APPENDIX

BASIC DESCRIPTIONS OF MAJOR MANAGEMENT GURUS' CONCEPTS

Each of the following management experts relate to and are listed in at least one major category or circle of Figure 18.4: functions and processes; strategic contexts; structures; or people. Within each category, they are listed alphabetically (rather than in the order they appear in a particular circle).

FUNCTIONS AND PROCESSES

de Bono, Edward (1967, 1971). **Lateral thinking.**

To increase their creativity (generation of new ideas), people must look at things in new and different ways. It is not enough to think vertically, which is the traditional (logical, linear, continuous) approach. People must also think laterally—that is, in a less traditional, more illogical, more discontinuous manner. The two approaches complement each other: lateral thinking helps turn up new ideas, while vertical thinking helps develop those ideas.

Deming, W. Edwards (1982a, 1982b). **Total quality management.**

The consumer is king of the production line. Consumers want quality products. The key to increasing quality is reducing variation in output quality. This, in turn, requires improving people's ability to understand and manage statistical variation. It also requires effective planning, implementation, evaluation of output, and follow-up action.

Drucker, Peter (1954, 1964, 1974, 1976, 2004). **Management by objectives** and **management by results.**

Setting objectives is a key principle of management. Effective management also requires getting organized, communicating, fostering a motivating atmosphere, establishing performance measurements, and developing personnel.

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Performance objectives should cover these areas: standing in the marketplace; organizational innovativeness; productivity; effective, efficient use of physical, human, and financial resources; profitability; personnel's performance, attitudes, and development; and public responsibility.

Fayol, Henri (1949). **Managerial functions.**

Industrial management involves five elements: planning; organizing; commanding (maintaining productive activity); coordinating people's or units' efforts; and controlling operations (to ensure results that correspond to plans, policies, rules, and procedures).

Humble, John (1967, 1971). Development of **management by objectives** into a practical methodology.

Corporate aims should be translated into unit and individual objectives down through the organization, starting with the management team.

Juran, Joseph M. (1951, 1988). **Company-wide quality management.**

Quality is the responsibility of everyone, from the very top of an organization all the way down to the bottom. Quality objectives are as important as other business measurements. Quality is maximized when the workforce has been empowered to participate in planning, implementing, and improving quality.

Kaplan, Robert S., and **Cooper,** Robin (1998). **Activity-based costing.**

Activity-based costing is a cost assessment system involving a thorough examination of a business's processes, customer relationships, and budgeting. It breaks down all manufacturing activities and identifies the portion of overhead used to make each product, enabling better determination of how to apportion funds and which are the most profitable customers.

Mayflower Group (1971). **Benchmarking.**

A practice initiated in 1971 by a group of large companies, benchmarking began as a survey of information and attitudes concerning topics such as job satisfaction, rewards and recognition, training and development, product quality, group and team phenomena, empowerment, and diversity. The collected data formed a normative database against which attitudes, behavior, and performance could be compared. In the mid-1980s, benchmarking evolved into a process of measuring practices, services, and products against an organization's most successful competitors or industry leaders. Today, the following processes and many others are benchmarked: marketing and sales tactics and performance; inventory control; distribution; and collection of receivables.

Mintzberg, Henry (1973, 1975, 1980). **Managers' roles.**

See pages 39, 42, and 142, which discuss what managers actually do with their time (more doing than thinking) and their tendency to think superficially and, as a result, satisfice rather than maximize solutions and decisions.

Motorola. Six Sigma.

Six Sigma, developed in the mid-1980s, is a statistical methodology for measuring the percentage of defective products. Based on defect data, companies can constantly improve product quality by redesigning and improving production processes in order to reduce variations that cause product defects. The Greek letter *sigma* refers to one standard deviation from a desirable

level of zero defects. *One Sigma* refers to 690,000 defects per million units of output (or 31 percent perfection). *Six Sigma* indicates only 3.4 defects per million units (or 99.99966 percent perfection).

Schwartz, Peter (1992). **Scenario planning.**

This planning methodology involves outlining scenarios that indicate chains of acts, subsequent events, and eventual outcomes, just like gaming diagrams. Outlining possible scenarios helps test alternative business strategies against possible futures involving opportunities, competitive threats, competitor reactions, and other contingencies.

Taylor, Frederick W. (1947). **Scientific management.**

Work and time-and-motion studies can be used to find ways to perform factory tasks most efficiently. Organizations should emphasize (a) using scientific methods, (b) developing workers, (c) dividing work and responsibilities among managers and workers, and (d) vertical and horizontal cooperation throughout the organization.

STRATEGIC CONTEXTS

Andrews, Kenneth R. (1971). **Corporate strategy** (match "can" and "might").

During corporate planning, formulating strategies involves reconciling what the organization would like to do in terms of opportunities and threats with what it can do, given its strengths and weaknesses.

Ansoff, H. Igor (1965, 1986, 1990). **Optimization of strategic behavior.**

Strategic management involves planning how to optimize an organization's performance by matching its competitive strategy and actual capabilities or resources to the turbulence of the external business environment. Anticipating trends is key to identifying competitive advantages, and identifying competitive advantages is key to strategic planning.

Brandenburger, Adam M., and **Nalebuff,** Barry J. (1995). **Coopetition** and **value network—**the use of **game theory** to shape corporate strategy.

Applying game theory in business is aimed at creating, capturing, and maintaining value. It involves looking at possible actions and events from competitors' viewpoints. It also necessitates putting enough into the game to get the most out of it.

Coopetition. Implementing strategies involves both win-win and win-lose opportunities, although taking a win-lose opportunity often backfires. Several advantageous win-win strategies are (a) identify and capitalize on previously unrecognized opportunities; (b) get competitors to resist less by not forcing them to give up ground; and (c) let competitors imitate, because it benefits all.

Value network. Cooperation occurs when players (customers, suppliers, sellers of substitute products, and sellers of complementary products or services) each bring something of value to the game, play fairly, and work together to create value. Players use various tactics to influence how others understand and play the game. *Competition* occurs when the players are vying for their piece of the pie.

Collis, David J., and **Montgomery,** Cynthia A. (1995). **RBV: resource-based view** of the firm.

Strategic planning involves analyzing the external industry and competitive environment and internal organizational phenomena. An organization's competitive advantage is its competitively distinct combination of tangible and intangible resources (assets and capabilities that enable it to perform more effectively or efficiently than competitors) deployed in a well-conceived strategy. Degree of competitive distinctiveness depends on (a) how difficult it is to imitate or duplicate a resource's uniqueness (which may be patented or otherwise protected); (b) how quickly the resource loses its competitive value over time; (c) who gains the most value or profit from the resource; (d) how easily a competitor can substitute a product or service; and (e) the degree to which an organization's skills, resources, or combination thereof are better than those of competitors.

Dixit, Avenash, and **Stiglitz,** Joe (1977). **Increasing returns versus decreasing returns industries.**

Increasing returns industries are knowledge-based, have unstable markets, and can face a number of potential (and unpredictable) outcomes. Those that get ahead and garner hefty profits are the ones that can develop technological advantages and get to market first. Decreasing returns industries basically process resources.

Hamel, Gary, and **Prahalad,** C. K. (1994). **Revolutionary strategies; core competencies.**

Strategy as revolution. Strategic planning should be inquisitive rather than ritualistic, expansive rather than reductionist, forward-looking rather than backward-looking, inventive rather than conventional, inclusive and democratic rather than elitist, and demanding rather than easy. It should give organizational revolutionaries a voice, give responsibility for engendering change to all personnel, change industry rules, and create industries of the future.

Core competencies and strategic intent. Organizations' strategic intent should be to adopt operating goals that invent a new company and industry future and stretch the organization's people and resources. They should strategize around their core competencies—that is, their key competitive skills. They should focus on utilizing and further developing competencies rather than on products and markets. They should emphasize competencies that help develop products and markets in which other producers will have difficulty competing. And they should strategically expand resources and gain competitive advantages by developing licensing arrangements, alliances, and supplier relationships.

Handy, Charles (1976, 1986, 1990). **Discontinuous change; upside-down thinking.**

Effective managers must make bold decisions and take bold actions. Lifetime employment in a single company is increasingly being replaced by less secure but more fulfilling "portfolio work" (contracted work). New organizational forms are evolving. One is the "shamrock company," which is a core of basic staff supplemented by contracted specialists and part-timers. Because information, intelligence, and ideas are gaining greater importance, managers will increasingly be challenged when supervising knowledge workers, who have far different aspirations from traditional hierarchy- and territory-conscious personnel.

Kaplan, Robert S., and **Norton,** David P. (1996, 2001). **The balanced scorecard.**

The balanced scorecard is a goal-setting and evaluation approach aimed at balancing traditional measures of corporate success with more modern, strategically oriented measures. Traditional measures focus on financial results such as sales revenues, profitability, and return on investment.

Newer measures on the scorecard greatly affect financial measures. The newer measures include levels of operational or productive efficiency, efficiency of resource utilization, innovation, customer service and satisfaction, and organizational learning (personnel's development and growth).

Kim, W. Chan, and **Mauborgne,** Renee (2004). **Value innovation** and **value integration.**

Thinking about how to stay ahead of competitors is not enough. Value innovation involves all of the following: trying to make competitors irrelevant; shaping conditions rather than accepting them; emphasizing making quantum leaps in value rather than simply developing common competitive advantages; focusing on what mass markets commonly value rather than further segmenting markets; developing assets and capabilities rather than leveraging existing ones; and seeking to offer total solutions for customers rather than simply attempting to increase the value of present offerings.

Value integration involves combining value-enhancing innovations so that they operate synergistically.

Levitt, Theodore (1962, 1974, 1991). **Marketing is key** to successful business management.

Selling and marketing are not the same. Selling is seller-focused; marketing is buyer-focused. The secret of success in marketing is being customer-oriented. Marketing constantly seeks to understand customer behavior (at a cognitive level) and to develop greater sensitivity to customer feelings (needs, wants, and fears). Global branding is a viable strategy when pursuing global markets.

Moore, James F. (1996). **Business ecosystems.**

Business is part of a larger environment. Although companies compete, they may also cooperate. One or more may work together to spawn innovations, create value, develop new products, extend market coverage, better serve customers, and even block alternative ecosystems.

Co-evolution is a process through which competitors, customers, suppliers, and others discover how to work together to envision the future and create new businesses, markets, and industries.

Nagle, Roger N., and **Dove,** Rick; and **Goldman,** Steve, and **Preiss,** Kenneth (1991). **Agile enterprises.**

See page 81.

Ohmae, Kenichi (1983, 1985, 1990). **Global business strategies** and international partnerships.

Customers, not just competitors, should be the focus of business strategies. Unlike traditional business planning, strategic planning seeks to employ competitive advantages that result from developing and utilizing corporate resources more efficiently and effectively than other producers. Doing so involves (a) identifying key factors for increasing market standing and profitability; (b) exploiting superior resources and capabilities; (c) challenging traditional assumptions and implementing bold initiatives; (d) more innovatively developing products and markets.

Peters, Tom, and **Waterman,** Robert (1982). **Customer-orientation** and **excellent organizations.**

The "Seven S" criteria for measuring excellence include strategy, structure, systems, style, shared values, skills, and staff. Excellent companies (a) are proactive; (b) interact closely with

customers to serve customers' needs; (c) foster innovativeness and nurture achievers; (d) emphasize obtaining higher productivity and quality through people; (e) have committed, hands-on managers; (f) stick with the business or businesses they know; (g) maintain a lean staff; and (h) give workers greater autonomy within a common system of work-related values. Developing cross-functional project teams (matrices) improves an organization's ability to design, produce, and market to customers' needs.

Porter, Michael E. (1980, 1985, 1986). **Global marketing;** linking corporate strategy to the marketplace.

An industry's structure influences how other producers employ competitive strategies and actions, which in turn influence competitors' performance. Factors that affect competitive phenomena and the profitability of competitors include the rivalries that exist among competitors, threats to the industry from new entrants and substitute products or services, and the bargaining power of suppliers and customers.

Competitive advantages stem from either (a) being a low-cost producer while providing comparable value or (b) producing at comparable cost but creating more value for the buyer (differentiating the product so that it warrants charging a premium price).

Porter's strategic recommendations: (a) sell to the most sophisticated, demanding, and standard-setting buyers; (b) find buyers with challenging needs who can interact closely in the company's R&D efforts; (c) force product and operational improvement by exceeding product standards and governmental standards and regulations; (d) use the most advanced and international but home country-based suppliers; (e) foster steady, long-term employment; and (f) think of the most effective competitors as challenging motivators.

Rayport, Jeffrey F., and **Sviokla,** John J. (1995). Creating a **virtual value chain in "marketspace."**

In the physical world of the market*place,* the value chain is a series of value-adding activities that begin at the company's supply side and end at its demand side. In the virtual, information-oriented world of market*space,* a company must convert raw information into new marketspace services and products that are unique to the information world. Creating a virtual value chain involves (1) gathering information, (2) organizing it, (3) selecting appropriate data, (4) synthesizing it, and (5) distributing appropriate information to the appropriate people in the appropriate format at the appropriate time.

Revans, Reginald (1966, 1980, 1983). **Action learning.**

See page 415.

Senge, Peter M. (1990). **Systems thinking** and the **learning organization.**

People must *think differently* about business problems. They must (a) avoid linear thinking; (b) understand subtle interrelationships among things, people, and activities; (c) envision how they are interconnected with the organization and the outside world; (d) emphasize being proactive rather than reactive; and (e) be open-minded to new concepts regarding the workings of the world around them.

Several highly effective means can be used to improve managers' learning: (a) role-playing in business games and (b) playing simulation games, in which they can practice planning and decision-making skills, learn how their actions may affect others, and make mistakes with no risk to themselves or the organization. (See also pages 414–415.)

Slywotsky, Adrian J. (1996). **Value migration.**
Value migration is the movement of growth and profit opportunities from one industry player to another. A company must focus on what customers want and need or its value (growth and profit) will migrate to competitors.

Stalk, George, and **Hout,** Thomas M. (1990). **Time-based competition.**
The effective and efficient use of time can be a competitive advantage. Cycle-time reduction, or time-compression management, emphasizes (a) reducing lead times for developing products and getting them to market ahead of the competition or (b) more effectively and efficiently carrying out key processes, such as fulfilling orders. Such approaches require mapping, reengineering, measuring, and monitoring the processes involved.

Von Neumann, John, and **Morgenstern,** Oskar (1980, 2004). **Game theory** and economic behavior.
Rule-based games have rules of engagement. Freewheeling games have no external constraints. Business is actually a mix of both.

Womack, James P., **Jones,** Daniel T., and **Roos,** Daniel. (1991). **Lean manufacturing.**
See pages 77 and 81.

STRUCTURES (ORGANIZATIONAL OR STRATEGIC)

Chandler, Alfred D. (1962). **Structure should follow strategy** in organizations.
Before an organization designs (or redesigns) its structure, it must create a strategic plan (with long-term goals and objectives, courses of action, and allocated resources). Structure, consisting of hierarchies and lines of authority, is necessary to administer strategies. Even though a hierarchical management structure best enables long-term success, it is important for large corporations to decentralize. An organization should coordinate strategic planning activities from its corporate headquarters, thereby allowing decentralized units and their managers to get on with day-to-day tactics.

Hammer, Michael, and **Champy,** James (1993). Organizational **reengineering.**
Rather than simply downsizing and flattening the organizational structure, which often cause problems, what many organizations really need is massive change. Such change may involve not only restructuring the organization but also reengineering (redesigning) key processes such as customer service, order fulfillment, and product development. Restructuring should be focused on key organizational processes rather than traditional functions.

Nadler, David A., **Gerstein,** Marc S., and **Shaw,** Robert B. (1992); and **Nadler,** David A., **Tushman,** Michael, and **Nadler,** Mark B. (1997). **Organizational architecture.**
Managers should think broadly about their organization in terms such as how work, people, and formal and informal structures all fit together (the congruence model of effectiveness). Managers should integrate strategic issues with the behavioral dynamics of organizations. As they do so, they will organize autonomous work teams within high-performance systems and form strategic alliances.

Ross, Gerald, and **Kay,** Michael (1994). Establish new **molecular organizations** to help manage change.

Restructure an organization around present and future markets, not around products or functions.

Sloan, Alfred P. (1963, 1986). **Decentralization** for big corporations.

Big companies should break apart into large operating divisions, each having its own functional departments. Systems of checks and balances should be developed in order to put engineering, production, and finance on an equal footing. Organizations should promote creative dissent so as to foster change and improvement.

PEOPLE (ORGANIZATIONAL, MANAGERIAL, OR LEADERSHIP BEHAVIOR AND DEVELOPMENT)

Adair, John (1983, 1989). **Action-centered leadership and learning.**

Leadership functions include planning, initiating, controlling, supporting, informing, and evaluating. Leadership can be defined as an overlap of three elements: task, team, and individual. There are relationships between leadership and decision making, communication, and the ability to manage time. People can be trained to be leaders.

Argyris, Chris (1962, 1965, 1996). **Developing individual potentials** within an organization.

Every individual has potentials, the development of which would benefit both the individual and the organization. Many managers unconsciously behave in ways that do not encourage personal development, risk taking, trust, openness about thoughts and feelings, or cohesive group relationships, even though they genuinely believe that such things are crucial to good decision making.

Dysfunctional attitudes that hinder development in many organizations include the following: (a) the only significant relationships among personnel are those that involve performing jobs and meeting organizational goals; (b) logic and rationality should be emphasized, while attention to feelings and emotions should be minimized; (c) interpersonal relationships can be influenced most effectively by directing, coercing, and controlling people and by using rewards and penalties to encourage desired attitudes and behavior.

Barnard, Chester (1938, 1948). **Managing the Values of an organization** and promoting cooperation within an organization.

The real roles of a top manager or leader are to manage the values of the organization and gain personnel's commitment. Playing these roles effectively requires performing these functions: (a) establishing and managing systems for effective communication; (b) motivating employees by instilling organizational goals in them; and (c) formulating well-stated goals for clear communication. Managers can improve the effectiveness of communications by ensuring that all personnel (a) can communicate by the shortest and most direct channels possible, (b) are familiar with the available channels, and (c) have access to at least one formal channel.

Bennis, Warren (1968, 1989). The Importance of **effective leadership** in organizations.

"Managers do things right. Leaders do the right things." The best leaders are idea people (conceptualists). They are able to create an inspiring vision and translate it into sustained action.

Many organizations will need to adopt "adhocracy" (flexible, autonomous project teams). Good leaders must have the abilities to (a) maintain personnel's attention by providing a vision of how to move from the present into the future; (b) communicate effectively what they mean; (c) engender the trust that fosters a bond between them and their followers; and (d) manage themselves through self-awareness, commitment, persistence, and willingness to take risks and rise to challenges.

Blake, Robert, and **Mouton,** Jane (1964, 1978, 1994). **Managerial Grid®**.

See pages 183–185.

Hersey, Paul, and **Blanchard,** Kenneth (1969); and **Hersey,** Paul, **Blanchard,** Kenneth, and **Johnson,** D. (2001). **Situational leadership.**

See pages 190–192.

Herzberg, Frederick (1966, 1968, 1988). **Motivator and maintenance factors.**

Motivator factors are more motivating than maintenance (hygiene) factors. (See pages 167–171.)

Jaques, Elliott (1951, 1956, 1982). **Psychological and social factors in group behavior—**a theory of the value of work.

The *time span of discretion* is the amount of time that passes before one's actions or decisions are monitored by superiors. This time span is shortest for the lowest-level workers.

One's "real" boss is the person from whom one has a chance of getting a decision about oneself—and that person may not necessarily be one's immediate superior.

Decisions are seldom made in the manner prescribed by hierarchical organization charts.

Kanter, Rosabeth M. (1977, 1983). **Managing change;** development of the post-entrepreneurial corporation; empowering human potential in organizations.

A post-entrepreneurial corporation is (a) lean, flexible, and not overly hierarchical; (b) able to work smarter and do more with less; (c) continually anticipating changes and trends; (d) open to opportunities involving, for example, mergers, acquisitions, and alliances; and (e) able to achieve synergies. Such organizations change their structures in the following ways: (a) open up promotions to women and clerical workers; (b) improve performance appraisal systems and career development paths; and (c) use participative practices to empower personnel, flatten hierarchies, decentralize authority, and create autonomous work groups.

Future managers will need the abilities to (a) manage or lead without the use of position-based authority; (b) behave in ways that enhance cooperation; (c) use and promote high ethical standards; (d) be somewhat humble; (e) focus on processes and how to improve them; (f) be conscious of horizontal and vertical integration interrelationships in order to promote synergies; and (g) obtain satisfaction through results and be willing to have personal rewards tied to them.

Kotter, John (1988, 1990, 1999). The need for **more leadership** in organizations.

Organizations need strong leaders in order to change their environment; they also need strong managers in order to cope with complexity.

Lawler, Edward E., and **Galbraith,** Jay R. (1993). **Employee empowerment and participation; self-managing work teams.**

Managers should move power, knowledge, information, and rewards downward in their organization. To do so, they must change the whole organizational system by (a) creating small business units, (b) flattening the organization, (c) redesigning work systems, and (d) establishing self-managing teams. These teams can schedule production, reject products that do not meet quality standards, and work together to earn performance bonuses.

Likert, Rensis (1961, 1967, 1975, 1977). Linkage between **managerial styles** and business performance.

See pages 180–182.

Maslow, Abraham (1943, 1954, 1987, 1998). The **hierarchy of needs.**

See pages 167 and 168.

Mayo, Elton W. (1933, 1945, 1992). Importance of **human emotions and reactions.**

Work is essentially a group activity. A sense of self-esteem and work group cohesiveness are more important to personnel's performance than their working conditions. Teamwork does not just happen. It results from good planning, effective management-worker communication, and the development of attitudes and practices that foster effective collaboration.

McGregor, Douglas (1957, 1960, 1966). **Theories X and Y.**

See pages 173, 176, and 177.

Miles, Raymond. (1975, 2005). **Human resources approach** to managing people.

See pages 185–189.

Ouchi, William (1981, 1993). **Theory Z.**

See pages 192 and 193.

Pascale, Richard T. (1990). **Creative use of conflict** in organizations.

An organization's successes can still lead to failure unless it has systems, policies, and practices that encourage constructive debate and conflict and thereby foster continual renewal. Thus, it behooves managers to constantly create and replace the organization's operating, structural, and systems paradigms.

Schein, Edgar H. (1978, 1980, 1985). **Corporate culture;** the psychological contract between employer and employed.

The psychological contract between employer and employee should involve not only pay, working conditions, and job security but also how the employee is to be treated, developed, and given further responsibilities and career opportunities. This contract should also outline organizational expectations concerning an employee's work-related behavior, dedication to the job, and loyalty to the organization.

Corporate culture is made up of (a) physical phenomena (such as traditional work area layouts) and (b) intangibles (such as values, attitudes, assumptions, and norms regarding behavior inside and outside the organization) that have evolved since an organization's founding.

There should be consensus among the management team and the workforce in five areas: (a) the mission—what business the organization is in, and why; (b) how organizational goals can account for individual workers' goals; (c) plans for reaching goals; (d) how to measure performance; and (e) guidelines for what to do when problems occur.

Zuboff, Shoshana (1981, 1988). **Infomate** rather than automate.

Model companies employ technology to change the nature of work. They have already begun to integrate smart machines with smart people. However, many companies have not yet made investments in educating personnel to use new information and computer technologies. As a result, much of their information is unused.