Chapter 2
Theory of Organizational Management

ABSTRACT

This chapter is about understanding general management's concept, based on its history and development; the meaning of management science, management process, and function of management; the definition of ethics in the context of hospitality; and the importance of corporate governance, and it identifies ethics' categories and values. Understanding the fundamental theories of organizational management and organization behavior and applying the best practices is conducive to effective management in guiding teams to successful accomplishments. Many of these theories were catalysts to the leadership approaches, which have shaped organizations over time. Modern organizations, especially hospitality organizations, can benefit from strategies that were formulated from organizational theories. A useful example is the development and application of ethics and ethical leadership within the domain of hospitality. Thus, understanding and applying management theories is crucial in the hyper-competitive hospitality industry.

A. MEANING OF MANAGEMENT

There are countless definitions of Management. Within this context, Management can be defined as "the process of getting work done through people." It is the Management's responsibility to achieve and maintain a business organization's effectiveness. Management of firms' operations, and especially hospitality operations, but specifically restaurants, has engaged scholars for decades. Copies textbooks have been published, and some have established themselves as the leading text for restaurant management education (Ninemeier, & Hayes, 2006).

The verb "manage" derives from the American business language and has been adopted in business disciplines all over the world. Management means "to organize, to lead, to accomplish or to supervise." It involves planning, making fundamental decisions, leading the organization's entire management structure, developing strategies and visions, and setting directions while effectively communicating and motivating employees, setting goals, feedback, and controlling. Since 1970 many American English business terms like Manager and Manage have been adopted by global business enterprises. However, many words derive

from Latin. In the 19th century, the meaning of the term "managers" initially replaced the Italian term "impresario" with meant "director, director of a stage." Specifically, the English verb to manage goes back to the Italian verb *maneggiare* (handle, use, steer) with your hand in Italian "mano." Hence this explains the Latin origin, namely "manus." From 1900 onwards, the term "manager" has been used to describe the duty of "director" or leader of a business or economic unit within a company or department.

The literature is replete with management theories and approaches. The topic of Management has engaged scholars from across disciplines and industries. Management, in general, is subject to continuous changes, adaptation, and total transformation. The main factors that cause these changes are technology and the digitalization of management functions and processes. From a historical perspective, there have been two main approaches, *the Industrial Organization Approach and the Sociological Approach.*

However, the Industrial Organization Approach is based on economic theory, which deals with issues like competitive rivalry, resource allocation, economies of scale (Porter,1980). This approach to Management assumes rationality, self-interested behavior, profit maximization. *The Sociological Approach* involves interactions among managers and employees. In many countries, especially in Europe, the management structure is based mainly on the top-down approach. In the U.S. Management is ever-changing and is evolutionary. By applying the top-down management approach, managers are responsible for making decisions, and employees are direct to follow them (DuBrin, 2009.)

However, if we reverse it and apply the bottom-up approach, employees are encouraged to submit proposals to their managers, who will summarize and synthesize the best ideas and direct the best ideas further up the organization. The bottom-up approach is not appliable in simple structure organizations, like family-owned businesses.

B. THE IMPORTANCE OF MANAGEMENT SCIENCE

Why introduce **management science** to food and beverage service managers? The answer is quite simple. In the early 1990s, hotel operations had no conceptual idea about revenue management and analytics management. In a figurative sense, the hospitality industry is not only very much like other industries; it is more complicated to manage than many other industries. It has a sophisticated accounting system that needs to be compatible internationally; it deals with foreign currencies and foreign transactions more than any other industry. For as long as people will travel, the hospitality industry will play a vital role. Therefore, it cannot be stranger to modern theories and applications of Management, including management science (Heinze, 1982).

Today, hospitality leaders understand more than ever before complex statistical models understand yield management and have knowledge beyond what is known to keep a competitive advantage in the ever-competitive global landscape (Porter & Kramer, 2006). Can we apply management science to the food and beverage service industry? The answer is yes. Who else uses management science? Applications of Management Science are abundant in industry and government. Airlines and overnight mail systems use mathematical models to create efficient, dependable flight schedules. Manufacturing companies use quantitative techniques in virtually all strategic and operational areas, such as choosing a new plant location, controlling production, or implementing statistical quality control. Many service-based organizations and investment firms rely on Management Science to ensure their operations combine customer satisfaction with a high degree of efficiency. For example, even the government's military branches depend on computer-based quantitative models for logistical planning and mobilization.

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