnard's thoughts on groups (individuals working together) set him apart from other classical management theorists. It also pioneered a later approach that focused on people.

Examples of Formal and Informal Groups

Here is an example of a formal group.

Suppose a company is going to launch a new product. The team that is going to launch the new product has been formed. The Chairperson is the Marketing Manager, the Vice Chairperson is the Finance Manager, there are five members, namely two people from the Marketing Department, one person from the Human Resources Department, one person from the Financial Department, and one person from the Production Department. The decree has been signed by the President Director.

Here is an example of a non-formal (informal) group

In a company, employees who are Muslims agree to hold a recitation. The recitation will be held regularly every Friday after the office closes. The head of the recitation is Mr. Mardiyono, Marketing staff. There is no official decree from the Board of Directors.

C. BEHAVIORAL APPROACH

The classical management approach was unable to increase productivity while maintaining workplace harmony. The classical approach tends to view the organization mechanistically. Behavioral theory then emerged due to the imbalance of classical theory in viewing organizations. Mary Parker Follet and Chester I Barnard are pioneers for this behavioral approach.

1. Human Relations Approach

Human relations generally refer to the work atmosphere that comes from the relationship between managers and employees. If human relations in an organization are effective, the work atmosphere will encourage work enthusiasm and harmony. Work effectiveness is expected to occur from a good working atmosphere and human relations.

a. *Hawthorne study*

The Hawthorne Study was conducted at the Western Electric Company from 1924-1933, in Hawthorne, near the city of Chicago, United States. The study was sponsored by General Electric, Co. The study looked at the effect of lighting levels in the workplace on productivity. Initially, employees were divided into two groups, the first group, where the level of illumination was changed, and the second group, which was the control group. The lighting for the second group was not changed.

When the level of illumination was increased, there was an increase in productivity in the first group, although the pattern was erratic. But when the level of illumination was lowered, productivity still tended to rise. Even the productivity in the control group, where the illumination level was not changed, showed an upward trend in productivity. Such results were puzzling.

In the next experiment, a group of workers were placed in separate places. Several related variables were changed: wages, length of rest periods, and shortened working days. Workers were even allowed to suggest changes. The results remained puzzling. Productivity tended to rise, albeit in an irregular pattern. Elton Mayo (1880-1949), along with colleagues such as Fritz J. Roethlisberger and William J. Dickson, then joined the research team.

They then concluded that the increase in productivity occurred because the study group as well as the control group felt they were being cared for. As a result, they were motivated to work better. The researchers came to the conclusion that management attention can increase employee enthusiasm. Such a phenomenon is then often referred to as the Hawthorne effect. The researchers also concluded that informal groups had a positive influence on productivity. The working atmosphere in factories is quite boring and makes life “less meaningful”. Friendships between coworkers help reduce the boredom of the work atmosphere, in addition to friendships that are often strengthened by a shared feeling of “anti-manager”.

With such atmosphere, group pressure becomes stronger, even when compared to management influence. In certain situations, group pressure is detrimental because it tends to hold back productivity. Members who exceed the group’s performance will be antagonized, forcing them to return to their previous lower performance. The concept of social man, where people are motivated by social needs, complements the economic/rational man concept proposed by classical management.

b. *Contributions and limitations of the human relations approach*

The human relations approach recognizes the importance of social needs. Therefore, it balances the old concept that emphasized economics/human rationality. The work atmosphere has improved compared to before. Many trainings then focused on improving the working relationship between managers and employees. It pioneered new studies in group dynamics, where attention was focused not only on individuals, but also on group processes and dynamics.

Nonetheless, there are some limitations to this theory. Mayo's research design, methods, and analysis are still controversial. The concept of social man that was developed did not fully explain human behavior. Efforts to improve working conditions were unable to increase work performance. For example, improvements in working conditions on a plantation do not increase work performance, and in fact tend to decrease work performance because workers tend to become more relaxed in their work. There is no pressure to work as hard as before.

Of course, there are other factors, besides social factors, that drive work performance. Economic factors (salary), employees' work ability, organizational culture and structure, and many other factors affect employee performance. The human relations approach hasn't been able to accurately predict human behavior. This is understandable as social factors are the result of human emotions that are much more difficult to measure. For example, job satisfaction is often said to be a motivator of job performance. But the relationship between the two is still questionable, in fact the opposite logic seems stronger: job performance will lead to job satisfaction.

2. Behavioral Science Approach

a. *Introduction*

The human approach pioneered the growth of a new approach more commonly known as the behavioral approach/stream. Behavioral scholars use methodologies and concepts from social sciences such as sociology, psychology, and anthropology. They develop a more complex analytical framework than the human relations approach. Some behaviorists say that human behavior is driven by the need for self-actualization.

Some of their theories such as McGregor, Maslow, Argyris, will be discussed further in the following chapters, especially in motivation and leadership theories.

b. *Contributions and limitations of behavioral science*

Behavioral science has contributed significantly to the understanding of individual motivation, group behavior, interpersonal relationships at work, and the importance of work to people. Managers can become more sensitive and effective in dealing with their subordinates. Nonetheless, many experts argue that the potential of this theory has not been further developed. The theory is also quite complex for managers. Their recommendations often differ from one expert to another, so managers have difficulty determining the most favorable opinion.

D. QUANTITATIVE APPROACH

1. Operational Research and Management Science

a. *Introduction*

The quantitative approach for management began to develop after the Second World War. At that time, the British wanted to solve some very complex problems in the war. The British then formed an operations research team, led by P.M.S. Blackett. The

team consisted of mathematicians, physicists, and other scientists. The British managed to find important breakthroughs from the team. The United States followed suit, forming an operations research team similar to that of the UK. Computers were used to calculate the mathematical models developed.

When the war was over, the models from operations research were then applied to industry. The industry also experienced rapid development with increasingly complex problems. These problems can no longer be solved with conventional methods. Operations research models are needed in this case. Some models of operations research: CPM (Critical Path Method) which is used to plan projects and queuing theory to solve the queuing problem.

Operational management is another variation of the quantitative approach. This approach is simpler and can be applied directly to management situations. Some examples of operations management models are inventory control such as EOQ (Economic Order Quantity), simulation, break-even analysis, and linear programming. Operational management is often considered an application of operations research.

b. *Contributions and limitations of the quantitative approach*

The quantitative approach makes an important contribution especially in the process of planning and controlling. The models developed from this approach are very suitable for these functions. For example, the CPM model is useful for project planning and controlling. The approach might also help in understanding complex management problems. By using mathematical models, complex problems can be simplified into mathematical models. Although mathematical models seem like difficult formulas to understand and are very complex, they are meant to simplify the much more complex reality of the world. With mathematical models, important factors can be noticed and given extra attention.

Unfortunately, quantitative models use lots of labels and symbols that aren't familiar to most people, including managers, to understand. Quantitative approaches also do not address the issues of human behavior and psychology in organizations. However, the potential of quantitative models has not been fully developed. If it can be developed further, the quantitative approach will make a more meaningful contribution.

E. CONTEMPORARY MANAGEMENT THEORY

Several approaches have been discussed in advance when these approaches were undergoing development. There are some developments that tend to integrate previous approaches, causing the boundaries of the approaches that have been discussed to become unclear. However, there are approaches that remain rooted in certain approaches. The following section will discuss new approaches to management.

1. System Approach

A system can be defined as a combination of interrelated sub-systems. The organization, as a system, will be viewed as a whole, consisting of related parts (subsystems), where the system/organization will interact with the environment. Such a comprehensive view will be more useful than an isolated view.

The system model can be described as follows.

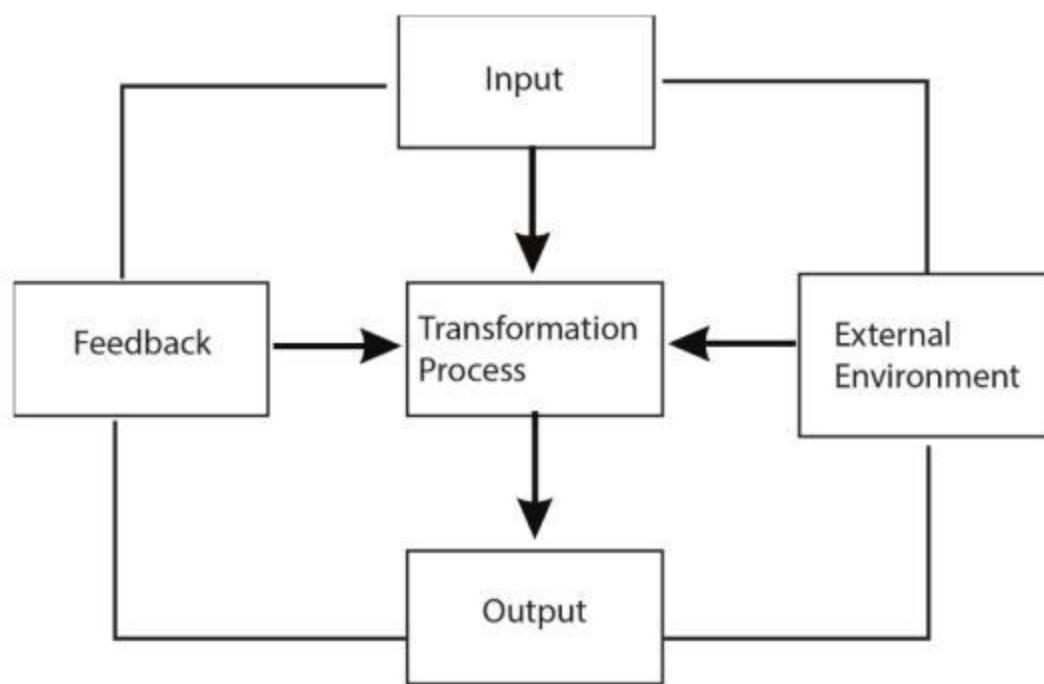


Figure 1.8
System Model

- Organizational Inputs : raw materials, people, financial capital, and information.
- Transformation Process : activities within the organization, for example: production systems, control systems, and administration.
- Output* : products, profits, and information.
- Feedback : feedback that provides useful insights into the inputs and the transformation processes.

There are several key terms in the systems approach: Open system, sub-system, synergy, flow, feedback, and entropy.

- Open system.** An open system implies that the system interacts with the environment. In contrast, a closed system is one that does not interact with the environment. All organizations are open systems, although to varying degrees. Corporate organizations may be more open than restrictive organizations. Refusing to adjust to the environment can sometimes be fatal to the organization. Companies that are unable to keep up with consumer developments are unable to sell their products and will consequently cease to exist.
- Subsystem.** A subsystem is a part of the system. Marketing, finance, production are subsystems that make up the company's system. These subsystems are interrelated. Changes in the production sub-system will affect the marketing and

finance sub-systems, and ultimately the system as a whole. Managers must thus see not only the sub-systems, but also the interrelationships between the sub-systems.

- c. **Synergy.** If sub-systems collaborate, the results will be more effective compared to if they worked individually. Synergy is often associated with mergers when two companies that come together are more efficient than if they were working independently.
- d. **System Boundaries.** System boundaries is the one that limits the system to its environment. In an open system, the boundary is flexible. Whereas in a closed system, the boundary is much more rigid. Over time, there is a tendency for organizations to have flexible system boundaries because the demands from the environment are getting harsher.
- e. **Flow.** Input flows into the system, then processed by the system, and come out as output. Raw materials enter the factory, are processed, and then become products that can be sold in the market.
- f. **Feedback.** Feedback is an essential element of control. Feedback information is given to the right people in the organization, who will then process it further. If something deviates from the plan, corrections can be made accordingly.
- g. **Entropy.** Entropy is the process in which the system breaks down. If the organization failed to process feedback properly, and were unable to adjust to the environment, the organization would die. Some examples of companies that are unable to adjust to changes in consumer tastes or the environment end up going bankrupt and closing down.

The system flow believes it will absorb other flows or develop into a dominant flow with a clearer definition. As of now, it seems that the system approach will be incorporated into the existing approaches to management theories. The systems approach has been introduced in existing management theories, though perhaps not in a clear form yet.

2. Situational (Contingency) Approach

Classical, behavioral, and quantitative approaches seek to find universal management principles that can be applied anywhere, anytime. The situational approach, on the other hand, has the opposite perspective. This approach assumes that management effectiveness depends on the background situation. A management principle that works in one situation may not be effective in another. The manager's job is to find the best technique to achieve organizational goals, given the particular situation, conditions, and time. The situational approach is often equated with the if-then step, especially in programming languages. If the manager faces situation X then he should do Y. Conversely, if the manager faces situation A then he should do B. For example, a manager wants to increase productivity. The classical approaches would suggest for salaries to be raised, organizational structure to be clarified, and work techniques to be improved. The human relations and behavioral approach would suggest job enrichment, where jobs are

given more varieties and its responsibilities expanded. The quantitative approach will suggest new planning and control models. The success of these approaches will depend on the situation. If workers do not have sufficient skills, then the approach proposed by the classical approaches will be more effective. Contrarily, if workers have good skills, the behavioral approach will be more effective. And if the worker is sufficiently advanced, the quantitative approach will be more helpful.

Researchers have tried to identify situational variables, which are the variables that determine management differences. There are already more than 100 variables. Here are four popular situational variables: size, technology type, environmental uncertainty, and individual differences.

Table 1.6
Popular Situational Variables

Variable	Description
Organization Size	The size will determine the required management. For example, the suitable organizational structure for companies with 100,000 employees will differ from those with 100 employees.
Technology Type	Organizational structures for companies that use simple technology will differ from those that use advanced ones. Likewise, companies with repetitive technology will differ from those with non-routine technology (customized).
Environmental Uncertainty	The management process for organizations with a stable environment will differ from the management process for organizations who face more uncertain environments.
Individual Differences	Individuals differ in terms of skill, knowledge, expectations, and the degree of autonomy. These differences led to different motivational techniques, leadership styles, communication styles, and job designs

The situational approach provides "practical recipes" for management problems. Unsurprisingly, this approach was developed by a manager, consultant, or researcher who works extensively with the real world. This approach allows managers to see that managerial situations' complexity makes managers more flexible or sensitive in choosing the best management techniques based on existing situation. This approach has been criticized for failing to offer a new perspective. This approach cannot yet be said to be a new flow or management discipline that has clear boundaries.

3. Neo-Human Relations Approach

This approach seeks to integrate the positive side of human and scientific management. This approach began in the 1950s and gained its momentum in the 1960s. The behavioral approach stated that humans seek to actualize themselves. The new human relations approach, on the other hand, goes one step further. They acknowledged humans' nature as emotional, intuitive, and creative beings. By understanding this nature, management principles can be developed further through this approach.

Several names are commonly mentioned to represent this approach. W. Edward Deming developed management principles similar to Fayol's, which focused on the quality of work and the relationships between employees. These management principles are believed to help Japan in improving the quality of its products. Thomas J. Peters and Robert H. Waterman wrote the popular book *In Search of Excellence* (1985). The book seeks to see the responsible factors that help an organization in surviving. To survive, an organization should be able to answer the needs of consumers, provide a challenging and rewarding work atmosphere, and be able to meet social and environmental needs effectively. According to them, such organizations should also be able to build values together. These shared values may help employees to work towards common goals and adapt to the changing external and internal situations. An example of such a value: Ford, an American automobile company, has the motto "Quality: Job No. 1". Such mottos are expected to influence the work of employees. Employees will be more focused on their efforts in improving quality.

William Ouchi, in 1981 published a book titled "Theory Z-How American Business Can Meet the Japanese Challenge". The book attempts to combine American-Style Management (Type A) with Japanese-style management (Type J). According to him, the two types of companies differ in seven things: (1) the term of the work bond, (2) the way of making decisions, (3) the location of responsibility, (4) the period of evaluation and promotion, (5) the control mechanism, (6) career specialization, and (7) attention to employees. For example, Japanese companies are characterized by lifelong work ties and joint decision-making. Successful American companies did not implement conventional type A. The company combines the principles of Type A with Type J. For example, the company applies a long-term employment bond, in the sense that it is not as short as Type A and not as long as type J. Ouchi suggests decision-making to be participatory, which involves a large number of employees, and responsibility is a shared function, the result of a group or team process.

The new human relations approach still needs some time to be recognized as a new management approach. Nonetheless, the approach is quite popular in both academic and practitioner circles. The ideas of the approach have influenced many of today's management practices.

4. Integrative View

After discussing the approaches of management, the following Figure 1.9 discusses the integration of these approaches into one framework, while summarizing them.

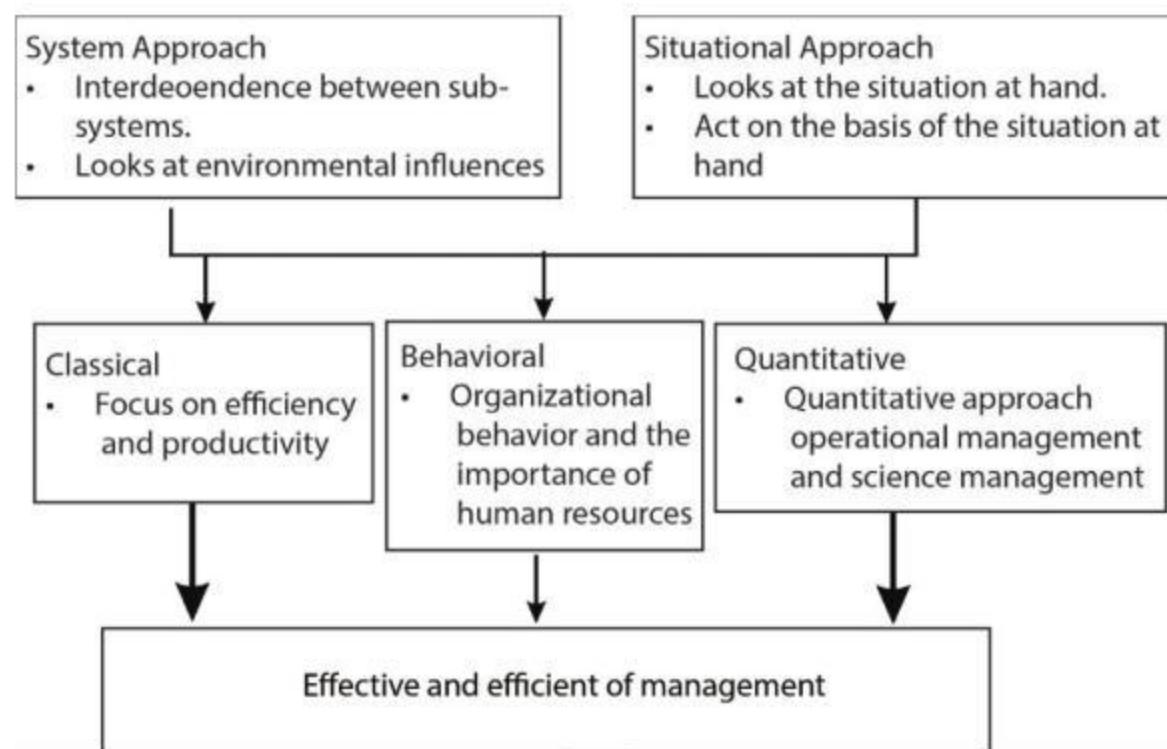


Figure 1.9
Integrative Approach

Managers should be able to see the interdependence of parts within the organization, the influence of the external environment, and the uniqueness of the situation at hand. After understanding these three things, management can select which approach is best to apply to the situation at hand.



Exercise

To understand of the material above, please complete the following exercise!

- 1) Identify an example or an illustration of how management practices can be related to the existing management theories. You may obtain the example or illustration from your everyday life, newspapers, or magazines.
- 2) Take a look at Table 2.2 Popular Situational Variables. Using those variables, give examples of different styles of management. As an example, take a case from a large and a small companies, then analyze the difference of the management applied. Analyze the other three variables as well, including the Technology Type, the Environmental Uncertainty, and the Individual Differences.

Key Ideas for Exercise Answer

- 1) Observe management events or policies in magazines, newspapers, or everyday life. Then, relate those policies to an existing theory. For example, the manager likes to give good compliments to employees who work well. He is applying human relations theory; The manager developed a model to determine the optimal inventory with the Economic Order Quantity formula. He is applying a quantitative approach.

- 2) Observe and choose two companies that have extreme differences in terms of size, technology type, environmental uncertainty, and individual differences. For example, for size: large and small companies. Then, analyze the management style that exists in the two companies, for example, for small companies, the management style is more informal, while for large companies, the management style is characterized by a strict set of rules and SOP. Develop your analysis.



Summary

This chapter discusses the development of management theories. A good management theory can promote management professionalism as management is both a science and an art. Theory can be used to predict the relationship between several phenomena, and thus can be expected to reduce the practice of trial and error, as well as improve the efficiency of managers' work. The development of management theory occurs through several stages:

1. Ancient management theory,
2. Classical management theory which includes scientific management and classical organization,
3. Behavioral approach which includes human relations approach and behavioral theory,
4. Quantitative approach, and
5. Contemporary management theory. Each has its own contributions and limitations. The integrative approach seeks to combine existing approaches, by viewing the organization as a system and using existing approaches contextually.

TERM INDEX

Theory	Frank and Lilian Gilberth	Hawthorne Study
Principle	Henry L. Grant	Elton Mayo
Concept	Classical Organizational Theory	Quantitative Approach
Management Theory	Henry Fayol	System Approach
Robert Owen	Max Weber	Situational Approach
Charles Babbage	Mary Parker Follet	Neo-Human Relations
Soldering	Chester I Barnard	Integrative Approach
Management Science	Behavioral Approach	William Ouchi
Frederick W. Taylor	Human Relations	Peters and Waterman



Formative Test 2

Choose the correct answer!

- 1) Managerial activities which include planning, organizing, staffing, leading, and organizing were introduced by
 - A. Henry Fayol
 - B. Frederick W Taylor
 - C. Mary Parker Follet
 - D. Max Weber

- 2) Who's often referred to as the father of scientific management
 - E. Henry Fayol
 - F. Frederick W Taylor
 - G. Mary Parker Follet
 - H. Max Weber

- 3) A strict discipline can be applied in military organizations. But in universities, a more lenient discipline should be applied to encourage creativity. This kind of advice is given by the theory or approach
 - A. scientific management
 - B. quantitative approach
 - C. contingency approach
 - D. human relations approach

- 4) Max Weber is known for his contribution of
 - A. *Critical Path Method*
 - B. Bureaucracy Theory
 - C. *Hawthorne Study*
 - D. Theory Z

- 5) According to System Theory, Entropy is
 - A. the process where the system moves toward destruction
 - B. the process where the system moves towards formation
 - C. the process where there is feedback in the system
 - D. the process of the system working optimally

1.50 Management: Introduction

- 6) Economic Order Quantity (EOQ) is a contribution of
 - A. quantitative management approach
 - B. behavioral approach
 - C. system approach
 - D. standardization of work methods
- 7) The conclusion of the Hawthorne Study was that productivity increased because of
 - A. better lighting
 - B. the use of new technology
 - C. attention from managers/supervisors
 - D. good training
- 8) Gant Chart is a tool which can be used for
 - A. payroll
 - B. planning
 - C. organizing
 - D. dividing labor

Use key answers for Formative Test 1 which is located at the end of this module to determine the correctness of your answer. To make sure your mastery of the learning materials use the following formula.

Level of mastery

$$\frac{\text{Number of correct answers}}{\text{Number of test item}} \times 100$$

Level of master is as follows

<70%

70% - 79%

80% - 89%

90% - 100%

lower than expected

adequate

good

very good

When you attain level of mastery 80% or more, very good, you may continue to the next module. Otherwise you have to review the material of Learning Activity 2. Pay attention to parts which you don't master yet.

CASE 1: 3D PRINTER START-UP BUSINESS

Fajar, Kristin, Hari, and Firdaus are four promising youths who have just finished their studies at the Faculty of Mathematics and Natural Sciences in the field of computers at a state university in Yogyakarta. While most bachelor's degree graduates go straight to Jakarta to find a job, these four young people have a common vision: they do not wish to go to Jakarta. They wanted to stay in Yogyakarta. Then, they looked for things to do in Yogyakarta. As computer graduates, they were quite skilled and capable of reading the current trends in computer development. One development that caught their attention and was considered to have good potential was 3D (three-dimensional) printers. They want to develop a business related to 3D printers, from the manufacturing of 3D printers, to the training or introduction of 3D printers. They see the opportunity as a wide opening. 3D printers, or three-dimensional printing machines, are not yet familiar to Indonesians. In spite of that, this machine can be helpful in producing goods. So far, 3D printers are still considered too expensive, so they have not been widely sought after by many Indonesians.

The way a 3D printer works is basically the same as a regular printer. If a regular printer print images or text on paper, 3D printers form objects that have dimensions of length, width, and area. In other words, 3D printers are able to print specific items. Some examples of items that can be printed by 3D printers are plastic trinkets, flower vases, building mock-ups, jewelry merchandise, and others. In the future, it is possible that 3D printers could print more complicated items. 3D printers work by printing layer by layer of material to form the desired object. The duration of printing depends on the size of the object, for example, a 5 centimeter high object takes about 1.5 hours.

The printing process of a 3D printer is basically the same as that of a regular printer. Both 3D printers and regular printers require files to print and are connected to a computer. Users can transfer the file to a memory card and place it on the card reader embedded in the 3D printer. One of the advantages of making products using a 3D printer is that there is no need to build molds thus we can save a step when printing products.

Seeing the potential of 3D printers, and the compatibility of the business field with their undergraduate education, the four friends decided to pursue the field. They established a start-up company with a focus on the field. Currently, their business includes three things: (1) 3D printer assembly, (2) printing using 3D printers, and (3) education for the use of 3D printers. The assembly of the printer is done, and the finished 3D printer is then sold. The price of 3D printers varies from around Rp2 million - Rp10 million or more depending on the specifications and demand. Printing with 3D printer services costs around Rp3,000 per-gram. 3D printer education is conducted mainly for high school or vocational school students. They also cooperate with several high schools or vocational schools, as well as several other companies, to provide education regarding 3D printers. There are already five to ten 3D printer companies at the moment. The four friends feel that the prospect of 3D printers in the future is bright, so they have the courage to pursue the field.

The Need for Managerial Staff

After running for a few months, they began to feel the need for managerial staff in their business. Managerial personnel will help to manage non-technical aspects, such as making financial reports, managing finances, hiring employees, reading market opportunities, and others. For technical issues, the four friends felt that they could handle it themselves. However, they haven't mastered the managerial power. To support their managerial skills, they invited Romi, a graduate of the Bachelor's Program from the Faculty of Economics and Business at the same university. Romi shares the same views as the four friends, that is, all of them do not want to go to Jakarta or big cities, and have the desire to develop a business.

Romi's job is to run the managerial aspects of the business. Romi has just graduated, so he has no formal business management experience. Romi's management experience to date has come from lecture materials and organizational activities during college.

Romi began to think about what he could do to help the 3D printer business. Romi was able to start with the formal legal aspects. Currently, the business does not have an official legal form. This is necessary, especially if the business wants to sell and make offers officially. There are several options, such as Trading Business, Firm, CV, and LTD. Romi must decide which alternative to choose. Then, Romi started to think once again to formulate a strategy to penetrate the chosen market and a strategy to compete with other 3D printer service suppliers. Romi's marketing knowledge from college will probably be very helpful. Then, Romi had to help manage the managerial aspects of the business. The most prominent thing is managing the financial aspects such as managing cash flow. Many sales are made on credit, which will be repaid in the next 3 months to 1 year, while expenses such as the purchase of raw materials and payment of labor, use cash. In the end, there was a cash flow mismatch.

Romi thought hard about what to do to help grow the 3D printer business.

Discussion Questions

- a. Analyze and map the problems faced by Romi in the business!
- b. What does Romi need to do and where can Romi start his work in the business?

CASE 2: ADVANCED MANAGEMENT SCHOOL

Mr. Suwarno is an example of a successful entrepreneur. He owns a well-known brand of fast food chicken. The fast food chicken currently has almost 100 partners in the city of Yogyakarta, in other parts of Java, and outside Java. Suwarno developed his business using a franchise model. The rapid growth has been somewhat restrained lately as Suwarno does not want to expand too far from his hometown, and he also maintains an ideal distance between one partner and another. Suwarno does not want new partners to 'kill' his old partners.

Suwarno graduated with a bachelor's degree from the Faculty of Animal Science. His goal as a student was to become a chicken farmer. Suwarno was inspired by stories of successful broiler entrepreneurs. However, the broiler business requires a large amount of money as well as a lot of experience. To gain experience, the young Suwarno, who had just graduated from his undergraduate degree, decided to work at a national brand fast food restaurant. The restaurant served fast food chicken with a target market of the upper middle class. Their target market is below that of international fast food restaurants (such as McDonald's or Kentucky Fried Chicken). The target market of the restaurant Suwarno works for is closer to the target market of California Fried Chicken or Texas Fried Chicken.

After working for four years, Suwarno was promoted to become the manager of a restaurant branch in Yogyakarta. Suwarno certainly has a fairly high position in the fast food restaurant company. However, the salary Suwarno received, when compared to his needs, was still not balanced. Moreover, Suwarno is now married and has a child. After working for six years at the fast food chicken restaurant, with the last position being the manager of one of the branches, Suwarno decided to quit his job. Suwarno then decided to start his own fast food restaurant. He used his previous experience working in fast food restaurants to open his own restaurant. Suwarno was able to copy recipes to cook fast food chicken, Suwarno also had experience managing fast food chicken restaurants because he had been the head of a restaurant branch.

To expand his business, Suwarno chose the franchise concept. With a franchise system, Suwarno can grow his restaurant quickly and with relatively less capital. Currently, there are 100 partners in Suwarno's franchise system. Suwarno's franchises target the lower-middle segment, lower compared to national fast food chicken franchises. The price of one package of chicken breast (including rice and drinks) can be priced at Rp10,000. Turnover is estimated at around Rp5 million per day on weekdays, and up to Rp7 million on weekends.

Advanced Management Study

Suwarno is always eager to learn. His desire to learn is one of his keys to success. Currently, Suwarno is reviewing brochures for Master of Management (MM) schools at several universities: Gadjah Mada University, Islamic University of Indonesia, Sebelas Maret University, Diponegoro University, University of Indonesia, and Airlangga University. Suwarno considered studying again at these universities. Suwarno consulted with some of his friends about whether or not he should continue his studies at the MM school. His friends' opinions varied, some suggested he should study further, while others suggested he should not. There were several positive benefits mentioned. First, studying MM can provide additional knowledge, even though it may not directly benefit restaurant management. However, the knowledge can still provide something for Suwarno, for example, it can provide new insights and satisfaction of human curiosity. The knowledge may have an indirect impact on Suwarno, such as a new perspective on managing fast food restaurants, or other developments. Secondly, it may provide a new

network. Through the MM program, Suwarno has the opportunity to meet many new people, from new students to even officials who usually give guest lectures. With an increased network, Suwarno's business is expected to grow. Thirdly, there are several other positive benefits, such as being able to promote in the student environment (students are the target market for Suwarno's business), refreshment from routine activities, and a new title that will be carried (MM). With the new degree, Suwarno's reputation is expected to increase. Suwarno will be able to communicate and mingle with important people such as business associations like KADIN. It is not impossible for Suwarno to become active in business organizations and serve on their boards. Suwarno will also be trained in business communication, both written and oral. So far, Suwarno dislikes being asked to give speeches in front of large crowds.

However, there are some downsides in going back to school. First, Suwarno has less time to manage the business, although Suwarno feels that the current system is already well-established. The system does not need to be monitored and managed every day. Suwarno can just keep an eye on the system. Secondly, Suwarno has been out of the program for quite some time. Suwarno was worried that he would not be able to keep up with academic activities, and end up failing the program. Time was also a concern. Suwarno was worried that he would not be able to divide his time between his studies and his business. Third, Suwarno is already successful and has made a lot of money. Why should he go to school again? One of his friends said "what do you want to do with studying further? You already have everything".

The tuition fee of Rp70-100 million is unlikely to be a problem. Suwarno can also choose the executive or weekend MM program, which is held every weekend (not weekdays). Regular MM programs are usually attended by young people who have just graduated from undergraduate programs (fresh graduates), while weekend MM programs are attended by students who are already working. Suwarno would certainly feel more comfortable in an environment of the same age. Suwarno is still considering whether to study again or not.

Discussion Questions

1. Explain and analyze the advantages and disadvantages of further study in Management such as the Master of Management program.
2. If you were in Suwarno's position, how would you decide whether to study further or not? Explain why.

Answer Key to Formative Test

Formative Test 1

- 1) A
- 2) A
- 3) B
- 4) A
- 5) A
- 6) A
- 7) C
- 8) C

Formative Test 2

- 1) A
- 2) B
- 3) C
- 4) B
- 5) A
- 6) C
- 7) B

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