

A Short History of Management Theory and Practice

Chapter 2

The development of contemporary management thought did not occur on a blank slate. Rather, it occurred within a specific set of physical and social resources and assumptions that were in place prior to 1910. In particular, important assumptions and ideas were in place in 1910 that would have been inconceivable for most of the history of humankind, such as:

- the idea of private property and that natural resources are subservient to the wishes of humankind;
- the idea that it is praiseworthy to use money to make more money;
- the idea that it is natural for humans to be materialistic and individualistic;
- the idea that capitalism is the best way to organize economic activity; and
- the idea that society is well-served by having an increasing amount of its goods and services provided by large and powerful profit-maximizing corporations.

Time frame	Name of era	Emphasis	Hallmarks
Five eras of pre-contemporary management thought			
13.7 billion years BCE	Pre-humankind	Creation/ Evolution	The cosmos and ecological capacity of the Earth develop in a way that supports human life
40,000 BCE	Hunting and gathering	Be attuned to nature and people	Humankind organizes itself into groups and develops technologies to enhance its well-being
10,000 BCE	First agricultural revolution	Stability	Humankind learns to manage natural resources to serve its interests
1500 BCE	Advent of money	Commerce	Humankind invents money (which can be used to make more money)
1500 CE	Industrial revolution/ capitalism (pre-FBL)	Economic development	Development of and growing agreement that capitalism and (large) business encourages positive expressions of the materialistic and individualistic nature of humankind

These ideas emerged from the birth of the industrial revolution and emergence of capitalism beginning in the 1500s. As the chart below highlights, during this time the emphasis was on economic development, and individualism and materialism were seen as positive human expressions. Of course, all of these ideas are socially constructed and only remain “true” as long as people believe in and perpetuate them.

SIX ERAS OF CONTEMPORARY MANAGEMENT THOUGHT

The *formal* study of contemporary management is about a century old and... can be seen to have evolved in six eras or phases. Each of the first four phases corresponds roughly to one of Fayol’s four functions of management—organizing, leading, planning, and controlling—that continue to form the framework used in most management textbooks. The fifth phase describes the transition from the FBL to the TBL

1910-30 CE	Classical (FBL)	Organizing	Development of technical skills to improve the design of jobs and organization structures to maximize performance (i.e., productivity, efficiency, and financial well-being)
1930-50 CE	Human Relations	Leading	Development of people skills to further enhance performance
1950-70 CE	Calculating	Planning	Understanding how planning and organizational systems can be used to further enhance performance
1970-90 CE	Values and beliefs	Controlling	Understanding how organizational values and beliefs can be managed to further enhance performance
1990-2010 CE	Sustainable Development (TBL)	Triple bottom line	Understanding how addressing (some) negative socio-ecological externalities can further enhance financial well-being
2010- present	Emergence of Social & Ecological Thought (SET)	Social and ecological well-being	Understanding how relaxing the need to <i>maximize</i> financial well-being can enhance social and ecological well-being

approach, where managers seek to increase financial performance by reducing negative socio-ecological externalities. The sixth phase describes the start of a movement to SET management, which emphasizes enhancing socio-ecological well-being while ensuring adequate financial well-being.

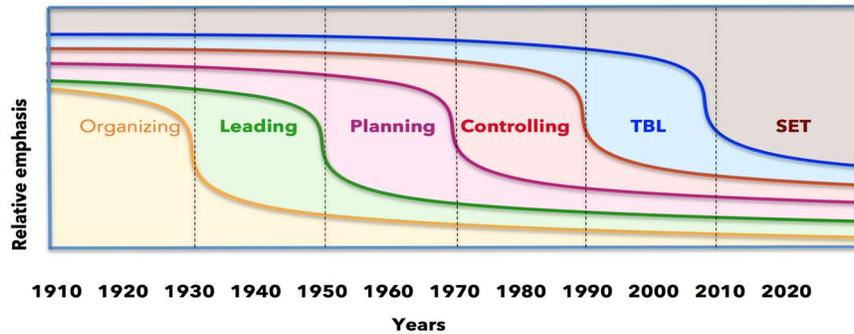
A FORERUNNER TO SET MANAGEMENT: EMERGENCE OF THE TRIPLE BOTTOM LINE (1990-2010)

Shortcomings of approaches like FBL management have long been recognized, but two events in the late 1980s were key triggers that helped to usher in the Triple Bottom Line era. The first occurred in 1987 with publication of “Our common future” by the World Commission on Environment and Development (WCED), after which the term “sustainable development” became an important part of public discourse. A second related event was the increased knowledge about the science of climate change that came via establishing the Intergovernmental Panel on Climate Change (IPCC, 1988). The IPCC published its first report in 1990, which argued that climate change was occurring due to human activity, specifically the emission of greenhouse gases into the atmosphere.

This era has also been characterized by the flourishing of *stakeholder theory*, which was born out of the observation that shareholders are not the only groups with a stake in an organization: employees, neighborhoods, customers, suppliers, and future generations are also stakeholders because they are affected by what managers do (see Chapter 9). By the turn of the millennium, stakeholding had become one of the most-cited and familiar terms in the academic management literature. Along the same lines, this era witnessed unprecedented growth in the area of research known as **corporate social responsibility**, which refers to managers’ obligations to act in ways that enhance societal well-being even if there are no direct benefits to the firm’s financial well-being by doing so. Even with this apparent de-emphasis on financial well-being, the bulk of research in this field nevertheless examines the business case for corporate social responsibility.

The majority of the above text is an excerpt from *Management: Financial, Social, and Ecological Well-Being* by Bruno Dyck, Aaron Caza, and Frederick A. Starke. Copyright © 2018 by Sapajo Publishing. Footnotes have been removed for ease of reading.

Table 2.3: Simplified overview of relative emphasis in management research



EMPHASIS ON SOCIAL AND ECOLOGICAL THOUGHT (2010-present)

Three events toward the end of the TBL era, each related to one of the three bottom lines, can be seen to have triggered an emphasis on the SET approach. The first is the infamous global financial crisis of 2008, which at the time made even committed believers in the financial marketplace question whether a profit-maximizing paradigm is indeed good for humankind. It prompted new regulations such as the Dodd-Frank Act that, for example, required brokers providing retirement advice to act in the best of interests of their clients rather than seeking to maximize their own profit. The second event coincides with scientists' proclamation that Earth has now entered into a new geological epoch called the Anthropocene era, which refers to the effect of humankind on the planet (and the extinctions it has already caused and is poised to continue to cause). The third event is the Occupy Wall Street movement that started in 2011 and increased awareness of the negative social consequences associated with the increasing gap between the richest 1% and the rest (the 99%), as well as the role of money in influencing politics. This movement and its leaders helped to increase the minimum wage in a variety of cities and states, and encouraged 16 state legislatures and over 600 towns in the U.S. to pass resolutions favoring a constitutional amendment that would ensure the rights of people rather than corporations. Taken together, these three events served to call for a new generation of managers who are convinced of the need for an approach like SET management.

SET management challenges some of the pre-1910 socially-constructed assumptions and ideas that FBL and TBL management are founded upon, namely that natural resources are subservient to the wishes of humankind, that it is praiseworthy to use money to (insatiably) make more money, that it is natural for humans to be materialistic and individualistic, and that society is well-served by having increasing amounts of its goods and services provided by large and powerful profit-maximizing corporations.

Early contributions to the development of what we call SET management versus TBL management were already evident in the TBL era, but it is only in the last decade that we have seen the emergence of a growing stream of research that places socio-ecological well-being above the need to maximize financial well-being.