People have been managed in groups and organizations since prehistoric times. Even the simplest hunting and gathering bands generally recognized and obeyed a leader or a group of decision makers responsible for the band’s welfare. As societies grew larger and more complex, the need for managers became increasingly apparent, leading the scholars of those times to ponder the nature of management in an intuitive fashion.

Two classic works offer useful insights into modern management. The first is ‘The Art of War’, written by the Chinese philosopher, Sun Tzu more than 2,000 years ago. It was modified and used by Mao Zedong, founder of the People’s Republic of China in 1949. Among Sun Tzu’s dictums are the following:

1. When the enemy advances, we retreat
2. When the enemy halts, we harass
3. When the enemy seeks to avoid battle, we attack
4. When the enemy retreats, we pursue

Although these rules were meant to guide military strategy, they could be used when planning a strategy to defeat business competitors.

Another is by Niccolo Machiavelli. Although the adjective Machiavellian is often used to describe cunning and manipulative opportunists, the real Machiavelli was a great believer in the virtues of a republic, a fact shown in his Discourses. Machiavelli wrote the book in

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1531 while living in the early Italian Republic of Florence. With some paraphrasing, the principles he set forth can be applied to the management of organizations today:

1. An organization is more stable if members have the right to express their differences and solve their conflicts within.
2. While one person can begin organization, “it is lasting when it is left in the care of many and when many desire to maintain it”.
3. A weak manager can follow a strong one, but not another weak one, and maintain authority.
4. A manager seeking to change an established organization “should retain at least a shadow of the ancient customs.”

Attempts to develop theories of management, however, are relatively recent, dating from the industrial revolution of the eighteenth and its aftermath in the nineteenth centuries. The use of new technologies concentrated great quantities of raw materials and large numbers of workers in factories; goods were produced in volume and had to be distributed widely.

There are three well-established schools of management thought: the classic school (which has two branches - scientific management and classical organization theory), the behavioural school, and the management science school. Although these schools developed in historical sequence, later ideas have not replaced earlier ones. Instead, each new school has tended to complement or coexist with previous ones. At the same time, each school has continued to develop and even merge with others giving rise to three recent integrative approaches: The systems approach, the contingency approach, and the neo-human relations movement.

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SCIENTIFIC MANAGEMENT THEORY

This theory arose in part from the need to increase productivity. In the United States especially, skilled labour was in short supply at the beginning of the twentieth century. The only way to expand productivity was to raise the efficiency of workers. Thus, Frederic W. Taylor, Henry L. Gantt, and the Gilbreths-Frank and Lillian-devised the body of principles known as scientific management theory.

FREDERICK W. TAYLOR:

Frederic W. Taylor (1856-1915) based his management system on production-line time studies. Instead of relying on traditional work methods, he analyzed and timed steel workers’ movements on a series of jobs. Using time study as his base, he broke each job down into its components and designed the quickest and best methods of performing each component. Taylor thereby established how much workers should be able to do with the equipment and materials at hand. He also encouraged employers to pay more productive workers at a higher rate than others. The higher rate was carefully calculated and based on greater profit that would result from increased production. Thus workers were urged to surpass their previous performance standards to earn more pay. Taylor called his plan the differential rate system. He believed that workers who met the higher standards need not fear layoffs because their companies benefited from their higher productivity. The higher payments were assured because they were “scientifically correct” rates set at a level that was best for both company and worker. He insisted that no one would be hurt by the differential system because
those workers who fell below standard would find other work “in a day or two” because of the existing labour shortage.

In 1893, Taylor decided he could best put his ideas into effect as a private consulting management engineer. He was soon able to report impressive improvement with one client, Simonds Rolling Machine Company. In one operation, Simonds employed 120 experienced women to inspect bicycle ball bearings. The work was tedious and the hours were long. There seemed little reason to believe improvements could be made. Taylor proved otherwise. First, he studied and timed the movements of the best workers. Then he trained the rest in the methods of their more effective co-workers. The least effective workers were transferred or laid off. He shortened the workday - from 10 ½ to 8 ½ hours - and introduced rest periods, the differential rate system, and other improvements. The results were impressive: 35 inspectors did the work formerly done by 120; accuracy improved by two-thirds; wages rose by 80 to 100 percent; and worker morale went up. Taylor reported equally impressive results for other clients, including Bethlehem Steel.

Although Taylor’s methods led to dramatic increase in productivity and to higher pay in a number of instances, workers and unions began to oppose his approach because they feared that working harder or faster would exhaust whatever work was available, causing layoffs. The fact that workers had been laid off at Simonds and other organizations that adopted Taylor’s methods reinforced this fear. As Taylor’s ideas spread, so did the opposition to them.

By 1912, resistance to Taylorism had caused a strike at the Watertown Arsenal in Massachusetts, and hostile members of Congress called on Taylor to explain his ideas and techniques. Both in his testimony and in his two books, Shop Management and The Principles
Taylor rested his philosophy on four basic principles:

1. The development of true science of management, so that the best method for performing each task could be determined.
2. The scientific selection of workers, so that each worker would be given responsibility for the task for which he or she was best suited.
3. The scientific education and development of the worker.
4. Intimate, friendly cooperation between management and labour.

Taylor contended that the success of these principles required a "complete mental revolution" on the part of management and labour. Rather than quarrel over whatever profits there were, both sides should try to increase production; by so doing, profits would rise to such an extent that labour and management would no longer have to fight over them. In short, Taylor believed that management and labour had a common interest in increasing productivity.

HENRY L. GANTT:

Henry L. Gantt (1861-1919) had worked with Taylor on several projects, including Simonds and Bethlehem Steel. But when he went out on his own as a consulting industrial engineer, Gantt began to reconsider Taylor's incentive system.

3 Taylor, Frederic, Scientific Management (New York: Harper & Brother), 1947 (both books in addition to Taylor's testimony before the Special House Committee appeared in this book).
Abandoning the differential rate system as having too little motivational impact, Gantt came up with a new idea. Every worker who finished a day’s assigned workload would win a 50 cent bonus. Then he added a second motivation. The superior would earn a bonus for each worker who reached the daily standard, plus an extra bonus if all the workers reached it. This, Gantt reasoned, would spur supervisors to train their workers to do a better job.

Gantt also built upon Owen’s idea of rating an employee’s work publicly. Every worker’s progress was recorded on individual bar charts—black on days the worker made the standard, in red when he or she fell below it. Going beyond this, Gantt originated a charting system for production scheduling; the “Gantt chart” is still in use today.

THE GILBRETHS:

Frank B. and Lillian M. Gilbreth (1868-1924 and 1878-1972) made their contribution to the scientific management movement as a husband-and-wife team. Lillian’s doctoral dissertation, which later appeared in book form as The psychology of Management, was first published in the magazine “Industrial Engineering” in 1912. Although she and Frank collaborated on fatigue and motion studies, Lillian also focused on ways of promoting the individual worker’s welfare. To her, the ultimate aim of scientific management was to help workers reach their full potential as human beings.

Frank Gilbreth began work as an apprentice bricklayer and worked his way up the managerial ladder. Bricklayers, he noticed, used three different sets of motions: one for teaching apprentices, another for working fast, and a third for deliberately holding down the pace of their

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work. After careful study of the different motions, Frank was able to
develop a technique that tripled the amount of work as bricklayer could
do in a day. His success led him to make motion and fatigue study his
life work.

In Frank Gilbreth’s conception, motion and fatigue were
intertwined. Every motion that was eliminated reduced fatigue. Using
motion picture cameras, he tried to find the most economical motions for
each task in order to upgrade performance and reduce fatigue. Both
Gilbreths argued that motion study would raise worker’s morale because
of its obvious physical benefits and because it demonstrated
management’s concern for the worker.

The Gilbreths developed a three position plan of promotion that
was intended to serve as an employee-development program as well as
a morale booster. According to this plan, a worker would do his or her
present job, prepare for the next higher one, and train his or her
successor, all at the same time. Thus every worker would always be a
doer, a learner, and a teacher, and would continually look forward to
new opportunities.

Contributions Of Scientific Management Theory:

The modern assembly line pours out finished products faster than
Taylor could ever have imagined. This production “miracle” is just one
legacy of scientific management. In addition, its efficiency techniques
have been applied to many organizations outside industry, ranging from
fast-food service to the training of surgeons, making us aware that any
task can be made more efficient and rational. Scientific management’s
influence can also be seen in the emphasis many organizations place
on job design and the scientific selection and development of workers.
Thus, scientific management fostered a rational approach to solving
organizational problems. More importantly, it laid the ground work for the professionalization of management.⁵

Limitations Of Scientific Management Theory:

Scientific management was limited by its underlying assumptions about human beings. The then-popular model of human behaviour held that people were “rational” and motivated primarily to satisfy their economic and physical needs.⁶ However, this model overlooked the human desire for job satisfaction and the social needs of workers as a group, failing to consider the tensions created when these needs are frustrated.⁷

Furthermore, the emphasis on productivity - and, by extension, profitability led some managers to exploit both workers and customers. As a result, more workers joined unions, reinforcing a pattern of suspicion and mistrust that coloured labour-management relations for decades. In addition, the abuses of the “robber barons” sparked public outrage and the first wave of federal regulation of business.

CLASSICAL ORGANIZATION THEORY

Scientific management was concerned with increasing the productivity of the shop and the individual worker (the other branch of classical management-classical organization theory - grew out of the

HENRI FAYOL:

Henri Fayol (1841-1925) is generally hailed as the founder of the classical management school - not because he was the first to investigate managerial behaviour, but because he was the first to systematize it. Fayol believed that sound management practice falls into certain patterns that can be identified and analyzed. From this basic insight, he drew up a blueprint for a cohesive doctrine of management, one that retains much of its force to this day.

Fayol believed that "with scientific forecasting and proper methods of management, satisfactory results were inevitable." In his faith in scientific methods, Fayol was like Taylor, his contemporary. While Taylor was basically concerned with organizational functions, however, Fayol was interested in the total organization.

Drawing on his many years experience as a manager, Fayol divided business operations into six interrelated activities: (1) technical - producing and manufacturing products; (2) commercial - buying raw materials and selling products; (3) financial acquiring and using capital; (4) security - protecting employees and property; (5) accounting; and (6) management. Of these, he focused primarily on management, because he felt it had been the most neglected of business operations.

Before Fayol, it was generally believed that "managers are born, not made." Fayol insisted, however, that management was a skill like any other – one that could be taught once its underlying principles were understood.
MAX WEBER:

Reasoning that any goal oriented organization consisting of thousands of individuals would require the carefully controlled regulation of its activities, the German sociologist, Max Weber (1864-1920) developed a theory of bureaucratic management that stressed the need for a strictly defined hierarchy governed by clearly defined regulations and lines of authority. For Weber, the ideal organization was a bureaucracy whose activities and objectives were rationally thought out and whose divisions of labour were explicitly spelled out. Weber also believed that technical competence should be emphasized and that performance evaluation should be made entirely on the basis of merit.

Today, we often think of bureaucracies as vast, impersonal organizations that put impersonal efficiency ahead of human needs. We should be careful, though, not to apply our negative connotations of the word bureaucracy to the term as Weber used it. Like the scientific management theorists, Weber sought to improve the performance of socially important organizations by making their operations predictable and productive. We now value innovations and flexibility as much as efficiency and predictability. Weber’s model of bureaucratic management clearly advanced the formation of huge corporations such as Coca-Cola.

Contributions Of Classical Organization Theory:

Much that was contained in classical organization theory has endured. For example, the concept that management skills apply to all types of group activity has, if anything, increased in importance. The

concept that certain identifiable principles underline effective managerial behaviour and that these principles can be taught, also continues to be valid.

Although classical organization theory has been criticized by other theorists, it was well received by practicing managers for some time. This may be because classical organization theory helped isolate major areas of practical concern to the working manager. Above all, the classical organization school made managers aware of the basic kinds of problems they would face in any organization.

Limitations Of Classical Organization Theory:

Classical organization theory has been criticized on the ground that it was more appropriate for the past, when organizations were in a relatively stable and predictable environment, than for the present, when organizational environments are more turbulent. For example, classical theorists insisted that managers maintain their formal authority, but today’s better-educated employees are less inclined to accepting the formal authority, especially when it is applied arbitrarily.

The behavioural school emerged partly because the classical approach did not achieve sufficient production efficiency and workplace harmony. To managers’ frustration, people did not always follow predicted or expected patterns of behaviour. Thus there was increased interest in helping managers deal more effectively with the “people side” of their organizations. Several theorists tried to strengthen classical organization theory with the insights of sociology and psychology.

THE HUMAN RELATIONS MOVEMENT

Human relations is frequently used as a general term to describe the ways in which managers interact with their subordinates. When
“employee management” stimulates more and better work, the organization has effective human relations; when morale and efficiency deteriorate, its human relations are said to be ineffective. The human relations movement grew out of early attempts to systematically discover the social and psychological factors that would create effective human relations.

THE HAWTHORNE EXPERIMENTS:

The human relations movement grew out of a famous series of studies conducted at the Western Electric Company from 1924 to 1933. These eventually became known as the “Hawthorne Studies” because many of them were performed at Western Electric’s Hawthorne plant near Chicago. The Hawthorne Studies began as an attempt to investigate the relationship between the level of lighting in the workplace and worker productivity - the type of question Frederic Taylor and his colleagues might well have addressed.

In some of the early studies, the Western Electric researchers divided the employees into test groups, which were subjected to deliberate changes in lighting; and the control groups, whose lighting remained constant throughout the experiments. The results of the experiments were ambiguous. When the test group’s lighting was improved, productivity tended to increase, although erratically. But when lighting conditions were made worse, there was also a tendency for productivity to increase in the test group. To compound the mystery, the control group’s output also rose over the course of the studies, even though it experienced no changes in illumination. Obviously, something besides lighting was influencing the workers’ performance.

In a new set of experiments, a small group of workers was placed in a separate room and a number of variables were altered: wages...
were increased; rest periods of varying lengths were introduced; the workday and workweek were shortened. The researchers, who now acted as supervisors, also allowed the groups to choose their own rest periods and to have a say in other suggested changes. Again, the results were ambiguous. Performance tended to increase over time, but it also rose and fell erratically. Partway through this set of experiments, Elton Mayo (1880-1949) and some associates from Harvard, including Fritz J. Roethisberger and William J. Dickson, became involved.

In these and subsequent experiments, Mayo and his associates decided that a complex chain of attitudes had touched off the productivity increases. Because they had been singled out for special attention, the test and the control groups had developed a group pride that motivated them to improve their work performance. Sympathetic supervision had further reinforced their motivation. The researchers conclude that employees would work harder if they believed management was concerned about their welfare and supervisors paid special attention to them. This phenomenon, subsequently labeled the Hawthorne effect, has remained quite controversial to this day. Since the control group received no special supervisory treatment or enhancement of working conditions but still improved its performance, some people (including Mayo himself) speculated that the control group’s productivity gains resulted from the special attention of the researchers themselves.

The researchers also concluded that in the informal work groups, the social environment of employees has a positive influence on productivity. Many of Western Electric’s employees found their work dull and meaningless, but their association and friendship with co-workers, sometimes influenced by a shared antagonism toward the “bosses,” imparted some meaning to their working lives and provided some protection from management. For these reasons, group pressure was
frequently a stronger influence on worker productivity than management demands.

To Mayo, then, the concept of "social man"—motivated by social needs, wanting rewarding on-the-job relationship, and responding more to work-group pressure than to management control—was necessary to complement the old concept of "rational man" motivated by personal economic needs.9

Contributions Of The Human Relations Approach:

By stressing social needs, the human relations movement improved on the classical approach, which treated productivity almost exclusively as an engineering problem. In a sense, Mayo had rediscovered Robert Osen’s century-old dictum that a true concern for workers, those "vital machines," paid dividends.

In addition, these researchers spotlighted the importance of a manager’s style and thereby revolutionized management training. More attention was focused on teaching people-management skills and less on teaching technical skills. Finally, their work led to a new interest in group dynamics. Instead of focusing just on the individual worker, managers began thinking about group processes and group rewards.

Limitations Of The Human Relations Movement:

Although the Hawthorne experiments profoundly influenced the way managers approached their jobs and how management research was subsequently conducted, the studies had many weaknesses of design, analysis, and interpretation. Whether Mayo and his colleagues’

conclusions are consistent with their data is still the subject of lively debate and considerable confusion.\textsuperscript{10}

The concept of “social man” was an important counterweight to the one-sided “rational-economic man” model, but it, too, failed to describe completely the individuals in the workplace. Many managers and management writers assumed satisfied workers would be more productive workers. However, attempts to increase output during the 1950s by improving working conditions and employee satisfaction did not result in the dramatic productivity increase that had been expected.

Apparently, the social environment in workplace is only one of several interacting factors that influence productivity. Salary levels, the interest levels of given tasks, organizational structure and culture, and labour-management relations also play a part. Thus the entire matter of productivity and worker satisfaction has turned out to be far more complex than originally thought.

For example, a rigorous study conducted by social psychologists P. Mirvis and E. E. Lawler in 1977 produced inconclusive findings about the relationship between job satisfaction and job performance.\textsuperscript{11} In attempting to measure the performance of bank tellers in terms of cash shortages, Mirvis and Lawler proposed two arguments: (1) satisfied tellers were less likely to show shortages through either carelessness or dishonestly; (2) satisfied workers were less likely to leave their jobs, and so saved their employers the considerable expense of recruiting and training replacements. However, subsequent analysis of this study tends to support the contention that when the quantity of worker’s output is used to measure the relationship between satisfaction and

\textsuperscript{10} The Hawthorne Defect: Persistence of a Flawed Theory, Psychology Today, February 1982, pp. 70, 72-74.

performance, the correspondence is generally lower than expected. Such analysis raises a crucial question: Does a worker perform well because he or she is satisfied, or does the worker’s perception that he or she is performing well lead to satisfaction?

Satisfaction does seem to lower absenteeism and job turnover, but analysis of the Mirvis-Lawler data shows that even this correspondence is lower than one might expect. Finally, even the correlation between dissatisfied workers and job turnover is smaller than one might assume.\(^\text{12}\)

In conclusion, there seems to be at least two reasons why it is difficult to study the relationship between job satisfaction and performance or productivity. First, job satisfaction is largely an emotional response to one’s work; emotional factors, besides involving numerous variables, are notoriously hard to measure in terms precise enough to satisfy the requirements of social scientific study.

\textbf{FROM HUMAN RELATIONS TO THE BEHAVIOURAL SCIENCE APPROACH:}

Mayo and his colleagues pioneered the use of the scientific method in their studies of people in the work environment. Later researchers, more rigorously trained in the social sciences (psychology, sociology, and anthropology), used more sophisticated research methods and became known as “behavioural scientists”, rather than “human relations theorists.”

Mayo and human relations theorists introduced “social man,” motivated by a desire to form relationship with others. Some behavioural

\(^12\) Muchinsky, P. M., Psychology Applied to Work (Homewood, Ill: Dorsey Press), 1983.
scientists, such as Argyris, Maslow, and McGregor, believed that “self-actualizing man” was a more accurate concept for explaining human motivations.

According to Maslow, the needs of the people that are motivated to satisfy fall into a hierarchy: at the bottom of which are physical and safety needs and at the top of which are ego needs (the need for respect, for example) and self-actualizing needs (such as the need for meaning and personal growth). In general, lower-level needs must be satisfied before higher-level ego and self-actualizing needs.

Some later behavioral scientists feel that even this model cannot explain all the factors that may motivate people in the workplace. They argue that not everyone goes predictably from one need level to the next. For some people, work is only a means for meeting lower-level needs; others are satisfied with nothing less than the fulfillment of their highest-level needs and may even choose to work in jobs that threaten their safety if that means they can attain uniquely personal goals. To these behavioral scientists, the more realistic model of human motivation is “complex man.” The effective manager is aware that no two people are exactly alike and tailors his or her attempts to influence workers according to their individual needs.

Contributions Of The Behavioral Science School:

Behavioral scientists have made enormous contributions to our understanding of individual motivation, group behavior, interpersonal relationships at work, and the importance of work to human beings. Their findings have enabled managers to become much more sensitive and sophisticated in dealing effectively with subordinates. Behavioral scientists continue to offer new insights in such important areas as leadership, conflict resolution, the acquisition and use of power, organizational change, and communication.
Limitations Of The Behavioural Science School:

Despite its impressive contributions, many management writers-including some behavioural scientists-believe the field's potential has not been fully realized. Because they do not like to admit they need help in dealing with people, managers may resist suggestions from behavioural scientists. Also, the models, theories, and jargon of behavioural scientists may seem too complicated and abstract to practicing managers. Finally, because human behaviour is so complex, behavioural scientists often differ in their conclusions and recommendations, making it difficult for managers to decide whose advice to follow.13

THE QUANTITATIVE SCHOOL: OPERATIONS RESEARCH AND MANAGEMENT SCIENCE:

At the beginning of World War II, Britain desperately needed to solve a number of new, complex problems in warfare. With their survival at stake, the British formed the first operational research (OR) teams. By pooling the expertise of mathematician, physicist, and other scientists in OR teams, the British were able to achieve significant technological and tactical breakthroughs. When the Americans entered the war, they formed what they called operations research teams based on the successful British model, to solve similar problems, using early computers to perform the thousands of calculations involved in mathematical modeling.

When the war was over, the applicability of OR to problems in industry gradually became apparent since new industrial technologies were being put into use and transportation and communication were becoming more complicated. These developments brought with them a host of problems that could not be solved easily by conventional means. Increasingly, OR specialists were called on to help managers come up with answers to these new problems. With the development of high-powered computers, OR procedures were formalized into what is now called the "management science school."  

To-day the management science approach to solve a problem begins when a mixed team of specialists from relevant disciplines is called in to analyze the problem and propose a course of action to management. The team constructs a mathematical model that shows, in symbolic terms, all the relevant factors bearing on the problem and how they are interrelated. By changing the values of the variables in the model (such as increasing the cost of raw materials) and analyzing the different equations of the model with a computer, the team can determine the effects of each change. Eventually, the management science team presents management with an object basis for making a decision.  

The techniques of management science are a well-established part of the problem-solving armoury of most large organizations, including the civilian and military branches of government. As it is quite evident, management science has made its greatest contributions in planning and control activities, including the development of product strategies, human resource development programs, production

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15 Mesarovic, Mihajlo and Eduard Peste, Mankind at the Turning Point (New York: Dutton), 1975.
scheduling, capital budgeting, cash flow management, and the maintenance of optimal inventory levels.

Management science is limited in two ways; however, first, some managers feel the mathematical basis of management science is too complicated for ready understanding and use. Second, management science is inadequate for dealing with the psychological and behavioral components of workplace activities. Some practicing managers trace this to their limited involvement in developing management science techniques.\textsuperscript{16}

Management scientists themselves believe they have not achieved their full potential because they are too remote from the problems and constraints faced by actual managers.\textsuperscript{17}

\textbf{The Evolution Of Management Theory:}

The behavioural science and the management science school both represent vital approaches to researching, analyzing, and solving management problems. The classical school too continues to evolve, integrating newer developments from other schools into its basic framework of such traditional issues as division of labour, authority, responsibility, and initiative. In fact, while each school retains its special focus, each tends to borrow insights and concepts from the others. Indeed, it often seems that the boundaries between the various


schools are becoming progressively blurred. But the growing similarities among the schools should not be exaggerated. Many individuals integrate the perspectives of all schools. One benefit of studying the major theories is that one can understand the perspective of the future colleagues in management and thus be prepared to work effectively with them.

Moreover, current management theory continues to generate exciting concepts. It is impossible to predict what future generations will be studying, but at this point one can identify at least three additional perspectives on management theory that are important: the systems approach, contingency approach, and a neo-human relations approach.

THE SYSTEMS APPROACH

Rather than dealing separately with the various segments of an organization, the systems approach to management views the organization as a unified, purposeful system composed of interrelated parts. This approach gives managers a way of looking at the organization as a whole and as a part of the larger, external environment. In so doing, systems theory tells us that the activity of any segment of an organization affects, in varying degrees, the activity of every other segment.

Production managers in a manufacturing plant, for example, would like to have long uninterrupted production runs of standardized products in order to maintain maximum efficiency and low costs.

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Marketing managers, on the other hand, wanting to offer quick delivery of a wide range of products, would like a flexible manufacturing schedule that can fill special orders on short notice. Systems-oriented production managers would make scheduling decisions only after they have identified these decisions' impact on other departments and the entire organization. The point of the systems approach is that managers cannot function wholly within the confines of the traditional organization chart. They must mesh their department with the whole enterprise, and to do that they have to communicate with other employees and departments, and frequently with representatives of other organization as well.  

**SOME KEY CONCEPTS:**

Many of the concepts of general systems theory are finding their way into the language of management. As manager, one needs to be familiar with the systems vocabulary so that one can keep pace with current developments.

**Subsystems:**

The parts that make up the whole of a system are called Subsystems. And each system in turn may be a subsystem of a still larger whole. Thus a department is a subsystem of a plant, which may be a subsystem of a company, which may be a subsystem of a conglomerate or an industry, which is a subsystem of the national economy, which is again a subsystem of the world system.

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Synergy:

Synergy means that the whole is greater than the sum of its parts. In organizational terms, synergy means that as separate departments within an organization cooperate and interact, they become more productive than if each had acted in isolation. For example, in a small firm, it is more efficient for each department to deal with one financing department than for each department to have a separate financing department of its own.

Open and Closed System:

A system is considered an open system if it interacts with its environment; it is considered a closed system if it does not. All organizations interact with their environment, but the extent to which they do so varies. An automobile plant, for example, is a far more open system than a monastery or a prison.

System Boundary:

Each system has a boundary that separates it from its environment. In a closed system, the System boundary is rigid; in an open system, the boundary is more flexible. The system boundaries of many organizations have become increasingly flexible in recent years. For example, oil companies wishing to engage in offshore drilling now must consider public concern for the environment.

Flow:

A system has flows of information, materials, and energy (including human energy). These enter the system from the environment as inputs (raw materials, for example), undergo transformation processes within the system (operations that alter them), and exit the system as outputs (goods and services).
Feedback:

Feedback is the key to system controls. As operations of the system proceed, information is fed back to the appropriate people or perhaps to a computer so that the work can be assessed and, if necessary, corrected.  

21 Systems theory calls attention to the dynamic and interrelated nature of organizations and the management task. Thus it provides a framework within which one can plan actions and anticipate both immediate and far-reaching consequences, while allowing one to understand unanticipated consequences as they develop with a systems perspective. General managers can more easily maintain a balance between the needs of the various parts of the enterprise and the needs and goals of the whole firm.

Its advocates believe that systems theory will either absorb concepts of the other management schools until it becomes dominant or eventually develops into a well defined school by itself. At present, though, it seems most likely that systems theory will be incorporated into the thinking of all the major schools. The systems approach has already permeated management thinking, and the concepts just described are an integrated part of the thought processes and research designs of both on-job managers and academic theorists of all three major schools.

THE CONTINGENCY APPROACH

The well-known international economist, Charles Kindleberger, was fond of telling his students at MIT that the answer to any really

engrossing question in economics is: The task of the economist is to specify upon what it depends, and in what ways:

“It depends” and is an appropriate response to the important questions in management as well. Management theory attempts to determine the predictable relationships between situations, actions, and outcomes, so it is surprising that a recent approach seeks to integrate the various schools of management thought by focusing on the interdependence of the many factors involved in the management situation.22

The contingency approach (sometimes called the situational approach) was developed by managers, consultants, and researchers who tried to apply the concepts of the major schools to real-life situations. When methods highly effective in one situation failed to work in other situations, they sought an explanation. Why, for example, did an organizational development program work brilliantly in one situation and fail miserably in another? Advocates of the contingency approach had a logical answer to all such questions: Results differ because situations differ; a technique that works in one case will not necessarily work in all cases.

According to the contingency approach, the manager’s task is to identify which technique will, in a particular situation, under particular circumstances, and at a particular time, best contribute to the attainment of management goals. Where workers need to be encouraged to increase productivity, for example, the classical theorist may prescribe a new work-simplification scheme. The behavioural scientist may instead seek to create a psychologically motivating, climate and recommend some approach like job enrichment - the combination of tasks that are

different in scope and responsibility and allow the worker greater autonomy in making decisions. But the manager trained in the contingency approach will ask, “Which method will work best here?” If the workers are unskilled, and training opportunities and resources are limited, work simplification would be the best solution. However, with skilled workers driven by pride in their abilities, a job-enrichment program might be more effective.

The contingency approach builds upon the systems approach by focusing in detail on the relationships between system parts, by seeking to define those factors that are crucial to a specific task or issue, and by clarifying the functional interactions between related factors. For this reason, advocates of the contingency approach see it as the leading branch of management thought today.23

The primacy of the contingency approach is challenged, however, by several other theorists.24 They argue that this approach does not incorporate all aspects of systems theory and that it has not yet developed to the point where it can be considered a true theory by itself. Critics also contend that there really isn’t much new about the contingency approach - that, for example, even classical theorists such as Fayol cautioned that management principles must be applied flexibly.

Supporters of the contingency approach counter that many theorists forgot the pragmatic cautions of Fayol and others and too often theorists tried to come up with “universal principles” that could be applied in every situation. When working managers applied these principles, though, they often had a rude encounter with unpredictable

reality. The contingency approach tells managers to be aware of the shades and complications in every situation and to actively try to determine what would work best in each particular case.

THE NEO HUMAN RELATIONS MOVEMENT

The Neo-human relations movement is an integrated approach that combines a positive view of human nature with the scientific study of organizations to prescribe how effective managers should act in most circumstances. This movement began in the 1950s and gained momentum in the 1960s.\textsuperscript{25}

That the neo-human relations approach is indebted to the contingency approach is evident in Tom Burns and G. M. Stalker's declaration that “the beginning of administrative wisdom is the awareness that there is no optimum type of management system.”\textsuperscript{26} The neo-human relations movement goes beyond contingency theory, though, to propose how management should act in most circumstances.

W. Edwards Deming, Tom Peters, and others have combined scientific studies and clinical experience to devise a comprehensive and practical set of principles of management, much as Fayol did in his early part of the century. These principles focus on the concept of “quality” in work and in the individual worker's relationships with others.

The neo-human relations movement captured widespread public attention in 1982, when management consultants Thomas J. Peters and Robert H. Waterman published their study of 43 “excellently managed”

\textsuperscript{25} Woodward Joan, Industrial Organization (London: Oxford University Press), 1965.

U.S. companies. These companies, which included IBM, Eastman Kodak, 3M, Boeing, Bechtel, Proctor & Gamble, and McDonald's, had been consistently profitable over a 20-year period. In addition, they were unusually successful in responding to customer needs, provided a challenging and rewarding work environment for their employees, and met their social and environment obligations effectively. Peters and Waterman concluded that these companies were "brilliant on the basics"—they simply did the most fundamental organizational tasks very well.

In little-read chapter of their *In Search of Excellence*, Peters and Waterman describe the social science research on which they base their principles of management. This research is explicitly about human nature and the ways people interact in organizations. Instead of "rational man" or "man motivated by fear," the research reveals human beings to be emotional, intuitive, and creative social creatures. We all like to think of ourselves as winners and need to celebrate our victories, however, small. Although we value self-control, we need and want the security and meaning of achieving goals through organizations. Peters and Waterman used conclusions like these to deduce some general rules for treating workers with the dignity and respect they require to do quality work.

One of these "rules" stresses the importance of values. According to Peters and Waterman, "The top performers create a broad, uplifting, shared culture, a coherent framework within which charged-up people search for appropriate adaptations." As examples, they cite such strongly held managerial values as IBM'S "respect for the individual" and Frito-Lay's commitment to a "99.5 percent" level of satisfactory service. Such values help employees work toward common...

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28 Ibid., p.51.
goals and to adapt to inevitable changes in internal and external conditions.

No company can rest on its laurels; however, for a firm that embodies excellence one year may be founder for the next. As Peters notes, "IBM was declared dead in 1979, the best of the best in 1982, and dead again in 1986."29 Companies must remain flexible if they are to survive in our increasingly competitive international economy. Indeed, Peter Drucker, writing as far back as 1965, envisioned an "entrepreneurial society" in which "Tradition, convention, and 'corporate policy' will be a hindrance rather than a help."30

In their subsequent research, Peters and Waterman have stressed two principles. The first, as Peters says, is "a set of new basics: world-class quality and service, enhanced responsiveness through greatly increased flexibility and continuous, short-cycle innovation and improvement" of a company's products.31 Companies must pursue what Waterman calls "informal opportunism"; they must respond to opportunities and challenges quickly, as they arise.

The second principle, as Waterman puts it, is to recognize that people are "the main engine" of any company, not just "interchangeable parts of the corporate machine."32 Only a company's people can make it succeed and then help it defend its turf. Employees' loyalty must be won through a new sort of social contract. As Peters says:

For managers, this path means continuously retraining employees on more complex tasks, automating in ways that cut routine tasks and enhance worker flexibility and creativity, diffusing

31 Peters Thriving on Chaos, op. cit., pp. 3-4.
responsibility for innovation, taking seriously labour's concern for job security, and giving workers a stake in improved productivity via profit-linked bonuses and stock plans. For workers, this path means accepting flexible job classifications and work rules, agreeing to wage rates linked to profit and productivity improvements, and generally taking greater responsibility for the soundness and efficiency of the enterprise.33

If writers like Drucker, Peters, and others34 are correct, the new emphasis on human relations management is an important step in the evaluation of management thought - one that must be acknowledged in any integrative approach management theory. One such effort has been made by William Ouchi, an American familiar with Japanese organizational practices.35 Ouchi first observed that many of the most successful American companies “behaved” much like Japanese organizations. Since much of the Japanese managerial style was actually borrowed from Western models based primarily on scientific management principles, Ouchi has proposed a management model that integrates the successful practice of both Japanese and American cultures. In particular, he endorses greater emphasis on human relations management as a complement to the techniques of scientific management. The organization, he proposes, must devote more energy to satisfying the needs of its human resources, both as individuals and as groups. He suggests such goals can be attained if an organization focuses on changes in two crucial areas: Decision making should become a participatory activity for a greater number of employees; and responsibility should be considered a collaborative function, preferably the product of group or team processes.

33 Peters, Thriving on Chaos, op. cit., p. 22.
Whether the neo-human relations approach will turn out to be a major contributor to management theory or just another conceptual fad is impossible to say at this point, but it is certainly having a tremendous impact on management thinking in both universities and organizations.

HARVARD MODEL

In the United States, the Harvard started the ‘Harvard Model’. It is the most influential and most familiar approach so far as the international scholarly and business communities are concerned. As a model it implicitly, and minimally, promises either a descriptive analysis or a prescriptive agenda for the management of people: a status that Beer et al have never claimed for HRM. Their original intention was to develop ‘a framework for thinking and managing human resources that general managers will find useful’ driven by the desire (academically led) and the need (market inspired) to develop a course at Harvard Business School. At best, although unstated, their claim might be that the Harvard framework is a prescriptive model.

A UK version of HRM, based largely on the Harvard framework, has been developed by Guest who modifies the concepts and gives it the status of a ‘theory with the commendable scholarly intention ‘to develop a set of testable propositions and finally to arrive at a set of prescriptive policies’.

Consequently, for some practitioners and academics, HRM is full-blown management theory with practical implications, whilst for others, it remains an uncertain and imprecise notion. Overall, there is a general lack of clarity as to what HRM means for both the practitioner and the academic. For example, at practitioner level, we can point to organizations that have merely changed the name plaque on the personnel manager’s door to human resources manager\(^{39}\) in contrast to organizations which have undertaken fundamental changes in line with HRM prescriptive policy. Likewise, we are faced with explaining organizations that have always used HRM-type policies, yet persist in describing the practice as personnel management - the most obvious example in the U.K. being Marks & Spencer.

Legge\(^{40}\) attributes much of the confusion about HRM to a failure to compare normative models of personnel management with HRM and then examine the practices of both. Furthermore, she identifies inconsistencies and tensions within HRM, which compound the uncertainty of the model. As a model, HRM is elevated to a position of scholarly and practical importance in terms of its analytical and predictive powers.

**The Elements Of A Theory:**

Drawing from the work of Dubin (1978), Cohen (1980) and Bacharach (1989) a theory consists of units whose interaction allows to forward propositions about their relationships. These units are

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represented by constructs or concepts at the abstract level, whilst at the empirical (observable) level they are represented by variables. Likewise, propositions can be operationalized as hypotheses, stating a relationship between variables. The theory is bounded by assumptions which have been informed by values and by ontological and epistemological considerations. This overview is represented by following Figure 2.1:

**Figure: 2.1**

**Components of a Theory**

Assumptions: human nature/ontology

Boundary: temporal/spatial limits

- Construct concept
- Proposition
- Construct concept
- Variable
- Hypothesis
- Variable

Source: Based on Bacharach, 1989 and Dubin, 1978

The Harvard model offers an improved conceptualization of the links between human resources policies and other organizational variables which is pluralist in its philosophical basis (Figure 2.2). The idea that HR strategy should be linked to business strategy is presented, but the need for consideration of, and compromise with, workforce and union aspirations is also recognized. Building on this perspective, the Harvard authors attempt to theorize employee influence as the integrative element in all HR policies: practices in the other three
areas (work systems, HR flow, rewards) are all seen to be related to the central question of how managers seek to structure employee influence. In this way, Beer et al. suggest a conceptualization of the employment relationship which recognizes the centrality of governance concerns but allows for a variety of means for dealing with them (thus incorporating both North American and European models and new and old ideas). Although much more needs to be done to extend and refine the Harvard framework, it does represent an important advance over traditional personnel management texts. These texts largely overlooked the need to theorize the relationship among the different HR Policy domains and avoided the connections between HRM as a whole and other significant organizational variables.

This model focuses upon the HRM policy choices and suggests that managers are influenced and constrained by stakeholder interests and situational factors. Management policy choices affect the human resource outcomes (commitment, competence, congruence and cost effectiveness - the four Cs), which in turn affect long term consequences and to complete the process will feed back to affect the consequences - stakeholder interests, situational factors and policy choices. Interestingly, there is no feedback loop suggested at the policy or outcome stage, thus the relationships are uni-directional.

Figure: 2.2
The Harvard Analytic Framework for HRM

Stakeholder Interests
Shareholders
Management
Employee groups
Government
Community
Unions

HRM policy choices
employee influence
Human resource flow
Reward systems
Work systems

HR outcomes
Commitment
Competence
Congruence
Cost
Effectiveness

Long-term consequences
Individual well-being
Organizational effectiveness
Societal well-being

Situational factors
Work force characteristics
Business strategy and conditions
Management philosophy
Labor market
Unions Task
Technology Laws and
Societal values

Source: Beer et al., 1984
Guest draws heavily from the Harvard framework to develop the 'bare bones' of a theory (see Figure 2.3). He adopts similar terminology to link policy with human resources outcomes and organisational outcomes, but suggests this needs to be 'cemented' by supportive leadership, a strong culture and a conscious strategy. This element of strategy seems to stem from yet a different US version of HRM, developed by Tichy 42 which is more concerned with the role human resources play in strategic management of the business. Borrowing from both versions, Guest synthesizes a UK version and arrives at the proposition, 'if an organization utilizes the policy areas listed in pursuit of the four HRM policy goals in a supportive organizational context, then positive outcomes should ensue'43 By his own definition, he constructs a normative 'theory' of HRM:

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Figure: 2.3
A Theory of HRM Origins, Developments and Critical Analyses

<table>
<thead>
<tr>
<th>HRM policies</th>
<th>Human resource outcomes</th>
<th>Organizational outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization/job design</td>
<td></td>
<td>High job performance</td>
</tr>
<tr>
<td>Management of change</td>
<td>Strategic integration</td>
<td>High Problem-solving</td>
</tr>
<tr>
<td>Recruitmen, selection/socialization</td>
<td>Commitment</td>
<td>Innovation</td>
</tr>
<tr>
<td>Appraisal, training, development</td>
<td>Flexibility</td>
<td>High Cost-effectiveness</td>
</tr>
<tr>
<td>Reward systems</td>
<td>Adaptability</td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td>Quality</td>
<td>Low turnover Absence</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Grievances</td>
</tr>
</tbody>
</table>

Source: Guest, 1989
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Policy goals

Guest 44 has commented that HRM provides ‘a coherent and distinctive set of propositions about an approach to management….which seeks to make the best use of the most recent research to promote positive organizational outcomes’. He suggests that this approach should be based on four policy goals.

1. Strategic integration - ensuring that human resource and business strategies are integrated; coherent HRM policies and practices are evolved and that these are used by line managers as part of their everyday work.

2. Commitment - binding employees to the organization.

3. Flexibility - creating structures which are adaptive and receptive to innovation, basing job design on job enrichment or autonomous work group principles and multi-skilling to meet the requirements of this type of design.

4. Quality - ensuring high-quality management and staff who deliver high-quality goods and services.

Therefore, he stresses a strong culture to encourage shared values, create meaning and elicit commitment, yet there is equally an emphasis on flexibility and adaptability.

Legge 45 suggests that HRM suffers from three inherent contradictions: individualism versus cooperation, commitment versus flexibility and a strong culture versus adaptability. It is worth exploring...

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and expanding upon these issues. First, there is an underlying emphasis on the individual: his or her contribution to the work process, potential for development and identity within the company. At the same time, HRM stresses the importance of congruence throughout the organization and thus policies are adopted which develop teamwork, quality circles, functional flexibility and cooperation. The contradiction is evident: a firm might introduce systems of individualized reward - performance-related pay, merit pay, fast-tracking - to enhance individual motivation, performance and commitment, but this might undermine cooperation between workers within the organization (as they are competing with each other) and, therefore, threaten congruence.

Second, HRM emphasizes high performance, quality commitment, but there may be occasions when these are incompatible, quality performance may depend on building up expertise over a period of time, yet the firm’s requirement for functional flexibility (for congruence and cost reasons) may reduce competence levels. Thus, workers may be more widely skilled, yet their competence in these skills may be poor because they have less chance to develop specialized knowledge of the work process over time. In addition, if the responsibility for allocation of work is left to teams, then informal specialization may occur to improve one’s individual performance and the team’s overall performance, through the collective socialism of its members. Moreover, employees may resent the dissonance created between commitment to the task (encouraged by the individual-based performance management mechanisms) and commitment to the company (encouraged through the rhetoric of culture and the rewards of promotion and employment security). More explicitly, the notion of commitment may be totally undermined by factors outside the control of
the committed workers. Brunsson\textsuperscript{46} has suggested how a strong company’s ideology can constrain change, thus the ideology that might become enacted in an HRM company can prevent adaptation to changing circumstances (market, economic, political, social, etc.). This would suggest that the HRM ‘Model’ company becomes self-gratifying - the ‘policy choices’ become ideological nostrums which close off the system.

\textbf{NORMATIVE MODEL}

According to Fombrun, Tichy and Devanna,\textsuperscript{47} just as firms will be faced with inefficiencies when they try to implement new strategies with outmoded structures, so they will also face problems of implementation when they attempt to effect new strategies with inappropriate HR systems. The critical management task is to align the formal structure and the HR systems (selection, appraisal, rewards and development) so that they can drive the strategic objectives of the organization.

Beer and Spector\textsuperscript{48} have come to believe that the transformation they are observing amounts to more than subtle shift in the traditional practices of personnel or the substitution of new terms for unchanging practices. Instead, the transformation amounts to a new model regarding the management of human resources in organizations.

Although the model is still emerging, and inconsistencies in its practice are often seen, they believe that a set of basic assumptions can be identified that underlie the policies that we have observed to be part of the HRM transformation. The new assumptions are:

- proactive, system-wide interventions, with emphasis on fit, linking HRM with strategic planning and culture change (c.f. old assumption: reactive, piecemeal interventions in response to specific problems).
- people are social capital capable of development (c.f. people as variable cost).
- coincidence of interest between stakeholders can be developed (c.f. self-interest dominates, conflict between stakeholders).
- seeks power equalization for trust and collaboration (c.f. seeks power advantages for bargaining and confrontation).
- open channels of communication to build trust, commitment (c.f. control of information flow to enhance efficiency, power).
- goal orientation (c.f. relationship orientation).
- participation and informed choice (c.f. control from top).

Walton says that the new HRM model is composed of policies that promote mutuality - mutual goals, mutual influence, mutual respect, mutual rewards, mutual responsibility. The theory is that policies of mutuality will elicit commitment which in turn will yield both better economic performance and greater human development.

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According to Foulkes,\textsuperscript{50} Effective human resource management does not exist in a vacuum but must be related to the overall strategy of the organization...Too many personnel managers have a tendency to create and function in their own little words, forgetting that their primary value is helping to realize top and line management goals.

The British definitions again may be contrasted with American \textsuperscript{51} What from a review of the existing literature does ‘strategic HRM’ appear to mean? We start out by noting that there are two themes which overlap one another: the first contained in the term ‘strategic’, the second in the idea or philosophy, of ‘human resources’. The latter suggests that people are a valued resource, a critical investment in an organization’s current performance and future growth. The term ‘strategic ...in this context has both established and new connotations (these are):

1. the use of planning;
2. a coherent approach to the design and management of personnel systems based on an employment policy and manpower strategy, and often underpinned by a ‘philosophy’;
3. matching HRM activities and policies to some explicit business strategy; and
4. seeing the people of the organization as a ‘strategic’ resource for achieving ‘comparative advantage’.

To Guest,\textsuperscript{52} the main dimensions of HRM involve the goal of integration (i.e. if human resources can be integrated into strategic plans, if human resource policies cohere, if line managers have internalized the importance of human resources and this is reflected in their behaviour and if employees identify with the company, then the company’s strategic plans are likely to be more successfully implemented), the goal of employee commitment, the goal of flexibility/adaptability (i.e. organic structures, functional flexibility), the goal of quality (i.e., quality of staff, performance, standards and public image).

Compare these normative models of HRM with what comes close to a descriptive-functional definition, offered by Torrington and Hall,\textsuperscript{53} Human resources management is directed mainly at management needs for human resources (not necessarily employees) to be provided and deployed. There is greater emphasis on planning, monitoring, and control, rather than on problem-solving and mediation. It is totally identified with management interest, being a general management activity and is relatively distant from the workforce as a whole.

Underpinning personnel management are the twin ideas that people have a right to proper treatment as dignified human beings while at work, and that they are only effective as employees when their job related personal needs are met. Underpinning human resource management is the idea that management of human resource is much the same as any other aspect of management, and getting the deployment of right numbers and skills at the right place is more important than interfering with people’s personal affairs.


In the majority of these normative definitions several, common themes stand out: that human resources policies should be integrated with strategic business planning and used to reinforce an appropriate (or change an inappropriate) organizational culture, that human resources are valuable and a source of competitive advantage, that they may be tapped most effectively by mutually consistent policies that promote commitment and which, as a consequence, foster a willingness in employees to act flexibly in the interests of the adaptive organization’s pursuit of excellence.

The ‘hard’ and ‘soft’ versions

A distinction has been made by Storey, 54 between hard and soft versions of HRM. However, on closer examination of these definitions, two different emphases not necessarily incompatible - can be identified as to what HRM should be. At the risk of some stereotyping and oversimplification, these have been termed the ‘hard’ model, reflecting a ‘utilitarian instrumentalism’ and a ‘soft’ model, more reminiscent of ‘developmental humanism’. The ‘hard’ model stresses HRM’s focus on the crucial importance of the close integration of human resources policies, systems and activities with business strategy, on such HR systems being used ‘to drive the strategic objectives of the organization as Fombrun55 put it. This requires - as the Hendry and Pettigrew definition makes clear - that personnel policies, systems and practices are not only logically consistent with and supportive of business

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objectives, but achieve this effect by their own coherence. From this perspective the human resource, the object of formal manpower planning, can be just that, largely a factor of production, along with land and capital and an ‘expense of doing business’, rather than ‘the only resource capable of turning inanimate factors of production into wealth’. This perception of ‘resource’ appears to underline Torrington and Hall’s descriptive-functional model of HRM, with its reference to, appropriate factors of production (‘numbers’ and ‘skills’) at the ‘right’ (implicitly the ‘lowest possible’) price. In their model, too, the human resources appear passive (‘to be provided and deployed’) rather than (to quote Tyson and Fell) ‘the source of creative energy in any direction the organization dictates and fosters’.

The ‘hard’ version emphasizes the ‘quantitative, calculative and business strategic aspects of managing the head count resource in as “rational” a way as for any other economic factor’. Thus, employees are treated as just another part of the input-output equation. Hard HRM strategies are concerned with improving employee utilization (the cost-effective approach) and getting them to accept that their interests coincide with those of the organization (the unitarist approach). Resourcing strategies and practices will aim to recruit and develop employees who ‘fit’ the organization’s culture. A hard HRM industrial relations strategy will develop direct links with individuals and groups of workers, and may bypass the trade unions and their representatives. In its extreme version, hard HRM will deliberately aim to marginalize trade unions (or do without them altogether). Employees will be involved in the improvement of quality and productivity, but are unlikely to participate in business decision making. This ‘hard’ version, therefore, stresses the management aspect of HRM.

In contrast, the ‘soft’ development humanism model, while still emphasizing the importance of integrating HR policies with business objectives, sees this as involving treating employees as valued assets, a source of competitive advantage through their commitment, adaptability and high quality (of skills, performance and so on). Employees are proactive rather than passive inputs into productive processes; they are capable of ‘development’, worthy of ‘trust’ and ‘collaboration’, to be achieved through participation and informed choice.\textsuperscript{57} The stress is, therefore, on generating commitment via communication, motivation and leadership.\textsuperscript{58} If employees’ commitment will yield ‘better economic performance’ it is also sought as a route to greater human development.\textsuperscript{59}

In this model, then, the focus is on HR policies to deliver/being ‘resourceful’ on human resource management.\textsuperscript{60}

It is concerned with developing what Handy\textsuperscript{61} calls a ‘culture of consent’ and recognizes that employees cannot be treated just like any of the other resources because, unlike them, people feel and react. There is more emphasis on strategies for gaining commitment by informing employees about the company’s mission, values, plans and trading conditions, involving them in how work should be organized, and grouping them in self-managing teams. A pluralist view is taken which recognizes that the needs of employees will not always coincide with those of the organization, and care is taken to balance the respective needs, so far as this is possible. If there are unions, it is recognized that

\textsuperscript{59} Walton, R. E., op. cit., 1985, pp. 35-65.
\textsuperscript{60} Moris, J. and Burgoyne, J. E., Developing Resourceful Managers (London: Institute of Personnel Management), 1973.
they have a part to play in representing the collective interests of employees, but the company maintains its right to communicate directly to individuals.

The potential tensions in the normative models of HRM, expressed in this 'hard'/ 'soft' dichotomy, are indicative of a range of contradictions implicit in these models. A short introduction to these contradictions may be found in Legge. Suffice to say at this point that these normative models of HRM are problematic at two levels. First, at the surface level, there are the problems stemming from ambiguities in the conceptual language of both the 'hard' and 'soft' models. The key concept in the 'hard' model is that of 'integration'. But 'integration' appears to have two meanings: integration or 'fit' with business strategy and the integration or complementary and consistency of 'mutuality' employment policies aimed at generating employee commitment, flexibility, quality, and the like. This double meaning of integration has been referred to also as the 'external' and internal fit of HRM policies. The problem is that while 'fit' with strategy would argue a contingent design of HRM policy, internal consistency - at least with the 'soft' human resource value associated with 'mutuality' - would argue an absolutist approach to the design of employment policy. Can this contradiction be reconciled without stretching to the limit of the meaning of HRM as a distinct approach to managing HRM? Indeed, should we focus on HRM as a 'special variant' of personnel management, reflecting a particular discipline or ideology about how employees should be treated? Or should we regard it as a variety of very different

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policies and practices designed to achieve the desired employee contribution, judged solely 'against criteria of coherence and appropriateness (a less rigid term than “fit”? In which case would we be treating HRM as a perspective on personnel management, not personnel management itself”?64

The various meanings of HRM (see Figure 2.4) have been expressed by Storey.65

The problems inherent in this double meaning of 'integration' find echoes in similar ambiguities - and resultant contradictions - in the conceptual scaffolding used to develop the 'soft' model of 'developmental humanism'. Flexibility, for example, can express values of employee upskilling, development and initiative (as in the functional flexibility of core employees) or the numerical and financial flexibility to be achieved by treating labour as a variable cost-to-be-minimized input.66 Is the right 'quality' of an organization's workforce to be judged against absolutist standards or relative to business strategy? What exactly is the employee to be committed to? What too of the potential tensions between policies aimed at enhancing these different values?

But, secondly, at a deeper level, it may be suggested that HRM, no less than personnel management, is confronted by a contradiction of capitalism: that is, responsibility for accommodating the dilemma that, although the 'labour commodity' is a major means to further the interests of dominant

Figure: 2.4

Storey’s Model of Mapping the Various Meanings of HRM

STRONG

A DISTINCTIVE APPROACH TO LABOUR MANAGEMENT

I
Strategic interventions designed to elicit commitment and to develop resourceful human resources

II
Strategic interventions designed to secure full utilization of labour

Integrated with business strategy

Soft

Hard

Internal Integration

Just another term for ‘personnel’

WEAK

Source: John Storey
groups in capitalist society, it is liable to subvert those interests. Does HRM have the potential to cope more effectively with this tension than traditional approaches to personnel management? Implicit in this is an assumption that rather than being a perspective on personnel management, HRM is different to, and distinct from personnel management.

A Model of the HRM cycle

Whatever the extent to which an enterprise inclines towards either the hard or the soft version of HRM, the approach adopted attempts to be internally coherent. This can be represented by model of the human resource management cycle developed by Tichy, Fombrun and Devanna (1982) shown in Figure 2.5

Figure 2.5
The Human Resource Cycle

Source: John Storey

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The four generic processes in this model which take place in all organizations are selection, appraisal, rewards and development.

These human resource elements are designed to impact on performance at both the individual and organizational levels. The model, therefore, indicates that performance is the key variable which HRM processes are intended to affect. This is achieved by selecting people who are best able to perform the jobs defined by the structure, appraising their performance, motivating them with appropriate rewards and developing them for the future.

Performance is also a function of the organizational context and the resources surrounding the individual. Hence the importance of the organization’s climate (working atmosphere), structure and systems, all of which impact on performance because of their influence on the ways in which people are organized.

THE JAPANESE ‘JANUS’ AND MODELS OF EXCELLENCE

Janus, the Roman god of doorways, gates and openings, looks in opposite directions, with a friendly and hostile face. At the risk of stereotyping, this image is not inappropriate to the UK’s and US’s reaction to Japan. On the one hand, Japan’s hostile face is recognized as an erstwhile war-time enemy, that has now turned the tables on an overgenerous victor using ‘unfair’ tactics in economic combat. On the other hand, though, is a sneaking admiration and envy: after the destruction by allied bombing and nuclear attack, how ever could the Japanese have become the second most powerful world economy, in the space of forty years? What lessons can be learnt from the benign face of economic success?

(1982) ‘In Search of Excellence’- that claimed a similarity between company ‘excellence’ (defined largely in terms of financial criteria) and the adoption of management practices reminiscent of those of Japan. In the eyes of these influential texts, this boiled down to combining the hard'- tight controls on results - with the ‘soft’- facilitating autonomy in definitions of priorities, decisions and actions. The argument was that American management practices had traditionally placed too much emphasis on a centrally imposed rationality, expressed through excessive emphasis on the measurable, involving the manipulation of complex structures to achieve compliance and results. The Japanese, on the other hand, prioritized creating a shared vision, a culture of collective commitment to achieving organizational goals, often expressed in philosophical rather than in quantitative terms (for example, ‘quality’, being the ‘best’, Komatsu’s vision of ‘encircling Carepillar’). The Americans had neglected this ‘transformational’ leadership, in favour of a shorter-term ‘harder’ transactional style. But the comforting message was that all was not lost. Where US companies had adopted management practices that resembled those of the Japanese (“Theory Z”, Peters and Waterman’s ‘eight attributes’) they had achieved financial success. The lesson was clear: cultural management that secured the commitment of employees as valued assets - hallmarks of the ‘soft’ HRM model - should be the order of the day. Supported by the six ‘pillars’ of Japanese employment practice (lifetime employment, company welfare, quality consciousness, enterprise unions, consensus management and seniority - based reward systems) - all suitably adapted to the local context, of course - this would facilitate the adoption of other Japanese practices (Kanban JIT); Kaizen

Kaizen (continuous improvement), that call for flexible utilization of resourceful human.

It should be noted that the underpinning of this equation of Japanese management, including human resource management practices, with success in US companies is shaky to say the least. First, the research design and empirical basis of Peters and Waterman's research is highly suspect, raising doubts as to the genuine excellence (even financial) of the companies identified, and the reliability of the eight attributes (for an excellent critique). Second, the typification of Japanese management practice tests on crude stereotypes that neglect such important qualifications as Japan’s dualistic industrial structure and the extent to which traditional HRM policies have ever been universally applied and, indeed, are in the process of erosion in the light of demographic change, internationalization, and technological development. Nevertheless, the imagery of the Japanese Janus and the rhetoric associated with models of excellence resonates with the message contained in the 'soft' HRM model.

There exists comprehensive foreign competition with respect to almost every product. In recent years, the viability of North American business has been severely threatened by Japan. This is particularly true of automobiles, consumer electronics and motorcycles. Likewise, the world textile market is dominated by countries, such as South Korea and Taiwan, where labour costs are lower than elsewhere. This necessitates efforts to evolve measures for equalling or surpassing the quality and productivity levels accomplished by Japan and the Asian 'Tigers'.

Although much can be done by improved production technologies, there exists a wider scope to accomplish this goal through innovative approaches to organising and managing business in a down-to-earth competitive manner.
Organisational life is markedly influenced by microelectronics. At the shopfloor, the new manufacturing facilities are characterised by computer-aided design, manufacturing and testing facilities. Likewise, robots have replaced people in the automobile and other industries, involving complex and repetitive tasks. Also, white-collar workers have been equally influenced by the new technologies, like word processing equipment and electronic mail systems. Last, but not the least, microcomputers are influencing the work of managers. Innovative organisational and managerial approaches are imperative not only to effectively implement the microelectronics revolution, but also to make optimal utilisation of new technologies. The application of new technologies, in turn, has immense potential for improving not only productivity and quality, but also quality of work life in organisational settings.

The existing labour force in modern organisations is qualitatively much different labour force in terms of education, values and expectations than what it was even a decade ago. There is an increasing flow of women in varied jobs (managerial and professional) earlier occupied exclusively by men. Likewise, varied conflicting forces are influencing the goals and expectations of people at work. While a decade ago, self-actualisation and personal growth orientation necessitated the design of jobs to provide challenge, involvement and meaningfulness to the individual, new long-term Leverage. However, it may be noted that the use of one or two of these ‘levers’ is not adequate. Moreover, if there is a significant change in one or two ‘levers’, it would need substantial time and effort to reintegrate them. The efforts of many executives to engage themselves in periodic reorganisation as a measure to ‘stir things up’ in response to their failure to manage all the ‘levers’ at their disposal are bound to cause managerial failures in organisational settings.
The analysis of the above managerial framework at Matsushita can be used as a special kind of mirror which may enable executives elsewhere to see themselves in some new ways to obtain insight into directions for careful change.\(^69\) Probably executives in other countries are similar to the Japanese on three 'hard-ball' Ss (i.e. strategy, structure and systems) and differ from them in terms of 'softball' Ss (i.e. superordinate goals, skiffs, styles and staff). The Japanese culture provides an edge in effectively using the 'softer' Ss in organisational settings. The utmost concern for human resources and careful attention to boss-subordinate relationship in Japanese culture spontaneously promote effective collaboration not obtained in other cultural settings, especially in the western culture. Likewise, the effective use of consensus to encourage smooth implementation of decisions is culturally facilitated in Japanese organisational settings. These Japanese cultural characteristics are more or less similar to those of other eastern countries, especially India. Thus, Matsushita’s innovative approach to organising and managing organisations (particularly the use of 'softer' Ss) has a special relevance for Indian executives.

**Type Z Organisations: Theory Z**

As William G. Ouchi, in his best selling book ‘Theory’\(^70\) claims, ‘the problem of productivity in the United States will not be solved with monetary policy, nor through more investment in research and development. It will only be remedied when we learn how to manage people in such a way that they can work together more effectively. Theory Z offers several such ways.’


He compares a typical Japanese company with a typical American company as follows:

Table 2.1
Comparison of Typical Japanese Company with a Typical American Company

<table>
<thead>
<tr>
<th>Japanese Organisation</th>
<th>American Organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life-time employment</td>
<td>Short-term employment</td>
</tr>
<tr>
<td>Slow evaluation and promotion</td>
<td>Rapid evaluation and promotion</td>
</tr>
<tr>
<td>Non-specialised career paths</td>
<td>Specialised career paths</td>
</tr>
<tr>
<td>Implicit control mechanism</td>
<td>Explicit control mechanisms</td>
</tr>
<tr>
<td>Collective decision-making</td>
<td>Individual decision-making</td>
</tr>
<tr>
<td>Collective responsibility</td>
<td>Individual responsibility</td>
</tr>
<tr>
<td>Wholistic concern</td>
<td>Segmented concern</td>
</tr>
</tbody>
</table>

Ouchi points out that his theory Z does not necessarily suggest just a copy of Japanese cultural model for American organisations. Rather, the American organisations should learn from the Japanese model in the same way as the Japanese organisations have learnt from the American organisations. Theory Z organisation, which is America’s answer to the Japanese challenge, has the following:–

- 'Wandering around' career paths (giving a company-based expertise)
- Consensual decision-making
- Explicit/Implicit control in balance
- Individual responsibility
- Wholistic concern (egalitarian as opposed to paternalistic)

Within the 'wholistic concern', more HR influence sources may be obtained (e.g. personal relations may be stressed as opposed to status, etc.).
Ouchi cites several examples from the USA to support his thesis that effective results can be achieved by moving towards a type Z organisation. The US organisations, which have studied Japanese organisations and moved more or less structurally towards theory Z include: General Electric, IBM, Texas Instruments, Honeywell, Syntex, Brunswick and Toro. He also suggests a set of training objectives (interpersonal relations, long-term development, participative relationships, the ability to perform varied jobs and individual patience and tolerance) which must be taken into account in a series of training programmes as a preparatory measure before moving towards the type Z form of organisation.

Kaizen - Key to Japan’s Competitive Success

If we look back over the 55 years following the Second World War, we shall see Japan attain the status of a world economic power. As W. Dekkar, ex-CEO, Philips, observes, during this period, Japan has gone through five phases of adaptation to become a formidable competitor in varied product areas. These phases are:

- Large-scale absorption of American and European technology.
- A productivity movement.
- A country-wide quality improvement programme inspired by Deming and Juran in the USA.
- A high level of manufacturing flexibility.
- Multinationality

After the attainment of technological assimilation and then very high levels of productivity and quality, Japanese industries tended to focus on flexible manufacturing technologies. This involved the capability to adapt manufacturing promptly to varying customer and
market requirements. The key concepts relevant in this context include mechanisation, automation, robotisation and related systems.

There are several concepts which can be learnt globally from the Japanese industrial environment. One of these is Kaizen. It involves continuing improvement in personal life, home life, social life and working life.

As Imai\(^7\) points out, Kaizen strategy is the single most significant concept in Japanese management. It is the key to Japanese competitive success. ‘Kaizen’ means improvement. Specifically, it has been defined by Imai as ongoing improvement involving everyone-top management, managers and workers. It is everybody’s business. It is of utmost relevance for understanding the difference between the Japanese and western approaches to management. Other than this is the western innovation and its result-oriented thinking. In Japan, both labour and management talk of the Kaizen of industrial relations. The Kaizen strategy enables the corporate world to accomplish competitive advantage. Japanese corporations have successfully designed, manufactured and marketed competitive products using Kaizen strategy. The focus on Kaizen does not mean that innovation should be abandoned. Indeed, both innovation and Kaizen are required if a company intends to survive and grow.

Kaizen is the overriding concept underlying effective management. It is the unifying thread going through the philosophy, the systems, and the problem-solving tools developed in Japan over the preceding four decades. Its message is one of improvement and attempting to do better. It solves business problems by establishing a corporate culture where everyone freely admits them. Take the example of developing a new product. It is a typical cross-functional situation,

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\(^7\) Imai, M., Kaizen-The Key to Japan’s Competitive Success (New York: McGraw-Hill Inc.), 1986
involving collaboration and joint efforts of people from marketing, engineering and production. In terms of the western perspective, cross-functional problems involve conflict resolution. However, in Japan, the Kaizen strategy has enabled the management to use a systematic and collaborative approach to cross-functional problem solving. This is the secret of Japanese management's competitive edge.

The Kaizen strategy recognises that management must seek to satisfy the customer and his needs if it is to survive and grow in business. There is an urgent need for improvement in quality, cost control and scheduling, meeting volume and delivery requirements. This need is effectively met by Kaizen which assumes that all activities should ultimately lead to enhanced customer satisfaction. As Soichiro Honda, ex-CEO (Honda Motors) observes, 'from the customer's perspective, quality is something a product either has or does not. There is no middle path'. He thinks that the role of management ensures that better products at lower prices are made available to the customer. The systems approach and problem-solving tools evolved by the Kaizen strategy can be used to attain this goal.

Japanese managers devote at least 50 per cent of their attention to Kaizen for evolving ways to improve in-house system and procedures. They also use Kaizen to solve problems in industrial relations, marketing, and supplier relations. Everyone realises that one cannot progress by doing things exactly the same way all the time. The significant focus of Kaizen has been on process. As indicated above, it has given rise to a process-oriented thinking and a management system, which supports and recognises individual's process-oriented efforts for improvement. It contradicts with the western practice of reviewing their performance strictly on the basis of results irrespective of any consideration of efforts put in by them.