

Boylan, P. (2013). Introduction to the theoretical and philosophical basis of modern management. London, UK: City University London, Department of Creative Practice & Enterprise - Centre for Cultural Policy & Management.



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**Original citation:** Boylan, P. (2013). Introduction to the theoretical and philosophical basis of modern management. London, UK: City University London, Department of Creative Practice & Enterprise - Centre for Cultural Policy & Management.

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# Introduction to the theoretical and philosophical basis of modern management

By Patrick J. Boylan, Professor of Heritage Policy and Management, City University London, UK

**Explanatory Note:** This "Introduction to the theoretical and philosophical basis of modern management" was developed, maintained and expanded by Professor Patrick Boylan between 1992 and 2004 to support teaching on the City University MA Courses in Arts Management, Museum and Gallery Management and Arts Management in Education in what was then the Department of Arts Policy and Management. From 1995 it was also made available on the Department's resources website, formerly at <http://www.city.ac.uk/artspol/>, but soon became used much more widely by other institutions and courses to support their own students, particularly after it received a "Best of the Web" Award for Management Education in 1995. By request it was also added to the learning resources website of the International Council of Museums' International Committee for the Training of Personnel (ICOM-ICTOP).

Since the Arts Policy and Management website was finally discontinued following recent major changes in the University's structure there have been a number of requests from other institutions and individuals who still find the original text of value, it is now being made publicly available again, this time in PDF format, through the University's new institutional repository, *City Research Online*: <http://www.city.ac.uk/research/research-publications/>

PJB. 18/09.2013

## How to define Management? The four classic approaches

Rosemary Stewart: noted for studies of organisations and managers in action. Based on: *Managers and their Jobs*, 1967/1987.

### **Theoretical - What is management?**

development of theories of management, using approaches based on political, economic, sociological, psychological or anthropological theory and philosophy

### **Descriptive - the jobs that managers and supervisors do**

Comparative - hierarchical organisation and structure within an organisation, based on comparison and evaluation methods:

in popular speech, within many organisations the term 'the management' is used as an indication of status: those with the key to the executive washroom!

Action-based - the way that those defined as managers spend their time:

Management as the activities carried out by managers

Some key references:

*Managers and their Jobs* (Penguin, 1977, new edition 1988);

*The Reality of Organisation* (Penguin, 1972, new edition 1986);

*The Diversity of Management* 1994.

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## What is Management? - A brief historical outline

### **Henri Fayol (1841 - 1925) (French engineer)**

*Administration Industrielle et Generale*, 1916: the Manager's role is:

to plan [including forecasting]

to organize

to command [leadership]

to co-ordinate

to 'control' [primarily in the French sense, i.e. inspection, feedback]

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### **Frederick W. Taylor (1856 - 1917) (American engineer)**

*Scientific Management* (1911)

principal object of management is to secure maximum prosperity for the employer, coupled with maximum prosperity for the employee

management and work-force inter-dependent

workmen are inherently capable of hard work, good will and ingenuity but under 'even the best of the older type of management' show these qualities only 'spasmodically and somewhat irregularly'

proposed four 'great underlying principles of scientific management':

there is a need to develop a 'science of work' to replace old rule-of-thumb methods: pay and other rewards linked to achievement of 'optimum goals' - measures of work performance and output; failure to achieve these would in contrast result in loss of earnings;

workers to be 'scientifically' selected and developed: training each to be 'first-class' at some specific task

the 'science of work' to be brought together with scientifically selected and trained to achieve the best results

work and responsibility to be divided equally between workers and management cooperating together in close interdependence

*Highly influential: development of 'work study'; concept of specialisation in the workplace: training for narrow tasks only (with consequent de-skilling); collective negotiation ('Whitley Committee' of Inquiry leading to Joint Negotiating Works ('Whitley') Councils in UK)*

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**Max Weber (1864 - 1920) (German sociologist and political economist)**

*Theory of Social and Economic Organisation (published posthumously in 1924)*

studies of the role of authority and leadership in management

implications of the 'Protestant Ethic' (especially the European Calvinist tradition) as a driving force of entrepreneurial capitalism, the pursuit of profit and ultimately of modern materialism

Weber classified three types of legitimate social authority:

**rational (or rational-legal):** based on rationally thought-out goals and functions intended to maximise performance, and implemented through system of rules and procedures

**traditional:** leader's authority accepted as a right of the office or position - hereditary rulers, heads of family businesses, patronage

**charismatic:** relies on the special personal qualities of an individual - perhaps forceful founder of business or with special charismatic qualities: organisation will almost certainly have to change style with loss of such a leader: either to traditional (if hereditary outcome) or to rational, bureaucratic pattern

**Criteria for effective administration:**

officials/managers should be free to act, subject only to authority in relation defined obligations and rules

officials should be organised in a clearly defined hierarchy of 'offices' (officially defined positions)

each 'office' should have a clearly defined sphere of competence (in the legal sense of the world)

each 'office' is filled by a free, contractual, relationship

candidates are appointed - not elected - on the basis of technical qualifications

remuneration is by fixed salaries, usually with pension rights; officials may resign but may not be dismissed except for good cause and through proper procedures; also salaries are primarily graded according to rank in the hierarchy

the office should be the sole, or at least main, occupation

the office constitutes a career, with promotion according to seniority or achievement (or a combination of both)

the official works in a manner that is independent of the representatives of the ownership of the organisation

the official is subject to strict and systematic rules of discipline and control in exercising his office

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**Alfred P. Sloan (1875 - 1966) (American industrialist; developed the concept of the decentralised multi-divisional organisation)**

An electrical engineering graduate of M.I.T. (where he later helped establish and finance its world-famous Sloan School of Management), Sloan rejected the centralisation of

power and management seen, perhaps above all, in Henry Ford's adoption of "Taylorism".

Joining General Motors in 1917, and becoming president in 1923, he looked much more to Henri Fayol's French approach of functional analysis of tasks and operations, and quickly pushed through a policy of decentralisation to individual operational areas, plants and managers. Each was largely independent on a day to day or month to month basis, though answerable to a small central corporate management for its performance.

Sloan's federal structure and management system was also accompanied by the development of a systematic system of strategic planning and managerial accountability.

By the time of the final conversion of Henry Ford's grandson after World War II Sloan's decentralised federal structure with the central management focusing on strategic objectives and on monitoring performance and progress (Fayol's French concept of "controle" i.e. audit) had become the virtually standard model for managing very large organisations, whether industrial, commercial or non-profit, throughout the English-speaking world (and beyond).

Peter Drucker (q.v) also argues of Sloan's management style: "He knew that the decision that is reached by unanimity is almost certainly the wrong decision. You need dissent and if nobody else dissented, he did and then vigorously to force thinking... Unless you have really enough dissent, enough disagreement to understand what you are doing, you are likely to give the right answer to the wrong question."

*References:*

Alfred P. Sloan, 1963. *My Life in General Motors* (UK edition: London, Sidgwick & Jackson, 1965)

Peter Drucker, 1964. *Managing for Results* (London: Heinemann)

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### **Elton W. Mayo (1880 - 1949) (Australian founder of industrial sociology)**

*Especially influential: Hawthorne Experiments* (Western Electric Co., USA) 1927-32

work satisfaction and hence performance is basically not economic - depends more on working conditions and attitudes - communications, positive management response and encouragement, working environment

rejected 'Taylorism' and its emphasis on employee self-interest and the claimed over-riding incentive of monetary rewards

large-scale experiments involving over 20,000 employees showed highly positive responses to e.g. improvements in working environment (e.g. improved lighting, new welfare/rest facilities), and expressions of thanks and encouragement as opposed to coercion from managers and supervisors

the influence of the peer group is very high - hence the importance of informal groups within the workplace

denounced 'rabble hypothesis' that society is 'a horde of unorganized individuals...[acting] in a manner calculated to secure his self-preservation or self-interest'

*Mayo's work and views have subsequently been highly influential on many leading industrial sociologists and industrial psychologists including J.A.C. Brown and the*

*leading British industrial psychology and industrial relations pioneer of the 1950s, Gordon Rattray Taylor,*

e.g.: D.C. Miller & W.H. Form's researches in their book *Industrial Sociology*, quoted in J. A. C. Brown's *The Social Psychology of Industry*(1954), ie.

Work is a group activity.

The social world of the adult is primarily patterned about work activity.

The need for recognition, security, and sense of belonging is more important in determining a worker's morale and productivity than the physical conditions under which he works.

A complaint is not necessarily an objective recital of facts; it is commonly a symptom manifesting disturbance of an individual's status or position.

The worker is a person whose attitudes and effectiveness are conditioned by social demands from both inside and outside the workplace.

Informal groups within the workplace exercise strong social controls over the work habits and attitudes of the individual worker.

The change from an established to an adaptive society tends continually to disrupt the social organization of a workplace and industry generally.

Group collaboration does not occur by accident; it must be planned for and developed. If group collaboration is achieved, the work relations within a workplace may reach a cohesion which resists the disrupting effects of adaptive society.

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### **W. Edwards Deming (1900 - 1994) (U.S. statistician and 'quality' pioneer)**

Founder of modern Quality movement, and regarded by the Japanese themselves as the key influence in their postwar economic miracle; more active as a consultant on quality management rather than as a writer and teacher - his views and methods are much more widely promoted and known through the writings of others and through the international movement of Deming Associations and Prizes. Best known own book is *Out of the Crisis* (1984); see also *The Deming Dimension* (1990 - by Henry Neave)

Create constancy of purpose for continual improvement of products and service.

Adopt the new philosophy created in Japan.

Cease dependence on mass inspection: build quality into the product in the first place.

End lowest-tender contracts; instead, require meaningful measures of quality along with price.

Improve constantly and forever every process planning, production and service.

Institute modern methods of training on the job for including management.

Adopt and institute leadership aimed at helping people to do a better job.

Drive out fear, encourage effective two-way communication.

Break down barriers between departments and staff areas.

Eliminate exhortations for the workforce - they only create adversarial relationships.

Eliminate quotas and numerical targets. Substitute aid and helpful leadership.

Remove barriers to pride of workmanship, including annual appraisals and Management by Objectives.

Encourage education and self-improvement for everyone.

Define top management's permanent commitment to ever-improving quality and productivity, and their obligation to implement all these principles.

Some key references:

Mary Walton, 1988. *Out of the Crisis* (Cambridge University Press)

H.R. Neave, 1989. *The Deming Management Method* (Mercury Books)

Mary Walton, 1990. *The Deming Dimension* (SPC Press, Knoxville, Tenn.)

*Deming Management at Work* (Mercury Books, 1991).

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### **Douglas McGregor (1906 - 1964) (U.S. social psychologist)**

*The Human Side of Enterprise* (1960) and human behaviour research; the way and organisation runs depends on the beliefs of its managers: 'Behind every managerial decision or action are assumptions about human nature and human behavior'; "Theory X" and "Theory Y"

motivation research and its practical implementation is key to successful management practice

pyramid of human needs (see also Abraham Maslow's similar hierarchy of needs in motivation), from:

1. basic physiological needs, to
2. workplace, family income etc.
3. safety and security needs, including sense of economic security
4. 'social needs': acceptance by one's peers, self-respect, and finally, at the highest level:
5. self-confidence, the giving and receiving of affection 'egoistic needs': self-fulfilment and self-development

**"Theory X"** negative view of human behaviour and management that he considered to have dominated management theory from Fayol onwards - especially 'Taylorism'

**Theory X** assumes most people are basically immature, need direction and control, and are incapable of taking responsibility. They are viewed as lazy, dislike work and need mixture of financial inducements and threat of loss of their job to make them work ('carrot and stick' mentality)

**"Theory Y"**: the opposite of Theory X - people want to fulfil themselves: seek self-respect, self-development and self-fulfilment at work as in life in general.

#### **Six 'basic assumptions' for Theory Y:**

work is as natural as play or rest: the average human being does not inherently dislike work: whether work is a source of pleasure or a punishment (to be avoided) depends on nature of the work and its management

effort at work need not depend on threat of punishment: if committed to objectives then self-direction and self-control rather than external controls

Commitment to objectives is a function of the rewards associated with their achievement: satisfaction of ego and self-actualization needs can be directed towards the objectives of the organisation

'the average human being learns, under proper conditions, not only to accept but to seek responsibility'

high degrees of imagination, ingenuity and creativity are not restricted to a narrow group but are widely distributed in the population

'Under the conditions of modern industrial life, the intellectual potentials of the average human being are being only partly utilised'

Key references:

*The Human Side of Enterprise* (McGraw-Hill, 1960).

(Key texts also reproduced in the anthology by D.S. Pugh (editor) *Organisational Theory* (Penguin, 1990);

*Leadership and Motivation* (MIT Press, 1966);

*The Professional Manager* (McGraw-Hill, 1967).

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### **Peter F. Drucker (Born in Vienna in 1909, but for several decades the leading American management 'guru')**

*Organisation theory, including arguing for radical decentralisation within organisations, and privatisation of public services. In recent years has worked on the management of the non-profit "third sector" corporation, especially in the United States.*

Scientific management needed

Decentralisation as the principle of effectiveness and the key to productivity and effectiveness

Emphasis on high quality personnel management

Education, training and development of the manager for future needs

High quality information (especially managerial accounting) as the key to successful decision-making

Emphasis on marketing (in both for-profit and non-profit sectors)

Need for long-range planning

Management based on objective-setting

Management by results

Even "for-profit" business organizations should be viewed as human and social structures - even moral phenomena - rather than economic ones

"One cannot manage change. One can only be ahead of it"

In the "new information revolution", focus on the information, not the technology that collects it

knowledge workers must be seen as capital assets, not costs, while knowledge workers must manage themselves and their careers

Some key references:

*The Age of Discontinuity* (Heinemann, 1969);



*Management: Tasks, Responsibilities, Practices* (Harper & Row, 1974);  
*Innovation and Entrepreneurship* (Heinemann, 1985);  
*The New Realities* (Heinemann/Mandarin Paperbacks, 1989);  
*Managing the Non-Profit Organization* (Heinemann, 1990);  
*Managing for the Future* (Heinemann, 1992)  
*Excellence in Nonprofit Leadership* (Jossey-Bass, 1998)  
*Management Challenges for the 21st Century* (Butterworth-Heinemann, 1999)  
See also: Peter F. Drucker Foundation for Nonprofit  
Management <http://www.pfdf.org/>

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**Meredith Belbin (b. 1926), (Cambridge University and Henley Centre  
management psychologist and consultant)**

Extensive observational and practical simulation research on team-working in organisations, the structure of working teams, and the different personality types and team roles that make up successful teams

**Contrasted "Solo Leader" with "Team Leader":**

**Solo Leader**

1. Plays unlimited role - the Solo Leader interferes in everything.
2. Strives for conformity the Solo Leader tries to mould people to particular standards.
3. Collects acolytes - the Solo Leader collects admirers and sycophants.
4. Directs subordinates - who take their leads and cues from the Solo Leader.
5. Projects objectives - the Solo Leader makes it plain what everyone is expected to do.

**Team Leader**

1. Chooses to limit role to preferred team roles - delegates roles to others.
2. Builds on diversity-the Team Leader values differences between people
3. Seeks talent - the Team Leader is not threatened by people with special abilities.
4. Develops colleagues - the Team Leader encourages the growth of personal strengths.
5. Creates mission - the Team Leader projects the vision which others can act on as they see fit.

**Identified eight (originally seven) distinct team roles and related personality traits which contribute to effective teams and team-working:**

PLANT (PL): Creative role, imaginative, unorthodox. Solves difficult problems.

RESOURCE INVESTIGATOR (RI): Extrovert, enthusiastic, communicative. Explores opportunities. Networker - develops contacts.

CO-ORDINATOR (CD): Mature, confident, delegates well, clarifies goals and promotes decision-making; good chairperson.

SHAPER (SH): Challenging, dynamic, thrives on pressure. Has the drive and courage to overcome obstacles.

TEAMWORKER (TW): Co-operative, perceptive, diplomatic, mild. Listener, builder: averts friction, calms the waters.

IMPLEMENTER (IM): Disciplined, reliable, efficient; conservative (in non-political sense). Good at turning ideas into practical results.

COMPLETER FINISHER (CF): Gets things done on time. Conscientious - may be painstakingly so and anxious. Searches out errors and omissions of both self and others.

SPECIALIST (SP): Single-minded, dedicated, self-motivating. Brings in scarce expert knowledge and skills.

Key references:

*Management Teams: why they succeed or fail* (London: Butterworth Heinemann, 1981)

*Team Roles at Work* (London: Butterworth Heinemann, 1994)

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### **Charles Handy (b. 1932). (British management consultant, teacher and prolific writer and broadcaster)**

Special interest in the organisation and internal 'culture' (values, hierarchies, power structures etc.) within organisations. Shares with Tom Peters a particularly interest in voluntary sector management, but Handy's work shows that the UK voluntary sector is in many ways markedly different from the United States' 'non-profit' or 'third' sector.

In recent years Handy has become especially well known for his four-fold division of 'The Gods of Management' - a classification of the internal philosophies and organisational cultures of management systems, which he bases on analogy with four of the leading gods of Greek mythology:

*Zeus Culture ('Club' Culture)*: entrepreneurial, power oriented, non-bureaucratic, often little in the way of formal organisation. (Zeus, the patron God, was the centre of things, charismatic, feared and respected, and controlled by alternating destructive thunderbolts when displeased and with showers of gold when seducing.)

*Apollo Culture ('Role' Culture)*: ordered and structured organisation, operating within clearly defined and well-known rules and hierarchies; classic bureaucracy or public service organisation. (Apollo, the patron god, was the god of order and of laws).

*Athena Culture ('Task' Culture)*: very different approach to the concept of management: emphasis is on achieving the task in hand through a problem-solving culture, with little concern about the organisational structure or rules; power and influence depends on expertise and achievement, and successful participation in team-work, not status in the organisation. (Athena was the young and energetic warrior goddess, patron also of explorers and of craftsmen.)

*Dionysus ('Existential' Culture)*: emphasis is on individualism, not on the organisation at all; the organisation exists only to enable the individual to achieve, not the other way round; typical organisational culture of professional practices such as a medical partnership or barristers' chambers; no 'boss' at all in the normal sense, though for practical purposes one of the professionals will probably be elected or appointed by the group (often for only a limited, fixed-time period) to

be the nominal Head and coordinator of the organisation. (Dionysus was the god of wine and song, and represented a self-orientated and self-motivated existential ideology amongst the Greek pantheon.)

Some key references:

*Understanding Organisations* (Penguin, 1976) and numerous later editions)

*Gods of Management: the changing world of organisations* (Century Business, 1978; revised edition 1991)

*Understanding Voluntary Organisations* (Penguin, 1987)

*The Making of Managers* (with J. Constable) (Longman, 1988)

### **John Adair (b. 1934) (British leadership teacher)**

Concept of Action-Centred Leadership; motivation research: extensive research and practice within British Army and then The Industrial Society on nature and practice of leadership drawing on (amongst others) Fayol's classic theories and Maslow on Motivation.

Clear difference between 'managing' and 'leading'

Adair believes that 50% of performance within teams comes from self (cf. McGregor's Theory Y) but the other 50% comes from quality of leadership

Leaders should be good at inspiring others: this depends on their own and their ability to communicate and share that enthusiasm and commitment with the rest of the team

Concept and training method of 'Action-Centred Leadership' and 'Action-Centred Leadership' (both known as 'ACL'), based on three over-lapping circles: Task, Team and Individual

Some key references:

*Leadership* (Gower Paperbacks, 1983);

*Effective Teambuilding* (Gower, 1986);

*Not Bosses, But Leaders* (Talbot Adair Press, 1988);

*The Action-Centred Leader* (Gower, 1988) (Earlier versions titled *Action-Centred Leadership* from 1973 edition onwards);

*Developing Leaders* (Talbot Adair Press, 1988)

*The John Adair Handbook of Management and Leadership* (edited by Neil Thomas) (Hawksmere, 1998)

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### **Henry Mintzberg (b. 1939), (Canadian-born Professor of Management at McGill University, Montreal)**

Studies of the nature of management work, and of strategic management and planning - of which he has become increasingly critical over the years

Three key roles for any manager within any organisation or unit of it:

#### 1. **Interpersonal:**

**Figurehead:** largely self-explanatory - the external face of the organisation on public and ceremonial occasions and in relation to important external clients and contacts

**Leader:** - hiring, training and motivating employees

**Liaison** - operating network of relationships inside and outside the organisation (in addition to any formal vertical "chain of command" relationships within the official organisational structure)

1. **Informational:**

**Monitoring:** keeping track of what's going on

**Disseminating:** communicating essential information to others, especially subordinates

**Spokesperson:** for the work unit

1. **Decisional:**

**Entrepreneur**

**Disturbance-Handler**

**Resource Allocator**

**Negotiator**

Always somewhat sceptical about heavy-handed strategic corporate planning, he has recently produced a substantial and devastating critique of the failure of the type of the strategic management currently being heavily promoted in eg. UK government and its agencies, including those in the cultural sector.

**Key references:**

*The Nature of Managerial Work* (New York: Harper & Row, 1973, 1980)

*Mintzberg on Management* (London: Collier Macmillan)

*The Ride and Fall of Strategic Planning* (London: Prentice Hall)

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**Tom Peters (b. 1942) (American: former management consultant with McKinsey's, and prolific management writer, consultant and lecturer)**

The search for 'excellence'; the management of chaotic change:

A bias for action: getting on with it

Close to the customer: learning from the people they serve

Autonomy and entrepreneurship: fostering innovation and nurturing 'champions'

Productivity through people; treating the rank and file as a source of quality

Hands-on, value-driven: management showing its commitment

Stick to the knitting: stay with the business you know

Simple form, lean staff: some of the best companies have a minimum of headquarters staff

Simultaneous loose-tight properties; autonomy in shop floor activities plus centralized values

the need to move from a hierarchical management pyramid to a horizontal, fast, cross-functional, cooperative one.

**Tom Peters' 45 precepts for managers of every level include:**

Quality revolution

Become a service addict

Achieve total customer responsiveness  
Become true internationalists, both small and large firms  
Strive to achieve uniqueness  
Listen to customers, end users, suppliers, retailers  
Make manufacturing the prime marketing tool  
'Over-invest' in people, frontline sales, service, distribution (make these the company heroes)  
Become customer-obsessed  
Develop an innovation strategy  
Use multi-function teams for all development activities  
Substitute pilots and prototypes for proposals  
Ignore 'Not Invented Here' and learn to adapt from the best (practise 'creative swiping')  
Use systematic word of mouth for launching  
Applaud champions  
Symbolize innovativeness  
Support failures by publicly rewarding well thought-out

**Some key references:**

*In Search of Excellence* (with R.H. Waterman) (Harper & Row, 1982);  
*A Passion for Excellence* (with N. Austin) (Collins, 1985);  
*Thriving on Chaos* (Macmillan, 1987);  
*Liberation Management: necessary disorganisation for the nanosecond nineties* (Macmillan, 1994)  
*The Circle of Innovation* (Hodder & Stoughton, 1998)

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**Rosabeth Moss Kanter (b. 1943), (American sociologist, Professor of Business Administration, Harvard)**

Under-use of women and minorities in businesses; managing change; empowering individuals within the organisation; synergy between organisations. First came to notice for doctoral research published as *Men and Women of the Corporation* (1977), then for *When Giants Learn to Dance* (1989)

Management should be opened up to promotion from a wider range of candidates, including women and hitherto powerless individuals like clerical workers. Changes in certain areas, such as systems of appraisal and career development, would be needed to achieve this.

Intermediate jobs would need to be created to bridge these jobs with management.

Empowering strategies are necessary, leading to a flatter hierarchy, decentralized authority and autonomous work groups.

learn to operate without the hierarchy 'crutch'

know how to compete in a way that enhances, not undercuts, co-operation

operate to the highest ethical standards

possess a dose of humility

develop a process focus on how things are done

be multi-faceted and ambidextrous, work across functions to find synergies

be able to gain satisfaction from results and be willing to stake your own rewards on them

the frontier of business growth is shifting from giant corporations to small and medium-sized enterprises

**Key references:**

*Men and Women of the Corporation* (Basic Books, 1977, revised edition 1993);

*The Change Masters* (Allen & Unwin, 1984);

*When Giants Learn to Dance* (Simon & Schuster, 1989);

*The Challenge of Organisational Change* (Simon & Schuster, 1992);

*World Class: Thriving Locally in the Global Economy* (Simon & Schuster, 1997);

*Rosabeth Moss Kanter on the Frontiers of Management* (Boston: Harvard Business School Press, 1997)

**B. Joseph Pine, (a leading American "younger generation" management advisor, author, and lecturer, now working and writing in partnership with James H. Gilmore)**

A graduate of the M.I.T.'s Sloan School of Management and former manager with IBM, Pine's regular teaching includes Penn State Executive Education Program, Anderson Graduate School of Management at UCLA and the IBM Advanced Business Institute. Pine first came to prominence in 1993 with his award-winning study of the concept and application of mass customization. more recently working with his partner in their "thinking studio" on business innovation, Strategic Horizons LLP, James Gilmore.

**Mass customization:**

Traditional mass production methods developed in the earlier part of the 20th century produced standardised goods with little or no individuality (Henry Ford's "any colour so long as it is black"). Customers now seek goods and services that meet their individual needs, wants and preferences.

New production and information management approaches, and a clear focus on the individual customer's requirements, can both continue to serve ever growing mass markets and at the same time provide individual, customized, products and services.

New ways of managing, together with new information technologies within the production process, make possible the seeming paradox of providing each customer with an individually specified product (car, computer, pair of jeans etc.) off the same production line, giving the "tailor-made" benefits of the pre-industrial craft system at the low cost of modern mass production.

**The Experience Economy:**

The past economic and business "ages" first of a goods-based economy and most recently the service economy, are now being succeeded by the

"experience economy", in which both competition and added value will focus increasingly on the quality of the customer or client's experience.

Successful service businesses including retailing and catering are already becoming more like a theatre or art performance, hence Pine & Gilmore's sub-title of "Work is Theatre & Every Business a Stage", with the quality and originality of the total experience - whether buying, using the product, or making use of the service - being an very important element in both competitiveness and price (reflecting the customer's perception of the added value).

Businesses of all kinds can learn from the practice and experience of theatre - what the authors term "work as a stage" - in their day-to-day management.

With commercial activities and services openly drawing on or even mimic directly theatre, museum and other arts practice in their search for improved customer "experience" has serious implications for the future and competitiveness of non-profit arts and heritage services, which need to actively review and improve the experience of the individual visitor or member of the audience in order to continue to compete.

### **Key references:**

*Mass Customization: The New Frontier in Business Competition* (Boston: Harvard Business School Press, 1993)

(with James H. Gilmore) *The Experience Economy: Work is Theatre & Every Business a Stage* (Boston: Harvard Business School Press, 1999)

(James H. Gilmore & B. Joseph Pine) *Markets of One* (Boston: Harvard Business School Press, 2000)

See also Strategic Horizons L.L.P web site:

<http://www.customization.com/http://www.customization.com/>