Managing People in Changing Contexts

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Module 1

An Introduction to Managing People in Changing Contexts

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Learning Objectives

By the end of this module, students should be able to:

- describe and critically evaluate some of the key ideas underlying the management of people in changing contexts;
- apply the notions of universalism and relativism to the key ideas and practice of modern management, especially to our understanding of 'best practice';
- understand the importance of mindsets in management and how these influence managerial practice;
- understand how ideas about management change, and how the economic environment and the influence of management thinkers can cause changes in our understanding of good practice in management;
- critically evaluate the role of management thinkers in producing useful knowledge about management.

1.1 Understanding Management

1.1.1 Introduction

According to Peter Drucker, one of the most prominent business gurus of recent times, management is a timeless, human discipline. It has been used to build the Great Wall of China, to run empires and armies throughout history, and to guide the development of the joint stock company, which has been the key institution in the development of modern capitalism. During the later part of the 20th century and the early part of the 21st century, management became one of the fastest-growing occupations, because managers are usually (but not always) proven to be essential to organisational success (Bloom *et al.*, 2005). Moreover, whether we work in the private, public or voluntary sectors of the economy, managers and their work touch virtually every aspect of our economic, social and, increasingly, political lives. Those of you who aren't yet a manager but aspire to be one most likely will have had direct experience of being managed by others. Sometimes this experience will have been positive, leading you to achieve excellent results, and sometimes it will have been negative, perhaps leading to underperformance, to undue levels of stress, lack of esteem or lack of job satisfaction. Even those who are experienced managers, need to reflect on their managerial abilities or competence, and to work continuously on perfecting their craft. This course text is aimed at helping both aspiring and experienced managers explore the *nature of management* and managing the overall *process of management* and, as Drucker pointed out many years ago, specifically to address the key problem of *managing people*. It has also been written from the perspective that the practice of managing people is influenced by the *context* in which it is performed, and that contexts *change* over time.

1.1.2 Key Questions on Management Knowledge

When we embark on any management education course, it is important for us to understand the relationship between theory and practice, not least because in such courses we are usually taught theories that we rightly expect to be able to put into action. During a period of more than 25 years teaching management students in many different countries, there are two questions that I am continuously asked concerning the nature of management knowledge.

1 Is there a one-best-way or set of best practices in management? Or, to put this question in slightly more formal terms: (a) Is there a single set of truths about management that represents its core body of knowledge, and (b) if so, can this body of knowledge be applied in most, if not all, contexts?

2 Why is it that ideas about business and management seem to be a bit like the fashion industry, with new ideas being proposed every week?

Increasingly, I'm of the opinion that these two questions should be raised when studying any course on management, or when contemplating any ideas from consultants, conferences or the increasing volume of business books that we find in airport book stores and on the Internet. Such questions are particularly

relevant because many managers, one suspects, are looking for knowledge that helps them simplify the world they must confront, especially given the increasingly complex nature of the environment in which they work. To be told there is the possibility of a 'magic bullet' or 'one-best-way' is an attractive proposition, because it means they don't have to think too much about what they are doing. And, as Henry Mintzberg (2004), one of the most insightful commentators on management pointed out, managers are very much focused on 'doing', rather than reflecting, especially reflecting on academic theories dreamt up by people who have very little experience of practising management. However, the prospect of a magic bullet, contained in the nostrums of a single management book or 'bulleted powerpoint' presentation, is not something that usually accords with their experience. This is especially true when nearly all new books, courses or consultants tell them there is a better way of doing things, which is usually *the* way advocated by the author, teacher or adviser. First, however, they are usually required to discard their old models of management and, with them, their personal investment in old and 'no-longer-useful' ideas. For their pains, they usually get little more from new 'guru-speak' than a recycling of even older ideas, often with their origins in early 1900s, but dressed up in new clothing or new 'spin'. As a result, they become sceptical or even cynical about any new business programme or form of management education. If such a process sounds familiar, then you are in tune with many of the critics of business education and the management consulting industry. Paradoxically, regardless of the extent to which the management consulting and education industry is challenged to explain its relevance by business leaders and politicians, its influence has become more widespread.

In this module we shall address the two questions raised at the beginning of this section as part of the backdrop to this course and to others that you will be studying on your programme. We do so because it is in everyone's interests – teachers, students and examiners alike – to avoid the reputation for lack of relevance that management knowledge enjoys with many practitioners (Dipboye, 2005). Such a reputation has largely come about because dominant sections of the producer community of management knowledge – the producers of business guru books and the management consulting industry – have oversold the idea of the one-best-way, in wave after wave of management fads (Pascale, 1999). Francis Wheen (2004) has labelled much of this material, especially the self-help books by ex-business leaders, as 'old snake oil in new bottles', pointing to the often messianic salesmanship of banal aphorisms dressed up in jargon and pseudo-scientific phrases, such as 're-engineering, benchmarking and downsizing'. If the guru industry has not helped the cause, neither have many management academics. In certain sections of the 'academy', it has become fashionable to adopt the opposite position, that there are no truths about management and, since we live in an increasingly changeable and therefore unknowable world, there is nothing worth teaching about management. Serious practitioners and students of management, no doubt, are looking in between these two perspectives for something that combines the rigour of the best of the academic world with the relevance that good consultants and reflective practitioners can bring to organisational decision-makers. So, to address these questions, we have to go back in time to examine two concepts in management that go straight to

the heart of the rigour-relevance debate. These concepts are **universalism** and **change**.

1.2 Management as a Set of Universal Truths

1.2.1 Universalism and Relativism in Management

There have been many books aimed at helping managers understand and improve their management skills, not just in the area of people management but in other managerial functions such as managing information, budgets and finances, and operations. Many of these books take a **universalist** perspective on management.

Key concept: The Universalist Perspective on Management

The proposition that it is possible to discover a set of universal truths concerning principles, values and morals that can be equally applied in all business and management contexts. These truths can be established either by reasoning from first principles or by empirical observation. The fundamental points of this perspective are its universal application and its relative permanence, though most universalists acknowledge that the gradual accumulation of new knowledge can improve our thinking. Such a perspective is associated with attempts to establish a science of management, and to establish universal codes of ethics for business behaviour that transcend national boundaries.

Such a view dates back to before the end of the 19th century, best exemplified by the works of Fredrick Taylor in the US, the so-called father of scientific management, and by the French businessman-theorist, Henry Fayol. Both of these writers developed a set of principles of good management that have formed the basis for much management education (Clegg *et al*. 2005), and their works are still discussed today in undergraduate and graduate classes in business and management all over the world. We shall return to their ideas later on in this module.

Perhaps more controversially, the universalistic perspective contends that most of these management principles can apply regardless of national cultural and institutional context. Jack Welsh, the former CEO of General Electric, best exemplified this view when he once opined that what was good for his company was good for the rest of the world. Welsh's view reflected the dominance of the American management model, which has influenced thinking and practice in many countries. There are at least three possible explanations for such dominance. These are: (i) the influence of US multinationals on global economic development; (ii) the influence of management education programmes such as the MBA – an American invention in the late 19th century; and (iii) the influence of the global, but mainly US, management consulting and management guru industries.

There is undoubtedly something in the claims of universalists, given the history of post Second World War reconstruction and the reliance on US finance

and ideas to rebuild the economies of Europe and Japan. The UK, Germany and Japan adopted many American ideas and accepted aid that, in turn, was dependent on their acceptance of American ways of managing (Locke, 1996). However, the adoption of American ideas did not, as some people claim, result in the 'Americanisation' of business and management in these countries. For example, in the 1970s and 1980s Japanese companies came to dominate world markets in industries that the US had traditionally owned (Pascale and Athos, 1981) by using techniques of quality management and production management that have since become popular in many Western organisations. Similarly, German companies developed their own way of managing and running businesses, based on their historical veneration of engineering specialists and the adoption of 'co-determination' before and after 1945, a practice that gave employees a much greater say in the running of companies (much to the distaste of some US occupying generals and CEOs). Consequently, there were severe limitations placed on the forces for convergence on and around the American model of management. This limitation of universalist principles is one of the key themes of this course.

♢ Time Out

Think about this: The history of co-determination in Germany

Historically, German business managers have had much less faith than the Americans or British in the powers of markets to regulate business and competition, and have placed greater store in the power of the national and state governments. Thus co-determination in Germany has its origins in legislation passed in the early 1800s to give workers rights to social insurance and, later, in 1891, to rights to participate in management decision-making, involving joint consultation on social matters at work. Following the First World War, in 1918, German employers, rather reluctantly, succumbed to pressure to give 'employees rights to co-determination with management in social policy and to be consulted in personnel and economic decisions' (Locke, 1996: 58). Subsequent legislation in 1920 allowed for the creation of works councils in firms employing more than 20 employees to act on social, personnel and economic matters. Hitler and the Nazis dissolved works councils when they came to power in the 1930s, but following pressure from the Christian churches and trade unions after the Second World War, co-determination was re-established to give workers even greater rights to co-decisions in the running of firms on economic issues, including 'expansion, consolidations and shutdowns', and to joint consultation in the purchase and sale of equipment, changes in production methods, accounting procedures, etc.

The passing of such legislation was done when Germany was in the hands of occupying forces, most notably the Americans. This was surprising in some respects, because without US approval German discretion to pass legislation was severely limited. The American attitude to co-determination during the period varied between early acceptance – it wouldn't work in America, but was perhaps good for Germany – to outright opposition. However, what became the official American line was that German business would lose control of its affairs, and thus the essential and inalienable rights of stockholders would be violated. Such opposition by the US to German attempts to re-introduce co-determination was exemplified by the

role played by General Lucius Clay, leader of the occupying US administration, who obstructed and vetoed the rights of individual German states (the *Länder*) to pass such legislation for as long as he was able. Though, over time, American opposition to the rights of the German government to establish co-determination diminished, the business press and major figures in the US business community continued to see such legislation as an attempt to establish socialism in capitalist industry. To the extent that these people had influence over American aid through the Marshall plan to German industry, German managers were perceived to be playing a dangerous game, but continued to do so nevertheless. In this important sense, US attempts to impose on Germany a US-style 'best practice' and a way of managing failed; 'German entrepreneurs rejected American managerialism' (Locke, 1996: 64).

Source: Based on Locke, 1996.

We can see from the above example that the universalistic view on best practice in management has not always found favour with managers outside the USA. Similarly, not everyone in the public or voluntary sectors of modern economies would agree that best practice developed in the private sector is superior or transferable to contexts that are not subject to the overarching goal of increasing the value of shareholders in the business. Instead, we are beginning to witness an increasingly influential **relativist** view among management academics and practitioners (Whittington, 2000).

Key concept: Relativism in Management

Relativism expresses the idea that it is not possible to establish a set of universal truths concerning principles, values and morals about management that will not at some later time be abandoned and replaced by another set of truths. Relativism in management is often associated with the idea that management practices and values cannot be abstracted from the context in which they were produced and easily transferred to other contexts. Extreme versions of relativism in management hold that there is no such thing as reality, certainty or 'social facts', and that all views about management are essentially value judgements. The principle aim of relativists in management is to give less powerful people and groups a greater voice in public discourse about how they should be managed.

For example, the practice of management in France is sometimes quite different from the practice of management in the US because of the relatively unique nature of the French business sector, its history, its national cultural characteristics, and institutional (legal, social, educational and political) norms (Lawrence, 2002). Thus managers brought up in the French business system literally see through different eyes and ears to American managers, and are sometimes not able to understand each other, even if they both use a version of American English. French business management is reputed to be hierarchical and individualist in nature, and was unable to accommodate the bottom-up, group decision-making of quality circles, one of the fashionable techniques adopted by many global companies in the 1980s. Another example of a relativist perspective that is influential in management is the so-called **constructivist approach to**

learning, which we shall discuss more fully in a later module on this course. The constructivist approach to learning is often contrasted with a cognitive or 'schooled' learning approach, in which abstract principles are taught to students in a classroom, as is often the case in many MBA courses. Constructivists argue that we learn most effectively through active participation rather than as a passive recipient in which knowledge is 'poured' into our heads through instruction in a classroom. However, when we engage in active learning, all such knowledge becomes personal to us. So, for example, my knowledge and understanding of what I am writing will be different from yours as an individual reader of this text, and it will also be different from that of others who read the same text. But, since all knowledge is personal and subjective, and not something that is literally 'out there' and ready to be grabbed like an apple on a tree, it is mainly tacit (in people's heads and hands) and highly specific to the context in which it is produced. Seen in this way management is best viewed as a craft learned in context rather than as an abstract science (Mintzberg, 2004). So, learning to become a manager is most effectively undertaken by serving a long, on-the-job, 'apprenticeship', often as part of a 'community of practitioners' in a particular industry or company (Wenger, 1998).

My position on this debate between extreme versions of universalism and relativism is somewhere in the middle. Clearly, ideas about management developed in one situation can take root in other contexts. For example, the popularity of the MBA as a global form of management education would be unsustainable if this were not possible. Moreover, the success of multinational companies rests in part on their ability to transfer learning in one part of the world to another, often in the form of model practices and values. However, the perspective taken in this course is more relativist in the sense that context and individual interpretation of ideas are seen as very important in influencing action. Perhaps this is best explained by an organic, gardening metaphor. According to John Seely Brown (2000), an eminent American academic, transferring so-called best practices from one context to another is like uprooting a tree from the fertile soil that gave it life and its particular form or shape and attempting to re-plant it into a different kind of soil, the properties of which are unknown or at least partially uncertain. It is unlikely that one can know with any certainty in advance the kind of tree, or anything resembling the original tree, that the soil and microclimate will produce. Thus, at best, the status of such best practices can be described as 'promising', but they are fraught with problems of becoming embedded into historically, culturally and institutionally different contexts (Hong and Martin, 2003). This transfer problem applies equally to industrial contexts, such as the transfer of private sector practices to the highly politicised public sectors of healthcare, education and local government.

To return to the first of our two questions, concerning the possibility of a one-best-way of doing things or set of best practices in management, my answer is a qualified yes and no. A 'yes' relates to the contention that there is a body of knowledge about management that we can legitimately teach and use in many different contexts, even though that body of knowledge has been developed for the most part in the US and was founded on a private sector, market-driven model. 'No' is an answer because there are no 'magic bullets' nor a 'one-best-way'. Our knowledge and practices should enjoy the status of no more than

'promising', and we have to think deeply and sensitively when applying these in different contexts, whether these are national cultural, industrial or company settings.

1.3 Stability and Change in Models of Management

1.3.1 Key Features of Models of Management

If context is an important theme in recent management literature, a second key theme concerns the nature of **change and stability** in models and theories of management and their acceptance by managers. Like many relatively immature bodies of knowledge, the study and practice of management is no exception to the influence of fashionable or faddish ideas, with change being a recurrent theme in the literature, and the new 'big' idea being promoted every few years.

However, as some writers have pointed out, the debates over what constitutes the best way to manage show a remarkable stability over time, especially with regard to the choices among available models and theories. These models are often said to resemble paradigms, a scientific word referring to the existence of particular kinds of worldview, which comprise a relatively coherent set of theories, metaphors and practices. Paradigms are also notable for being relatively stable in a particular scientific community for many years until the next 'big idea' is developed around which a competing paradigm forms.

In business and management, the term 'paradigm' tends to be used a little more loosely (Clarke and Clegg, 1998), often describing a set of assumptions and values about how the organisational world works and how it should work, which we might describe as a **mindset** (Morgan, 1997). This is rather different from the way in which the term was originally intended to be used in describing a set of coherent and explicit theories about what scientists were studying. Most managers operate and adhere to particular mindsets, even though they are unable to articulate the assumptions and theories underlying them.

There are at least three important points about mindsets. First, they are simultaneously useful and limiting, since a way of seeing is also a way of not seeing. Second, seeing the world through particular mindsets may lock us into our own 'psychic prison' (Morgan, 1997) and result in self-perpetuation of old ideas and managerial regimes. Self-perpetuation can be a force for stability, but it can also prevent or constrain much-needed change. For example, Richard Pascale (1999) has claimed that 'nothing fails like success'. He has argued that success is based on becoming highly attuned to, and skilled in, managing and organising in one set of competitive circumstances. However, if and when these circumstances change, we are often unable to change our mindsets rapidly enough to produce the appropriate responses. Third, it forces managers to reflect critically on their mindsets to produce the kind of change that is needed in modern organisations.

These three points have given rise to what is probably *the* major debate in management theory over the last century between mechanistic forms of organisation, characterised by 'top-down' modes of control, and organic forms

of organisation, characterised by 'bottom-up' modes of control, human relations principles and the attempts to engineer strong organisational cultures (Hoopes, 2002), issues to which we shall return in this course.

1.3.2 The Mechanistic Mindset

Many managers see their ideal organisation as a well-oiled machine, in which everyone and everything is treated as a replaceable part. In such 'machines', predictability and control are the most important design features and are frequently accompanied by hierarchical organisation structures. Not unnaturally, this view serves the interests of managers who advocate such a perspective, since the people who are most important in machine-like organisations are the designers and planners (i.e. the managers). Thus managers who benefit from the machine view of organisations by running a 'smooth operation' tend to keep things that way. They do so by imposing their mindsets on others and by the kind of actions they take, such as recruiting, developing and promoting people with similar mindsets. Henry Mintzberg (1983) labelled these managers the 'technostructure' to capture their rational design and planning mindsets and characteristics.

This machine view of organisations is not in and of itself a problem, since classical machine-like organisations, such as public sector bureaucracies and armies, usually work well in stable and predictable circumstances, for example in state-run, planned economies or during conventional warfare. However, if the circumstances change, for example if economies suddenly become open to market circumstances, as happened in the former Soviet bloc, or if warfare becomes unconventional, as is the case with the 'war against terror', machine-like organisations often lack the intelligent capacity to take action themselves to adapt to these changing environments. This inability to adapt is a direct consequence of the mindsets and actions of machine-like minds, and of the vested interests of those who are in control.

1.3.3 Beyond the Mechanistic Mindset

This machine view of organisations dominated much managerial thinking and action until the 1970s, and in some cases continues to do so. For example, you cannot run a highly reliable organisation such as a nuclear power station on anything other than machine-like principles, for the most part at least. However, with the changes that occurred during the last few decades of the last century, it became increasingly obvious that old ways of seeing had to give way to new paradigms, based on the notion of open systems and the need for organisations to take into account their external environments. Thus we began to see a mindset developing among managers of organisations as adaptive systems, in which they had to take into account what happened outside the organisation, e.g. changes in market structure and customer preferences, and be able to respond quickly and flexibly to these changes. Such a mindset or metaphor is often described as the **organic view**, reflecting the biological origins of open systems thinking and the relationship between living systems and their environments. This organic metaphor has come to dominate much of managerial thinking and practice,

especially in the economies of the developed countries, in which uncertainty and, often fundamental, change are the key characteristics. These changes have included the effects of disruptive technologies such as the Internet, which have effectively changed the rules of doing business in many industries. They have also included the effects on global competition from rapidly growing countries such as China and India during the first decade of the 21st century.

1.4 Explaining Changing Mindsets

1.4.1 The Key Questions

There are two key questions concerning the relationship between ideas and action that make it important for us to have some answers so that we can become more effective managers. The first question is: Why does a particular mindset, such as the mechanistic and organic one discussed previously, come to dominate managers' thinking at particular points in time? Though you may think that much of what you read in management texts is new, most of the 'new' ideas have their origins in much earlier theories, and those of us who have been around for a long time often get a sense of 'old wine (or even old snake oil) in new bottles'. The second question arises from the first one and concerns the idea of progress in our thinking and practice. Much of what we read in management textbooks implies progress, involving a change from one mindset or model to another, more ideal, mindset or model. This is particularly evident in the example of the mechanistic and organic mindsets, where we have come to believe that organisations (and their managers) that are 'fast, flexible and friendly' are inevitably superior to those of more traditionally mechanistic styles. Having an understanding of these questions is useful not merely to academics but also to practitioners because, as the famous British economist John Maynard Keynes once pointed out, everyone who claims to be practical is 'a slave of some usually defunct theory'. More recently, organisations such as the UK Chartered Institute of Personnel and Development (CIPD) have begun to examine the relationship between different kinds of knowledge, how we learn and what we do. Their research report on this issue (CIPD, 2002) has pointed out that whatever theory of learning one adheres to, they all agree that 'theoretical knowledge', often in the form of mindsets, has an intimate relationship with practice. So, to provide an answer to these two questions on changing mindsets, we can briefly examine two sources of explanation. These relate to changing models of national economic success and to sources of institutional pressure to adopt new ideas and practice, namely so-called 'guru' theory.

1.4.2 National Economic Success and Business

As we have already pointed out, for most of the last century and certainly since the end of the First World War our models of business and management have been drawn from the success of the American economy and from the teachings of the US business gurus and business schools. American models of management, based on mass production, financial control and the M-form or multidivisional

organisational structure, came to dominate (Goold and Campbell, 2002). As we have seen, their principles were exported overseas by the US government as a condition of aid for reconstruction, by US multinational companies, and by the growing number of business schools, academic research and business gurus that began to influence European and Asian economies (Hoopes, 2002).

Interestingly, however, for a short period during the 1960s and 1970s managers also began to look to Germany and Sweden for inspiration, following the economic success of these two countries during the same period. This was best exemplified by the interest shown in newer forms of work reorganisation developed in companies such as Volvo and Saab, which adopted autonomous group working and job satisfaction as guiding principles to produce their automobiles. These ideas of autonomous group working and more democratic forms of decision-making were offered as a contrast to the more top-down models of low-skilled, mass production associated with the US automobile industry.

The best example, however, of just how powerful national economic success is in explaining the acceptance of ideas about management is the case of Japan in the 1980s and 1990s. During that period, Japanese organisations came to dominate in industries that the US had once 'owned', including automobiles, consumer electronics, and business machines such as electronic cash registers and photocopiers. They also became major players in other forms of manufacturing, including shipbuilding, heavy engineering, construction and financial services. This was often explained by the quality 'revolution' initiated in Japan by Edward Deming, a US civil servant and academic who was neglected by senior US business leaders but idealised by Japanese senior managers after his lengthy visit following the Second World War. Japan was also noticeable for exporting ideas in labour relations, group working and new forms of organisation to the US and Europe, most noticeably the 'lean production' system, during the 1980s and 1990s.

However, during the 1990s, America experienced eight years of unprecedented economic success under the Clinton administration, which, coupled with the relative decline of Japan and Germany during that same period, left the US as the dominant world economic superpower. By the beginning of the current century the wheel had turned full circle, with the American model of business being the only one to show sustained success, apart from the developing economies such as China and India. As a consequence, there have been many attempts to attribute such exceptional US economic and industrial success to the American way of managing and to American values and institutions (Collins and Porras, 1994; Collins, 2001), which, in turn, has pressured countries such as Germany and Japan to accept US ideas, especially in respect of the virtues of flexible labour markets and freedom from government intervention. During this same period, the influence of US business gurus and the major US business schools has also been exceptional (Mintzberg, 2004), with the Master of Business Administration degree (MBA) becoming one of the world's major educational brands, especially when gained from prestigious universities in the developed world.

Just as in the 1960s, however, there have been limits to US dominance over ideas on effective business and management, especially following the problems of the collapse of major international companies such as Enron, WorldCom

and Tyco in the early part of this decade and the 'fall-out' from the Iraq war in 2003. For example, during that year a major study by DDB, a US consulting company, was initiated to examine the brand image of America and American companies among 17 countries. This work showed that America and American business were 'viewed as arrogant and indifferent to others' cultures; exploitative, in the sense that it extracted more than it provided; corrupting, in that it valued materialism above all else; and willing to sacrifice almost anything to generate profits' (*The Economist*, 28 February 2004: 76). A further study was conducted one year later showing little improvement in overseas perceptions of America's image. In the field of human resource management (HRM), this problem with the American model has been especially true for some considerable period of time. For example, many Europeans have questioned the appropriateness of much of US employee relations practice, with its focus on individualism and 'short-termism', its morality in laying off employees without warning, and its appropriateness to social market economies that are based on employee participation in business decision-making. As a result, there have been various attempts to develop an alternative European way of managing people (Brewster and Harris, 1999). Similarly, Australians have sought to develop their own models of leadership and management, and the rapidly growing Chinese economy and indigenous industry have attempted to embed mainly American ideas into their own culturally and institutionally specific ways of doing things (Hong and Martin, 2003). Consequently, it is sometimes argued that we may be witnessing a fragmentation of models, with no single set of ideas dominating the management agenda (Clarke and Clegg, 1998). We also seem to be witnessing a major debate on the appropriateness of the appeal of the US business and management model to the rest of the world. Some writers have described this debate as being between the forces of global convergence (largely those of American multinational corporations and consultants) and those of divergence, with its emphasis on the importance of national mindsets (local cultural and institutional ways of seeing and working) (Sparrow and Hiltrop, 1997).

1.4.3 Dominant Ideas and 'Guru Theory'

As we have noted, paradigms also appear to change because certain influential theorists or practitioners who make up the so-called management 'guru' industry develop new ways of working and thinking (Collins, 2001). Acceptance of these new ideas occurs not only because these ideas are in and of themselves somehow better than previous ones, but also because you need willing consumers as well as willing producers in the rapidly growing marketplace for knowledge. And, as many critics of management consultancy have noted, willing consumption is often associated with serving the career interests for particular groups of people in organisations or for non-rational institutional reasons such as the pressures to imitate other organisations because of what is expected by institutional share-holders or government officials, or adopt practices to conform to social network pressures – the fear of being 'left out' (Wheen, 2004).

James Hoopes (2002) has described the role played by 'guru' academics, consultants and reflective practitioners who have had a major influence on new ideas and examples of so-called best practice in management during the last

100 years. Hoopes emphasised the two, recurrent big ideas in management and showed how interest in these two ideas has ebbed and flowed in popularity over time. These two ideas are **top-down control** and **bottom-up management**. Top-down control is best exemplified by Frederick Taylor and his school of scientific management in the late 1800s and early 1900s, which emphasised the importance and power of a new managerial 'cadre' in convincing or forcing workers to do what these managers wanted them to do. Usually this involved heavy doses of close and direct supervision, and payment-by-results systems to motivate workers. Taylor and his followers, including Henry Gantt and Frank and Lilian Gilbreth, were important in spreading the gospel of scientific management. However, it took Henry Ford, the founder of the Ford Motor Company, to apply Taylor's ideas by linking them to technological control embodied in the moving assembly line, before they became practically important. As a result, Fordism became the dominant mode of organising and managing during the 20th century. It is usual in academic texts to trace some of the modern management techniques that we shall discuss during this course to Taylor and Ford's ideas of top-down control, including 'business process re-engineering' and 'lean production'.

By contrast, bottom-up management, according to Hoopes, is associated with a more humanistic or, some would argue, realistic belief that such top-down control is ultimately self-defeating. At least two arguments have been used to explain the negative side to top-down management. The first of these, the **alienation thesis**, became fashionable in the 1930s, and is still an important argument by many commentators on work and employment relations. It concerns the nature and scale of opposition by employees during the 20th century to having their work 'Taylor-made'. Indeed, this kind of thinking was used to explain the rise of trade unionism during that period and much of the industrial unrest that characterised industrial and labour relations in many advanced economies. The second argument, the **changing nature of work thesis**, has two variants, according to which sector of advanced industrialised economies is being put under the spotlight. The slightly **older variant** has focused on the nature of work in the growing service sector of most developed and developing economies. Jobs in this sector, it is argued, are characterised by employees having greater control over how they perform their jobs than in the traditional manufacturing sectors, largely because of the difficulties in measuring employee output. Services are by definition more qualitative in nature because there is often no tangible output, and, in the case of personal services, they are 'consumed' immediately. Think about the quality of service provided by checkout operators in a retail store and then think about the difficulties in measuring their output. High-performing retail organisations such as the UK-based Tesco, which regard the service provided by their checkout operators as the key to getting repeat business, place great emphasis on the links between satisfied and committed employees, high-quality service and strong brand performance. This link between committed employees and the service–profit chain is the major element in Kaplan and Norton's (2001) 'theory of the business' to which we shall return in Module 6.

The **newer variant** has developed because of the increased emphasis on knowledge work in modern economies, which became especially fashionable to emphasise following the 'dot-com' boom in the USA and Europe in the late 1990s. The argument here is that knowledge workers (and most skilled and professional

employees can be labelled thus) enjoy genuine power *vis-à-vis* employers over the one scarce, non-substitutable resource that modern organisations use to compete, and that is knowledge. The old adage that 'knowledge is power' has never been more true, it is argued, and in organisations that rest on knowledge as their distinctive competence, managing employees who have effective control over it has become a different proposition from managing large numbers of unskilled workers, whose prior knowledge has been effectively relocated into machines. So, for example, the models of top-down control that were employed in motor vehicle manufacture are not seen to be relevant in managing consulting firms, healthcare or science-based industries such as biotechnology. Getting the best from employees in these kinds of industry, where expertise is often located in unwritten, tacit know-how built up over years of experience, usually requires organisations to provide them with high levels of involvement in key decision-making rather than tell them what to do and how to do it, since managers often lack the expertise to do so. Think of the problems and conflicts that occur between hospital administrators and medical practitioners, or between managers who do not have a technical background and technologists, and you begin to get a sense of the need to manage differently.

There are two final points I wish to make in this section on dominant ideas and guru theory paradigms. The first is that our models of management do change over time, often in a cyclical fashion. In connection with the two big ideas of top-down control and bottom up management, it is clear that they have ebbed in and out of fashion throughout the last 100 or so years. Often this has been a reaction to the worst excesses of their application, as in the case of scientific management, or because they have failed to deliver what was promised, which was the case with business process re-engineering and some versions of human relations teaching. Change and changefulness are at the heart of business and management theory and practice because organisations are always in a process of 'becoming', especially given the often turbulent nature of their environments. Thus any text and course on management has to reflect such change and make it a central feature of the analysis.

The second point is to warn you about some of the worst excesses of guru theory and the kinds of material that you can often pick up in airport book stalls. Willing consumers of management knowledge, looking for quick fixes, are sometimes motivated by the search for 'newness'. As a consequence, we are witnessing the creation of a fads and fashion industry for management knowledge (Joyce *et al*., 2003). Pascale (1999) identified many such fads that, in their day, laid claim to paradigm status, most of which have been discredited or else have been countermanded by other fads and fashions. Because of this faddist nature of management, the whole discipline of management has been characterised as little more than an immature body of knowledge lacking a proper scientific basis and bedevilled by inconsistencies and contradictions that would not be tolerated in any other area of scientific life (Micklethwait and Wooldridge, 1997). This faddish nature of much of management knowledge has been seen as the cause of the low status of business schools within the university community and has raised severe question marks over the role and content of courses such as the MBA.

In this course I hope to help you avoid these pitfalls and teach you useful, though often critical, ideas that have stood the test of time.

1.5 A Framework for the Course

Bearing in mind the issues previously raised in this module about the nature of management and change, the course focuses on the problems of managing people in changing contexts. To help guide you through the rest of the course, let's look at Figure 1.1.

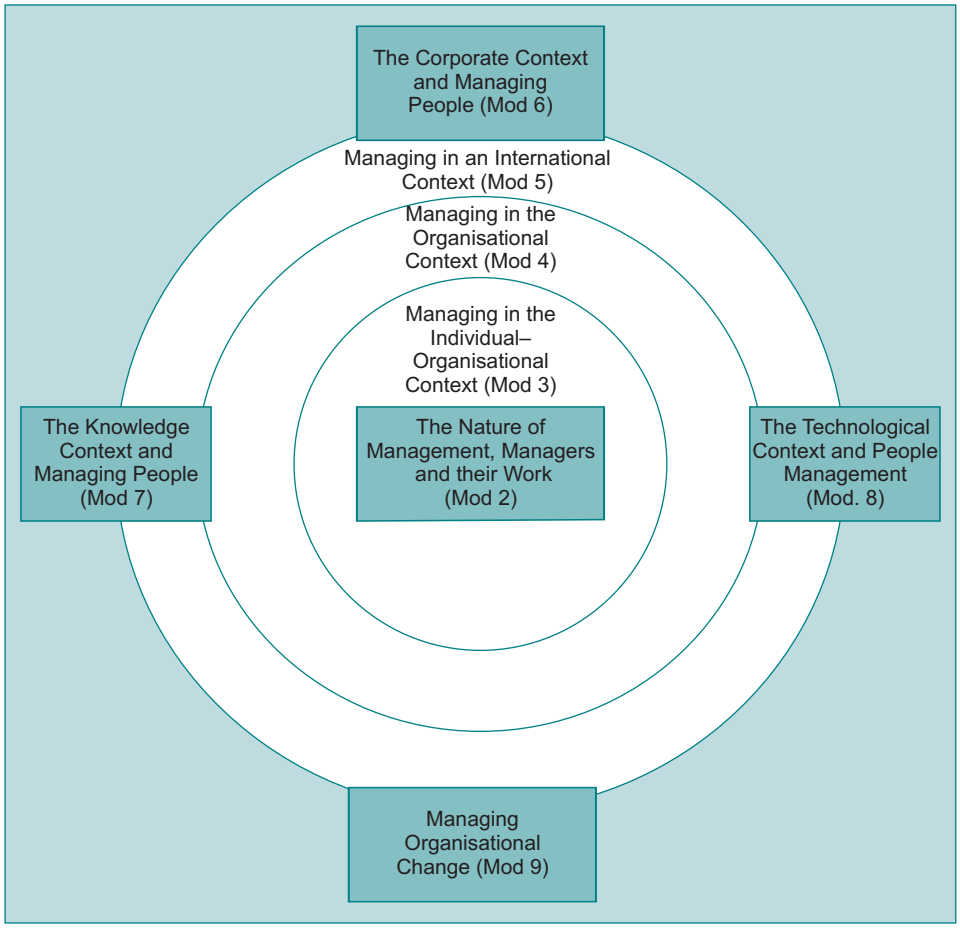


Figure 1.1 A framework for the course

Any course in management has to begin with an examination of the nature of what is being studied and practised, which is the subject of Module 2. In this module I have adapted and reworked some ideas by well-known management theorists to produce a model of a well-rounded manager who is capable of operating at different levels and in different contexts in modern economies. This model of management should help you to think more reflectively about your own job and others you may move into during your career.

The first premise of the model is that management is practised at different levels – managing on the inside, managing across the organisation and managing on the outside, which we discuss in Module 2. Managers who are unable to deal effectively with people at these different levels are increasingly unlikely to deliver strategic goals. This is equally true for human resource managers and many line managers, who have traditionally defined their roles as managing on the inside, as well as marketing managers, whose roles have naturally inclined them to manage on the outside.

The second premise of the model is that managers are being asked to manage in changing contexts, which, in some respects, are qualitatively different from the experience of managing even a few decades ago. Let's take an example from a real life case I came across quite recently. A senior sales manager, working for a leading international instrumentation company, is asked to take on the role of managing a global team of highly-qualified, highly paid sales engineers, operating in ten countries. It makes little sense to have these sales engineers relocate to head office, so the organisational structure has to be 'virtual' and the senior sales manager will have to learn to manage at a distance and across times zones. The problem has come about because the company has grown rapidly through acquisition and has taken over companies in these ten countries during the previous two years. His job is to instill a sense of corporate spirit into these engineers as well as support them in their aims to develop their own national markets. Thus, he faces the problems of managing a disparate group of people, from very different national and organisational cultures, to mange locally and integrate their efforts with each other, thereby aligning them with the strategic aims of the company.

This example throws up the problems of managing in multiple, changing contexts. Our senior sales engineer's initial problem is to understand the different expectations, needs and attachments that connect individuals with organisations – their psychological contracts – and how best to exercise leadership in circumstances where people are likely to differ markedly in their expectations, needs and attachments. This is the subject of Module 3 – Managing in the Individual–Organisational Context. Then he has to understand how organisational structures can influence individual and group behaviour and how to design and operate in structures that are more complex and virtual than those he has previously experienced, which is the subject of Module 4. He also faces the problems of managing in an international context, which is sometimes defined in terms of overcoming the 'liability of foreignness': How should managers deal with the costs of doing business abroad, arising from unfamiliarity with the cultural and institutional environment and the needs for coordination across time and space? This is the subject of Module 5.

Moving on, the example raises problems of how to create a sense of corporateness in a previously fragmented organisation because the organisation wishes to leverage its international brand for new markets. It also raises the problems of managing employees who are knowledge workers, many of whom are individualistic by nature and can exercise lots of power because of their understanding of local markets, and the issue of how technology might be used to achieve global integration of the sales team in a way that was close to impos-

sible before the introduction of the Internet. So, in Module 6 we shall look at the corporate context and examine the problems managers face in creating strong corporate reputations and corporate brands. In Module 7, we shall examine the changing nature of work, particularly the role of knowledge in creating value in organisations and the problems of managing so-called knowledge workers. In Module 8 we shall study the changing technological context, particularly the role of information and communications technologies in being a positive, but sometimes negative, force for change.

Finally, our senior sales engineer will face the problems of managing the change process itself; how should he turn his plans for a globally-integrated sales team into action. The old saying about the best-laid plans falling down in the implementation is even more appropriate in an increasingly unknowable world, which is the subject of Module 9.

Learning Summary

In this module we have learned about some of the key ideas underlying the management of people in changing contexts, including the relevance of universalism and relativism to management practice and the importance of mindsets in shaping how we view management problems and solutions.

First, I argued that the idea of 'best practice' is flawed because management practices are always 'context bound' in the sense that practices are developed in unique mixtures of organisational, industrial, cultural and historical 'soil'. Therefore you cannot transfer practices easily from one situation to another without some adaptation and considerable time and effort to embed these practices in new fertile soil. Thus practices can best be described as 'promising'; there is simply no 'one-best-way' to manage.

Second, I suggested that change is one of the few universals or constants of management. Therefore, understanding how contexts and ideas about management have changed and have often been recycled is important. However, such change is often cyclical, exemplified by *the* major debate in management theory and practice – top-down versus bottom-up management and organisation. Management theory has been dominated at different points in history by the mechanistic mindset, which has resulted in bureaucratic organisations and control, and the organic mindset, which is revealed through a more bottom-up, humanistic and people-oriented mode of management. These cycles of interest reflect models of national economic and business success – for example, the Japanese model and organic management – and the role of management gurus in shaping dominant ideas. All managers are searching for something new; often, however, the latest fad is little more than 'old wine in new bottles', which usually turns into something quite disappointing. One good example is Case 1.1 on human relations which is in the Review Questions section at the end of this module; the basis of modern human resource management rests on many of its assumptions and studies, which have continued to disappoint business leaders, judging by the lack of credibility of the HR function in most organisations.

Finally, I have set out a framework for the course. This framework is based on the ideas that management is practised at different levels and in changing

contexts. Above all else, however, management has to produce change and innovation, for without these characteristics organisations are destined to go into a terminal decline. Given the importance of organisations to our economic success and social well-being, making effective managers is one of the key goals of advanced industrial societies; the remainder of this course is aimed at helping you in this regard.

Review Questions

Multiple-Choice Questions

1.1 The study of management is based on which one of the following characteristics?

A The need to understand the difference between private and public sector work practices.

B Understanding the context in which management is practised and how this context changes over time.

C The role of management gurus and their ability to shift the dominant managerial mindset.

D The routines and structures that make up an organisation.

1.2 Which one of the following is the main criticism of universalism?

A It is too abstract to work in practice.

B It stems from predominantly US theorists.

C It is seen as a fad and lacks concrete evidence.

D It assumes that practices developed in one context can be applied in all contexts.

1.3 For which of the following reasons was co-determination in Germany not popular with US business and political leaders?

A It directly contradicted the American belief in management's right to manage and hierarchical control.

B It meant a loss of US control over German worker relations.

C It threatened the US economy for German workers to have consultation rights.

D The US government did not want the German economy to grow.

1.4 Which one of the following provides the best definition of a 'mindset'?

A A biased point of view.

B A way of thinking and seeing that is based on one's values and attitudes.

C A fully articulated truth.

D A constant state of change.

1.5 Which one of the following explains how particular mindsets become fashionable in management thinking?

A Economic success of a country.
B Promotion of the most up-to-date theory.
C International conferences on new management practices.
D A positive response from the workforce to the application of new ideas in management.

1.6 Which one of the following is a characteristic of Taylorist and Fordist methods of production?

A Close levels of personal supervision.
B High levels of productivity.
C An emphasis on consultation with workers.
D Flexible production systems.

1.7 Which one of the following explains the backlash against 'top-down' control in industry?

A A rise in living standards.
B The rise of trade unions.
C The changing nature of work.
D An international anti-US feeling.

True or False Questions

1.8 Managers don't trust theory because it doesn't fit in with their experience of practice. T or F?

1.9 Relativism in management knowledge and practice means that there is a single best way of managing that can be applied in all circumstances. T or F?

1.10 There is no middle ground between a universalist and relativist position. T or F?

1.11 The major difference between a mechanical and organic mindset is their opinion of the external environment of business and the ability to respond to outside influences. T or F?

1.12 The American model of management, although it has its critics, is broadly successful in most countries. T or F?

1.13 Japanese management models are characteristically 'bottom-up' and give workers a great deal of say in how they are managed. T or F?

1.14 Richard Pascal's claim that 'nothing fails like success' in business is a form of relativist thinking. T or F?

1.15 The mechanical model of management is no longer applicable to modern business. T or F?

Case 1.1: The development of human relations, organisational behaviour and the role of academic gurus

Elton Mayo, the man who 'inspired organisational behaviour courses... around the world' (Hoopes, 2003), was of Scottish descent but grew up in Australia in the early 1900s. He attempted and failed a medical education in Adelaide, Edinburgh and London, but came to study economics and philosophy in Australia and was appointed to a lectureship in Queensland. How did this itinerant 'failure', with a rather conventional education, come to have such a huge influence on the study and practice of management for decades after his death in 1949?

Through a series of accidental meetings, Mayo became interested in the newly emerging discipline of psychology and psychotherapy and, following self-study, became Australia's first practising psychoanalyst. Because of previously formed interests in helping reduce conflict among workers and employers in Queensland, his adopted state, he wrote a book, published in 1919, entitled *Democracy and Freedom*, which warned against greedy employers and class-conscious workers and their unions pursuing their self-interests. Rather than see such a conflict of interests as a naturally occurring phenomenon during the early factory system, he described it in psychoanalytical terms as unconscious phobias. He proposed that the parties should act together to achieve a common social purpose through industrial cooperation and, in doing so, provide an alternative to political democracy. Intelligent managers, he argued, could, through therapeutic techniques and by allowing workers greater participation at work, promote social harmony, not only in industry but also in society at large. His message to the world became the importance of the human factor in an age that was dominated by the teachings of organisations as machines and the role of technology in transforming work and industrial enterprises.

Mayo decided to leave Australia in 1922 to return to London, but running out of money, ended up in California. Through personal charm, and an acute sense of opportunity, he managed to secure a research position with the influential Social Science Research Council, albeit aided by some rather dubious references he had created for himself. Through his heightened sense of networking as a way of getting career development, Mayo moved to the Wharton Business School and then to Harvard. By cultivating the attentions of its Dean, Walter Donham, Mayo managed to establish himself at Harvard Business School. Once there he introduced his ideas on psychotherapy into the curriculum and the notion that the manager's main mission was to produce social harmony in industry. While at Harvard he secured some grant funds, which he used to cultivate a group of gifted young researchers, who collectively became known as the 'Harvard human relations group'. He also made key connections with an anthropologist W. Lloyd Warner, a statistician, T. N. Whitehead, and a biologist, Lawrence Henderson. This group would have an enormous influence on the progress of American industry and business education.

The most famous of their projects was the co-called Hawthorne Experiments, begun in 1926–7 in the Western Electric subsidiary of AT&T, near Cicero, Illinois. This work began as a study of the effects of scientific management ideas on worker productivity and, in particular, the influence of natural or artificial lighting on worker output. However, manipulation of these variables seemed to have no effect. George Pennock, Hawthorne's technical superintendent who conducted these experiments, began to make other changes by introducing rest breaks, shorter hours

and mid-morning meals. Eventually, Pennock decided to set up an experiment by isolating five girls in the now famous 'Relay Assembly Test Room' (RATR). Pennock asked them to work at a comfortable pace, and examined the effects of changes in work conditions on their output. At the same time, however, he also introduced a strong, group-based economic incentive. The five girls were separated from the main hall, where a 100 or so workers were employed and paid on a departmental-wide system; what individuals produced here didn't have much effect on individual earnings. Following a series of experimental changes to heating, lighting, length of working day, rest-breaks, etc. productivity rose in the RATR by approximately 10 per cent.

The girls in the RATR had no supervisor, but Pennock introduced an observer called Homan Hilbarger, who initially became friendly with the girls, but gradually began to annoy them by making advances and unwanted remarks. Later on Hilbarger created further problems when he overheard two of the girls discussing whether they would hold back their effort or go flat out. He told Pennock, who replaced them immediately. The result was record output levels. Pennock couldn't understand what the cause of the improvements were – the small group effect, lunches, rest periods or whatever. He chose to reject the explanation of higher output for higher pay for reasons we can only speculate on.

Meanwhile Mayo came across these experiments as the result of an invitation from the Personnel Director, following a talk Mayo had given in New York. He was asked to comment on what Pennock had found, and this he did with unbounded glee. Scarcely could he believe that he had come across a set of experiments that confirmed his thesis that men and women could use work as the basis for creating social harmony and quickly set about re-interpreting the 'data' to fit in with his prior ideas. Mayo originally analysed the conflict that emerged in the group through neurosis, but when he returned in 1928, Pennock had temporarily returned the improved working conditions of the RATR to their original state by removing all previous benefits. Productivity rose yet again, and Mayo, expecting the opposite to occur, was presented with the task of explaining this unwanted result.

Mayo turned to the now famous theory that the more sympathetic supervision and counselling in the RATR, aided by the observer Hilbarger, had helped the workgroup establish a group spirit, a sense of belonging and sense of working for each other that could not be easily demolished by removing external conditions. He also castigated scientific management explanations for being unable to explain these rises in output. He went on to train supervisors in social therapy techniques so that they could interview workers and use these interviews as a valve for emotional release. However, he soon lost interest in the actual experimental side and gave control of the programme to some of his junior colleagues who set up another experiment, the Bank Wiring Test Room. This experiment used more rigorous techniques of observation and found evidence that totally contradicted Mayo's theses. However, Mayo chose not to report the Bank Wiring Room in the book he persuaded the Western Electric Company to sponsor, the 1933 edition of the *Human Problems of an Industrial Civilisation*. In this book Mayo devoted only 40 pages to Hawthorne but described it in eulogising terms – as a near-utopia in which the girls were never under pressure. Therapeutic supervision had managed to create harmony among a group that subordinated its own self-interests in favour of the right to participate

in the greater good of the group. To create such communities of practice was the job of the new breed of managers trained in psychotherapy. The result would be a form of industrial democracy in which unreasonable democratic conflict would be removed from the industrial landscape.

A subsequent, and much larger, account of the Hawthorne Experiments by his acolytes, Roethlisberger and Dickson, was written in such a manner as to confirm much of what Mayo had suggested, preserving the idea that human relations should be concerned with the explanation of group dynamics and output changes, and not the more obvious scientific management explanations of pay and rewards (though they did recognise pay as a contributory factor). From what has been described as the 'dullest book ever written' (and I can confirm this), the 'scientific' study of human relations and organisational behaviour developed as a counter to Taylorism and the teachings of the day in American and European business schools.

Sources: Hoopes, 2003; Rose, 1975; Roethlisberger and Dickson, 1933.

1. Why do you think Pennock chose not to report the possible explanation that output in the Relay Assembly Test Room rose because of the economic motivations of the workers, and why did Mayo also reject the explanation that money was at the root of output increases?
2. Why should the ideas of human relations become so widely popular, despite the rather obvious flaws in the 'experiments' and the reporting of them by Mayo?
3. How have these ideas that Mayo promoted been adopted and transformed in modern management techniques?
4. How does the concept of universalism apply to this case, and how universal are the ideas of human relations?

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