

Finding the Appropriate Balance between Hard and Soft Management Principles: Filling the Gap to Resolve some Unsolved Management Problems

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Abstract

This paper presents management theory in terms of “hard” and “soft” principles, and puts forward proposals for future management theory development. The purpose is to open up a discussion about the theoretical divide between these two streams of thinking. Within this context, the principles underlying management theory are discussed in terms of the present and the future, namely in relation to:

- a) functional management: general management, HRM, leadership (with job engagement and management innovation); organisational structuresm,
- b) improvements in future management theory (management theory innovation) and their possible application in actual planning, organisation, HRM, leadership and controlling.

The methodologies used were literature review, reflection and conceptualisation. The main findings revealed that in future, integrated management theory (which integrates “hard and soft” management principles) should show how to effectively manage to achieve techno-economic rationalisation (“hard” management), how to effectively manage to achieve psycho-social rationalisation (“soft” management), and finally how to find a good balance between both “hard and soft” in order to develop an organisational strategy and achieve a desired level of organisational stability. On this basis, a number of solutions are put forward for actual management problems (organisational hierarchy, organisational innovation and organisational discipline). The contribution this paper makes to the field is the insights it provides into management theory problems, which will act as guidelines for: researchers conducting future empirical research (testing concepts and principles); management theorists by offering them a framework within which to generate deeper discussions and new heuristics; practitioners/managers by offering them “good” theory which can be implemented at the organisational level; decision makers at both the social and

societal levels by offering them the tools with which to humanise and de-alienate work through the application of the principles of “soft” management.

Keywords: Future of management, Integral management, Organisational structures, Organisation and management paradigm, Techno-economic rationalisation, Psycho-social rationalisation, Management innovation.

Introduction

Management¹ is without a doubt one of the most important concepts devised by man. Improvements in organisational structures, processes and techniques have helped to drive economic progress, whereby organisational success has come to depend on effective management. It can therefore be said without exaggeration that management represents the real capital of organisations, economies and societies. However, the main problem for organisations remains the determination of the best form of management, i.e. how should an organisation be managed to maximise its success, particularly in light of the numerous changes it must adapt to.² For these purposes, numerous management approaches and theories have been developed, including numerous management innovations to enable organisations to react to changing circumstances accordingly.³

The effects of such management innovations on work practices can be divided into techno-economic rationalisation (so-called “hard” management) and psycho-social rationalisation (so-called “soft” management). In the theory, but also in organisational practice, “soft” management is being pushed to the fore, whereby the main purpose of management is to enable people to harmoniously occupy organisational settings and succeed in work, and to

¹ Management involves the planning, execution and control of targeted activities of different entities at different aggregated levels (individual, (non-)profit organisations, state/society, civilisation) (Drucker 2007).

² Business organisations must adapt to the different impulses (e.g. globalisation, technological progress, cultural differences, social expectations, growing interest in entrepreneurship, increased privatisation, etc.) by utilising new business models (e.g. “just in time” production, target costing, mash), implementing organisational changes such as changes in work practices, human resources (e.g. multiple skills, continuous training, unstable employment, personally directed careers, team work, dealing with stress and alienation), working times, employee status, job definitions and values (increased responsibility for society as a whole, general wealth, equality, care for everyone and respect for all life forms).

³ Over the past 50 years (1950-2000) a number of management trends and fads have appeared. These include: Decision Trees, Managerial Grids, Satisfiers/Dissatisfiers, Theory X and Theory Y, Brainstorming (creativity technique used by management), T-Group Training, Conglomeration, Management by Objectives, Diversification, Theory Z, Zero-Based Budgeting, Decentralization, Quality Circles, Performance Excellence, Restructuring, Portfolio Management, Management by Walking Around - MBWA, Matrix, Kanban, Interpreneurship, Corporate Culture, One Minute Managing, Downsizing, Self-Managed Teams, Total Quality Management-TQM, Six Sigma, Supply Chain Management, Enterprise Resource Planning, Customer Relationship Management, E-business, Knowledge Management, Learning Organisation, Outsourcing, etc. There are also new agendas for management innovation, for example, 25 Moon Shots for Management (Hamel 2009).

harness human power to become efficient, thereby making their weakness irrelevant (Drucker 1992; Templar 2011).

Management visionaries have come to understand that the model(s) for organising and managing companies that was valid for the 20th century, which were based on hierarchy and continuous growth in work and capital inputs, is not relevant to the needs of present day organisations. Nowadays, there is a greater need for talented staff to strengthen cooperation and create shared values (Lowell and Joyce 2007). Since the bearers of knowledge are people, specialists, the interest in the importance of human or intellectual capital as the driving force behind the economic growth and prosperity of organisations has therefore grown exponentially.

In the history of management, both Taylor's scientific approach and Weber's classic bureaucratic approach to management (so-called "hard" management) were effective in achieving good work organisations in the technical sense (i.e. governing with all organisational resources as material resources)⁴ with some "soft" limitations.⁵ Elton Mayo, with his famous Hawthorne experiment (1924-1933) in the Western Electric Company, evoked the human relations stream by proving the importance of human relations on the work front ("soft" organisational resources formed the beginning of "soft" management). However, even their conclusions were not without limitations and annotations. Nowadays, every relevant management theory and approach, give or take a few limitations and annotations, supports the conceptual view that an organisation is a psycho-socio-economic-technical system. In other words, within an organisation exist different "hard and soft" approaches, whereby managerial problems are directly related to the dominance of the one approach over the other.⁶

⁴ The main and basic difference between material ("hard") and non-material ("soft" or human) organisational resources lies in the fact that material resources do not behave, and non-material resources do. The hard (evident or "technical") organisational part is based on a deeper, but not evident, ("soft") organisational reality, which is often referred to as organisational culture.

⁵ In spite of the evident efficacy of Taylor's scientific approach to management in terms of physical productivity, problems arose with long-term motivation, flexibility, innovation, initiative, group cohesion and effort because workers resisted such technically "perfect" arranged work. Weber's bureaucracy struggled with similar problems, such as: apathy, feelings of lack of responsibility, conventional behaviour (which contradicts the need for inventivity and creativity), lack of personal power, and the phenomenon of extreme obedience (which is demotivational with regards to more demanding or complex tasks).

⁶ The essence and characteristics of "hard" organisational problems are different to "soft" ones, so they demand different approaches. For example, "hard" problems are characteristic for engineering and industrial systems, while "soft" ones relate to social systems and human individuals. Dealing with "hard" organisational problems requires: a clear purpose and goals, quantitative data, clear control mechanisms, a clear power structure and work distribution, and a unitarian vision of the organisation. The goal is to seek solutions to problems, whereby the analytics is separated from the organisational situation. Where "soft" organisational problems are concerned, the goals should be to evaluate, negotiate and improve. The organisation is seen as multidimensional, where the power is diffuse and

As a result, every effective approach to management should integrate both “hard” and “soft” elements, for example:

- a) Effective management applies to events, processes, situations and strategies, which an organisation should manage as a techno-economic system in order to achieve the given goals. This usually requires a “hard” approach to management (also with regards to human resources).
- b) Effective management also involves the personal development of employees, working teams, managers and management/management teams. Within this context, manager efficacy should be judged on, among other things, organisational abilities, concentration, uncompromising attitude towards efficiency and innovativeness because the job within an organisation carries responsibility in accordance with set quality standards and timeframes. A crucial management task is to also create a good working ethic and atmosphere (organisational climate and culture), without this management cannot function well. This usually requires a “soft” approach to management.

The fact that management is a discipline that encompasses both “hard” and “soft” elements can be seen from the functional split that exists in current management research (see Table 1 below).

The differences between the “hard” and “soft” management approaches is evident from the interpretation of the functional split in research presented above. In fact, the genesis and evolution of management theory has experienced numerous innovations. This is reflected in the move away from the hard approach, which views an organisation as a technical and economic system, towards the soft approach, which primarily views an organisation as a psycho-social system, through to the embrace of integrated management. This clearly shows that future models of management should include both techno-economic and psycho-social work rationalisation.⁷ Today, the integration of hard and soft approaches in management theory manifests itself in areas such as general management, HR management,

often unknown, where consensus and conflict co-exist, and where analytics is an accepted part of the organisational situation (Ackoff 1993; Farkas and Kurucz 2011).

⁷ The complete rationalisation of work within an organisation consists of three components: a) technical rationalisation (typical in the area of production processes); b) economic rationalisation (the optimisation of inputs and outputs across every phase of the production process); c) social, or more precisely, psycho-social rationalisation (leading the people in an organisation). All three components can be considered equally important for work rationalisation within organisations (Kunze 1971), and which management should adjust accordingly (through the integration of “hard” and “soft” management principles). However, some authors also refer to the application of “soft” work rationalisation and its elements (individual, group and cultural) (Bogdanović, Cingula and Marijan 2016).

organisational structures and innovation across all managerial functions. This reflects the role of what is viewed as effective management, namely to combine elements of hard and soft management to achieve the goals of an organisation, which are often in some degree of paradox: stability (maximisation of productivity, minimisation of resource consumption) versus innovation (creativity produces instability). The future of management theory therefore lies in complex integrated management, whereby the goal is to achieve an acceptable level of technical, economic and psycho-social work rationalisation by means of hard and soft elements of management.

On the basis of the above explanation, and in order to achieve its purpose, the paper is divided into sections as follows:

- a) basic hard and soft principles of general management,
- b) principles underlying the hard and soft approaches to HRM with two sub-sections: b1) Principles of employee engagement and job motivation; b2) Principles of innovation management,
- c) principles underlying hard and soft organisational structures,
- d) improvements in future management theory in terms of hard and soft principles. This includes discussions on some key contemporary management problems (Buble 2011) such as: d1) Organisational hierarchy (how to coordinate employees without a costly, burdensome hierarchy); d2) Innovation (how to develop innovative products and services without high costs); d3) Coordination of organisational goals (how to harmonise organisational discipline which is a necessity for mass production, when freedom is required to create new products and services),
- e) conclusion.

Methodologically speaking, this paper presents an analysis of existing managerial principles and a theoretical discussion of these principle from the aspect of their “hard” and “soft” elements.

The main goal is to contribute to integrated management theory, which should seek to systematically integrate “hard” and “soft” management principles in organisational management. At present, in spite of the progress made, systematic integrated management theory cannot be said to really exist. The reality of the situation is, that there is “a jungle” of management theories and approaches that in essence combine “soft” and “hard” management principles. This “jungle” creates serious obstacles for rational scientific implementation and is probably a sign of the “lack of knowledge”⁸ of and within the

⁸ Methodologically speaking “a jungle of theories” within a discipline or science does not represent a huge amount of knowledge. On the contrary, it is a sign of the underdevelopment of a discipline or science. Within this context, it

discipline. Therefore, by arranging the theories and giving some new insights into management theory from the “hard and soft” perspective will contribute to solving problems surrounding the systematic integration of numerous management principles.

Results

Basic hard and soft principles of general management

The source of the basic principles of “hard” management lie in Taylor's scientific approach to management, which are still actual and valid to this day. In contemporary organisations, these “hard” principles have been improved with the inclusion of numerous quantitative methods for solving complex operational problems, e.g. inventory management/inventory management theory (Polanecky and Lukoszova 2016), which are generally applied to production and business processes. In Table 2 bellow, the leading “hard” management principles are presented, including an explanation of the impact they have on, or the changes they bring to production systems.

Taylor's “hard” management principles were revolutionary and helped to maximise the efficiency of production companies at the beginning of the 20th century. The approach, with a doubt, had a great impact and retains practical value in contemporary management, and is used to this day as the basis for new models and theories that reflect changes in circumstances and demands.

Taylor's principles (the maximisation of efficiency by means of time and resource reduction in the production process) are still valid, especially in traditional work intensive industrial production. This implies that even in the future, the expectation is that they will remain compatible despite social changes in the work sphere.

In the history of management, the aforementioned principles have been supplemented with well-known mixtures of “soft” and “hard” management principles. These include the likes of Theory Z, Toyotism, lean production, internal marketing and so-called “new-Taylorism” (see Table 3 bellow), as well more futuristic approaches like “Moon Shots for Management”, which postulates 25 hard/soft principles (see Table 8 bellow). Within this context, it has increasingly been noted that “soft” management principles strongly support employee

can be said that for disciplines and sciences where this applies, that they are far from their final goal (i.e. control of reality) and that this lack of knowledge is compensated with numerous, often contradictory or controversial theories. In other words, if we are in possession of “pure” knowledge, we do not need numerous or contradictory theories. In addition, when something (e.g. a problem) is understood to mean many different things, which is reflected in a myriad of possible solutions, it is quite possible that there is no meaning, the meaning is unclear, or the solutions imprecise.

engagement (Sejts and Crim 2006) and innovation (Hamori and Szabo 2011) (see Tables 5 and 6 below).

The key management principles of Theory Z, Toyotism, lean production and internal marketing are summarised in Table 3 below, including an indication of whether the dominant principle is “soft” (S), “hard” (H) or mixed (H/S).

On the basis of the above it is clear that the dominance of the principles encapsulated in current management innovations varies between “hard”, “soft” or a mixture of the two.

Principles underlying hard and soft approaches to human resource management (HRM)

HRM can also be divided into a techno-economic part (“hard” HRM), related to personnel management focused on achieving efficiency gains, and an interpersonal part (“soft” HRM), related to people management and leadership (i.e. the everyday work of people within an organisation).

Hard HRM focuses in a rational way on the quantitative, calculative and business-strategic aspects of the “human resource”, just like any other factor of production (the utilitarian-instrumentalism way of thinking and behaviour). Under hard HRM, importance is attached to “strategic fit”, whereby human resource policies and practices are closely linked to the strategic objectives of an organisation (external fit), which are coherent among themselves (internal fit), and which share the ultimate aim of increasing competitive advantage.

Soft HRM involves changes in human relations, the utilisation of individual talents and McGregor’s Theory Y perspective on individuals (developmental-humanistic way of thinking and behaviour). This has been equated with the concept of “high commitment” work systems, which aim to elicit a commitment from an employee so that their behaviour is primarily self-regulated rather than controlled by sanctions and external pressures on the individual, whereby relations within the organisation are based on a high level of trust. Soft HRM is also associated with the goals of flexibility and adaptability (which in themselves are problematic concepts) and implies that communication plays a central role in management (Truss et al. 1997).

Advocates of the hard (techno-economic) approach to HRM treat employees as a business resource and therefore focus on the planning and regulation of the number and the structure of the workforce, its functional adaptation and development. Within this context, performance management and compensation are the drivers of motivation and changes in behaviour, the main mechanism being that of punishment and reward. This is supported by the technical function and organisation of the personnel department in the form of the Human Resources Information System (HRIS). In a “hard” HRM environment the short term

is viewed as being up to 1 year, and the medium-term as 1-5 years, communication is almost always formal (from the top down), empowerment is low, the delegation of managerial jobs to professionals is small, with organisations characterised by high organisational structures with numerous hierarchical levels.

Advocates of the soft approach to HRM view employees as a means by which to achieve a unique, sustainable competitive advantage. The HRM function therefore has a strategic and long term focus. This approach involves the intrinsic motivation of employees, multiple communication channels, empowerment techniques, flatter organisational structures and the maximisation of human resource development to achieve economic benefits. Of particular importance is career development, so that every employee is clear about what they should be doing, what they should know, what and how they should do things (how to invest in themselves) in order to be beneficial and useful to the organisation and themselves alike.

Effective HRM always requires an adequate combination of “hard” (technic-economic) and “soft” (psycho-social) approaches Bahtijarević-Šiber 1999; Buble 2006; Noe et al. 2006). The “hard” and “soft” functions within HRM are presented in Table 4.

When taking the above into consideration, it is clear that company managements must understand that the human resource needs to be managed in two ways:

- a) As a basic business resource supported by the personnel department and that is treated economically “hard” so that it generates profit, just like any other (material) resources. This is called HRM or staffing.
- b) As a “soft” resource that should be treated psycho-socially in a humanistic way and at the interpersonal level, with respect for their personal characteristics and behaviour. This is called people management, governance or leadership.

It is assumed that HRM in the broader sense should in fact be a composite of these two components, which is crucial to management functions and should be applied in practice accordingly. It is important at this point to note that the application of only “hard” or only “soft” HRM practices would not deliver on an organisation’s full potential. This implies that management innovation should therefore include both “hard” and “soft” components.

Although the theory of the identified areas of HRM are known, the need remains for new creative thinking and ideas in the field of “soft” management, which in most cases is more difficult to implement and optimise than techno-economic solutions. An explanation of the following key soft management principles follows:

- a) employee engagement and job motivation,
- b) innovation management (which is a great problem in numerous organisations).

Principles underlying employee engagement and job motivation

Engaged employees are employees who perform at the top of their abilities, work with passion, are strongly connected with the organisation for which they work, and are happy about this (Bauer and Erdogan 2012). Such employees are emotionally and intellectually dedicated to the achievement of their work, and the organisation's mission and vision. The most successful companies understand that growth and development are only the result of the extraordinary motivation and innovative capabilities of their employees, which demands effective soft management. The basis for such soft management principles (soft phenomena) are in effect all psychological (Ho, Wong and Lee 2011). Complementary to this, some authors have also proposed additional new approaches to the motivation and engagement of employees by "soft" means (Bogdanović 2016; Seijts and Crim 2006).

Seijts and Crim (2006) identify ten soft principles by which to achieve employee engagement and job motivation. These are presented in Table 5 below.

Bogdanović (2016) proposed several soft management principles for improving job engagement and work motivation, the most important of which is that management should make such an impression that employees believe that they are working for their own good.

Principles underlying innovation management

Innovation activities, i.e. the creative implementation of knowledge, are key to entrepreneurship, new product development and management, i.e. the growth and development of existing and new companies. Human innovation encompasses activities which primarily demand "soft" managerial approaches because it involves specialised human resources that are highly dependent on environmental conditions. The application of a "hard" approach and the concentration on economic efficiency and profitability would be counter-productive and block the innovation processes in most employees. The exception to this rule was the GULAG camp system during the "hard" Soviet era, during which scientists were expected to invent almost by enforcement⁹. However, this approach did not prove to be very fruitful because innovation in essence is a free activity. Table 6 provides an overview of the "hard" and "soft" organisational principles that impede or stimulate an environment of innovation in companies.

⁹ For example, the creator of the Soviet rocket programme, Sergej Pavlovič Koroljev (1907-1966), was prevented from walking around freely. He was permanently under observation, even during his 10 years in the GULAG camp (during Stalin era 1924-1953). Until his death in 1966, he was forbidden to be addressed by his name, he was only ever addressed as "main constructor" (Simonić, 2001). As a result of this "hard" treatment, it was felt that in the scientific and technological sense he did not fulfil his true potential.

On the basis of the above, it is clear that a “soft” organisational approach is crucial for innovation, whereas a “hard” approach provides organisational stability. That said, within the field of HRM, it is essential to find a balance between the two to achieve optimal efficiency within an organisation.

Principles underlying hard and soft organisational structures

“Hard” organisational structures are considered in terms of being mechanical, traditional and hierarchical, whereas “soft” ones are synonymous with terms such as organic structures and network structures, i.e. self-organising models. The main characteristic of hierarchical structures is that they can be more or less centralised, whereas organic structures are more distributed and cannot. This implies that there are some significant differences between “hard” and “soft” organisational structures. According to Drotos (2011), these differences lie in the following dimensions:

- a) cornerstones and core values,
- b) market offers and organisational performance,
- c) forms of organisational collaboration,
- d) organisational patterns,
- e) leaderships issues,
- f) the use of information technologies.

The differences between “hard” (hierarchical) and “soft” (network or self-organised) structures according to the aforementioned criterion are presented in Table 7 bellow.

Innovations in the area of “soft” organisational structures suggests that typical hierarchical organisations, i.e. vertical (“silo”) corporations which characterised the industrial era, need to be deconstructed. In the current enterprise culture, there is an increased need for interdependence, empowerment, independent units and networked teams. This in turn means that rigid economic units need to transform themselves accordingly. Informatisation of the economy and the transformation towards a knowledge economy¹⁰ support this trend. As a result, every organisational innovation must be interpreted within this context. The challenge for management today, and in the future, is to revitalise the key competences which empower network based, self-organised organisational structures.

¹⁰ The term “knowledge economy” is often misused in politicians’ speeches. It is therefore important to draw attention to its implications, which are, that today (and in the future), only knowledge creates products and services which consumers are willing to buy.

On the basis of the above, it would seem that compromise is possible between “hard” and “soft” organisational structures, and that a good strategy is to search for and develop structural synergies. The challenge therefore for organisations and managements is to find an effective way of restructuring that utilises the elements/characteristics of both organisational structures (hierarchical and self-organised) in order to maintain the benefits of both, too.

Hard and soft principles that underlie improvements in future management theory (management theory innovations)

The principles on which innovations in management theory and practice in the 21st century, in particular with regards to the implementation of solutions and the verification thereof in practice, are also based on a mixture of “soft” and “hard” approaches. It is on this basis that the prominent principles at the heart of management theory innovation are presented Table 8.¹¹

As is evident from the list above, 5 out of 25 (i.e. 20%) of the principles that underlie future management theory innovations can, in the opinion of the author, be classified as “hard”, and the remainder, 20 out of 25 (i.e. 80%), can be classified as “soft” (Hamel 2007; Hamel and Breen 2009). It can be stated that the future of management theory innovation lies in the integration of “hard” and “soft” management principles, which can be systematically applied to the main managerial functions (planning, organising, HRM/staffing, leading and controlling).

With regards to the main management functions¹², the following management innovations can be mentioned:

- a) **PLANNING:** Within this management function there is still no good theory for strategy creation. The key question is therefore how to improve the possibility of creating good strategies (Hamel 2012). To be able to control the unpredictable and uncertain future will most likely require a combination of quantitative (hard i.e. models) approaches and

¹¹ The authors Chris Argyris, Peter Senge, Gary Hamel and Kevin Kelly created an ambitious agenda for management innovations. [online] [accessed: 2018-06-06]. Available at: <http://www.greatleadershipbydan.com/2009/04/moon-shots-for-management-management-20.html>

¹² The functional management approach, i.e. the traditional view of a manager’s job, still prevails. This approach treats management as a stream of interconnected blocks of tasks. In other words, there are 4 or 5 main management functions: planning, organising, directing, controlling (Olson 2004); or: planning, organising, HRM, leadership/leading, controlling (Buble 2006; Bahtijarević-Šiber 1999); and several supplementary/integrating/mediation functions (e.g. decision making, coordination, influencing, communication, delegating) and duties (e.g. change management, conflict management, development management) (Bahtijarević-Šiber 1999).

intuitive (soft i.e. improvisation) approaches. The key to “soft” management approaches is knowledge of psychology. The development of the planning function will therefore depend on the development of such knowledge. It is also unclear what the process of creating an inspiring vision entails within the management planning function, which is a precondition for a functional strategy. Therefore in planning/strategy planning it is clear that there is a need for the integration of “soft” and “hard” management methods/principles because planning is more than just a technical question.

- b) ORGANIZING: The creation and development of the Internet and social networks is the result of network/self-organising organisational structures. Social capital and networking will remain very important for conducting effective business (Baker 2003), which implies that it is important for self-organising organisations to increase their social investment (collaboration principles in social structures) because it is crucial for their efficacy. Within this context, it is necessary for strong hierarchical structures that rely on compliance (obedience) to be transformed because they do not generate true work commitment/job engagement, which is the real source of organisational learning and innovation (Senge 2008). In addition, people suffer under a strict organisational hierarchy (Buble 2011), which is counterproductive for innovation and slows down decision-making. There is also a growing need for new kinds of “soft” capital at different levels within organisations, Firstly, at the individual level in the form of morals (love-altruism-solidarity), health, aesthetics, erotic capital¹³ and similarly, for example, psychological capital¹⁴. Secondly, at the collective level in the form of capital related to organisational harmony, climate and culture (Bogdanović 2008; TV broadcast “Knowledge capital”, Business TV, Republic of Croatia; “Knowledge capital” on <http://www.kapital.tv> 2011). At both levels, these forms of soft capital have important repercussions for organising and organisational structures. As a result, this management function will require existing “hard” organisational principles to be upgraded to reflect this.
- c) HRM/STAFFING: Under HRM/staffing more attention needs to be focused on the efficiency (innovative, profitable) and efficacy of each employee and working team with respect to the strategic goals of a company. Traditional obedience can only still be a

¹³ According to the book of Hakim (2011), *erotic capital* is defined as a set of individual characteristics such as social attraction, charm, vitality and sexiness, which includes elements of dress, gaze, smile, relationship culture and physical appearance.

¹⁴ *Psychological capital* is a new concept within resources-oriented theory, whereby human resource capital is considered to provide a sustainable strategic competitive advantage on the basis of psychological capital in the form of, among other things, the ability to self-evaluate efficacy, optimism, hope, hardiness to stress/failure, and which is positively connected with entrepreneurship and innovation (Newman et al. 2014.).

relevant strategic goal and dominant managerial principle in companies that operate in traditional industries or that mass produce goods, although this is even questionable. If the strategic goals are to innovate and develop new products, humanistic management approaches need to be implemented i.e. unconditional respect for the dignity of every employee (Von Kimakowitz 2013). By doing so, employees will be more aware of and pay more attention to their contribution in terms of productivity, innovation and multidisciplinary competence in order to remain employed, whilst respecting human dignity to the full.¹⁵ Within this context, HRM should be in charge of every aspect of improving the profitability/creativity of employees (with “hard” and “soft” managerial principles) with the utmost respect for ethics and humanity. By adopting such a humanistic approach, management could try to resolve the alienation problem (where employees in their work neither find satisfaction nor confirmation of their abilities, where their personality is squeezed, and their spiritual life is at its lowest level) by empowering people in their jobs. Empowering employees in their jobs increases their self-consciousness and satisfies their needs for self-actualisation, which is standard knowledge within management i.e. in HRM and the organisational behaviour discipline. However, Marx took a much broader view on the theory behind the alienation problem. He suggests that humans alienate themselves religiously, spiritually (in the form of morals, philosophy, art), economically (in form of commodities, money, capital) and socially (in the form of state, law and institutions), and that the humanistic approach is the way to self-consciousness, self-actualisation and the most developed form of creativity (authentic form of freedom). The philosopher, Gajo Petrović, in discussing Marx’s alienation theory, provides an interesting insight into the resolution of the alienation problem. He states “de-alienation is a revolution during which people change their social relationships (eliminate the class system) and change their nature at the same time. Such a revolution (de-alienation) is the essence of existence and existence in its essence.” (Kukoč 2013, p.22-23 according Petrović 1973, p.11-15). In the ethical sense, de-alienation in business requires the implementation of humanistic/intrinsic (true) values which are means and ends in themselves (Von Kimakowitz 2013) and result in: correct behaviour, truth, love, equanimity/peace, and non-violence. This contrasts sharply with extrinsic/instrumental/egoistic values, which are selfish values

¹⁵ Humanistic management is based on the fundamental acceptance that the “*conditio humana*” encompasses our shared mental and physical vulnerability and, consequently, the need for protection of our human dignity. All humans must always be seen as ends in themselves, and never as mere means to an end: “Everything has either a price or a dignity. Whatever has a price can be replaced by something else as its equivalent; on the other hand, whatever is above all price, and therefore admits to having no equivalent, has dignity. But that which constitutes the condition under which something alone can be an end in itself does not have mere relative worth, i.e. price, but an intrinsic worth, i.e. dignity (Kant 1785 according Von Kimakowitz 2013).

and regardless of the means always result in alienation.¹⁶ To truly achieve humanistic de-alienation it is therefore necessary to resolve, in practical terms, the main ethical paradox between humanistic/intrinsic/true/non-egoistic and extrinsic/instrumental/egoistic values (as pointed out in the famous metaphor of Lord Jahve and Lord Mamon, i.e. “the story of the golden calf”, in which it is impossible to serve both Lords, i.e. to adhere to different value systems at the same time¹⁷) (Bogdanović 2017). Unfortunately, this cannot be expected in the near future.

- d) **LEADING:** With regards to the management of the people which produce products and services with high added value, the expectation is that there will be a move towards the development of participative democracies and serving leadership e.g. “Management by love” (Gerken 1991; Brajša 1997; Ferch 2008). Genuine organisational conflicts can be moderated by cultural changes in the style of leadership across all segments of organisational life, especially in those areas related to power. By only being able to resolve the conflicts in organisations, it is possible to improve human relationships and the psycho-social working conditions (Burnes 2004). However, in organisations where the products and services generate low added value, the expectation is that the traditional autocratic and absolutistic leadership models will remain intact, which will only be relaxed because of appeal and legitimacy of capital relationship. Within this context, and on the basis of clear class differentiations (e.g. employable and non-employable work force; rich and poor; privileged and under-privileged; etc.), it is to be expected that forms of leadership will develop which will apply different proportions of “hard” and “soft” management principles, whereby the driving force is the benefits this generates for humanity (defined political freedom and democracy in terms of its contents: economic, political and social).
- e) **CONTROLLING:** Technology and technological progress will contribute to the “hard” control of people. Potential utopian-futuristic scenarios of control have already been envisioned (via cameras, the control of electronic and other communications, total control on the workplace and other places). In addition, if the principle of self-organising teams is adopted, then it would be possible to master self-control and responsibility. This would enable distributed work (e.g. work at home and outside a

¹⁶ Values of *scientific management* such as: a) survival, b) success, c) happiness and d) health (Lukšić 1995) , or similar values in renewed *Darwin neoclassic value theory* such as: : a) achieving resources for the live sustain, b) defending from the factors which threaten the life, c) connecting with other people in longterm carefull two-way relationships, d) understanding the world around us (Lawrence and Nohria 2002) are extrinsic/instrumental/egoistic ones.

¹⁷ Lord Mamon is a metaphor of practical need and mercenary, i.e. money. Money (lord Mamon) destroys all the other lords, and rules the soules of alienated human beeing.

company), that in the past relied on a sense of duty, to be subjected to “hard” control in the form of performance ethics and performance management. It goes without saying that is also possible that relatively cheap automated, electronic and robotic “hard” control will be widely used unless this is not strongly regulated. As is the case for the other management functions, a balance will also need to be struck between the “hard” and “soft” management principles for controlling. In finding that balance, consideration should be given to the humanisation of different types of controlling because the technological possibilities can easily result in the border between ethics and human dignity being crossed.

Management and its future development is also connected to broader socio-economic developments, both internally and externally. Therefore the way forward for (integrated) management is to:

- a) Follow the developments in the external and internal environments (in this sense there is no paradigmatic change expected).
- b) Apply “hard” management to those resources that do not behave in order to achieve techno-economic work rationalisation.
- c) Apply “soft” management to people (at the individual, group and organisational levels) and organisational culture (socio-economic phenomena in organisations) to achieve psycho-social work rationalisation (Bogdanović, Cingula and Marijan 2015).
- d) Apply “mixed” management methods to human resources subject to the desired level of stability, change (development, innovation) and strategy to achieve total rationalisation of the work in an organisation.

Conclusion

With regards to the key management problems in the contemporary world of work, and the question of how to solve unsolved managerial problems, the following conclusions can be drawn:

- a) Hierarchical structures are appropriate for work intensive organisations with low levels of required knowledge and innovation. In contrast, network and self-organising structures are appropriate for organisations for whom knowledge and innovation are crucial.
- b) Innovation cannot be stimulated effectively without a “soft” management approach, and that lower costs can only be achieved through an organisational culture that values the innovative capacities of its employees.

- c) Organisational discipline will be less based on legitimate and instrumental power, but more on professionalism and referent power.

The way forward for determining the appropriate balance between hard and soft management and for the development of integrated management theory for the 21st century lies in:

- a) Following the developments in the external and internal environments (in this sense there is no paradigmatic change expected).
- b) Continuing to manage techno-economic problems and tasks on the basis of “hard” scientific management principles.
- c) Continuing to manage psycho-social problems and tasks on the basis of “soft” management principles.
- d) Management on the basis of “mixed” principles subject to the desired organisational stability and change. More “hard” methods should be applied if greater organisational stability is wanted, and more “soft” methods applied if employee motivation, job engagement and innovation are required.

It can also be concluded that it is important for efficient organisations to apply “hard” principles (Taylor's and Weber's), “soft” principles (e.g. from the Hawthorne experiment, Theory Y and contemporary knowledge with regards to organisational psycho-sociology) and “mixed” management principles, which can already be found in some contemporary industrial settings (e.g. Theory Z, Toyotism, lean production, internal marketing, as well as the 25 principles recommended in this paper for future management theory innovation). Within this context, management of the future will certainly see an integration of these elements in the form of sophisticated, innovative solutions for the:

- a) Structural-process (hard) component with defined processes, procedures and standards. This component defines an organisation, how it should function and which standards it should satisfy.
- b) Cultural (soft) component which is related to the psycho-social field of, among other things, corporate values, opinions, expectations and aspirations. This cultural component is crucial for the quality of an organisation and its impact on people, employees and stakeholders alike.

With regards to future trends in the development of management for the 21st century, it is more and more clear that a balance should be sought between “hard” and “soft” management approaches. Modern new elements, that are making new connections and hierarchies in management possible, and that are discovered and applied in everyday managerial work, have laid the foundations for this. Its essence rests above all in those

areas where the focus of attention is on the human being and human behaviour and in the organisational settings for human resource management and organisational behaviour.

The dramatic changes in the global economic environment are transforming attitudes and understanding, but also generating practical controlled work. Theorists talk about a so-called “shift in the management paradigm”, a shift in basic patterns and values in management, to which we have been witness in recent decades. It is for this reason that it is not currently possible to clearly and exactly define generally accepted norms, principles and rules in the area of management. There are a many opinions and trends that try to describe and define the changes in the theory, as well as in management practice. Their existence, but more importantly, their validity, must be proven in the future and through rigorous research.

Tables

Table 1: Functional split in current management research

1. Organisational Management Research	2. Human Resource Management (HRM) Research	3. Process Management Research
1.1. Organisational forms and management tasks (H)	2.1. Motivation (S)	3.1. Planning as a managerial activity (H/S)
1.2. Organisational development (S)	2.2. Conflict management (S)	3.2. Decision (H/S)
1.3. Organisational communication (S)	2.3. Human resource management (HRM) (H/S)	3.3. Decision-implementation, provision (S)
1.4. Information management (H/S)	2.4. Selection of labour (H)	3.4. Organisation (H/S)
1.5. Organisational management (H/S)	2.5. Competency tests (H)	3.5. Logistics management (H)
1.6. Group management (S)	2.6. Benchmarking (H)	3.6. Monitoring (H)
1.7. Analysis of management structure and hierarchy (H)	2.7. Development of human resource (H/S)	3.7. Quality management (H/S)
1.8. Change management (S)	2.8. Career management (H/S)	3.8. Time management (H)
1.9. Innovation management (S)	2.9. (4EM) Equal opportunities human resource management (H/S)	3.9. Security management (H/S)

Source: Berde (2011); Author's interpretation of the managerial principles: H - hard approach dominant; S - soft approach dominant; H/S - mixed hard/soft approach

Table 2: Taylor's "hard" management principles and their impact on production systems

"Hard" principles of scientific management	Impact on production systems
<p>Delimitation between planning / anagement functions and task execution (the workers should work only on concrete operations, without redundant planning on which they spend productive time)</p> <p>Rational organisation of work in sequences and processes (defining the best working methods in terms of movements and tools to be used)</p> <p>Elimination of unnecessary/redundant movements (elimination of badly designed, slow and unnecessary movements)</p> <p>Introduction of task timing (every movement or operation should be timed according the fastest movement)</p> <p>Worker motivation stimulated through premiums and the absence of improvisation (a differential system of awards is typical; improvisation is seen as being loose from productive work time because it differs from the best way a job should be done)</p>	<p>Increases the skills of workers by raising levels of expertise and technical knowledge</p> <p>Allows greater control of time in factories (minimises non-productive time), which results in a greater accumulation of capital;</p> <p>Introduces the idea of technical individualism and role mechanisation (optimisation of technological processes due to the variability of the human factor)</p> <p>Stimulates the scientific study of movements and productive time (for each operation)</p>

Source: Taylor (1919) according to Vasquez (2011)

Table 3: Managerial principles of Theory Z, Toyotism, Lean Manufacturing and Internal Marketing and its classification

Key Management Principles	Source
Encouraging interaction of personal skills (encourage self-organised learning that is important, or could be important for the job). (S)	Theory Z
Decision-making processes based on consensus (decisions about important operative matters should include the workers because they know what can be improved). (S)	Theory Z
Assignment and elucidation of individual responsibility (principles of empowerment and horizontal career development). (S)	Theory Z
Promotion of informal relationships based on mutual trust (within/outside workplace) (organisational trust becomes the key factor for motivating employees). (S)	Theory Z
Participative management systems (whereby hierarchical structures and principles of authority and discipline are maintained). (H/S)	Theory Z
Job flexibility and high rotation in roles and tasks (this develops the thinking that organisational development depends on continuous organisational change). (H/S)	Toyotism
Promotion of team work and integration among individuals at different hierarchical levels (process and net organisation structures are needed in those industries where information and knowledge is the basic input). (H/S)	Toyotism
Just-in-time relationships between production time and product flow (production should be continuous and without pause, which requires a special culture and relationships with suppliers). (H/S)	Toyotism
Reduction of plant costs, which translates into lower prices and increased consumption. (H)	Toyotism
“Five zeros” strategy: zero defects, zero breakdowns, zero delays, zero paper, and zero inventory. (H/S)	Toyotism
Perfect quality at the first attempt (zero defects). (H/S)	Lean Manufacturing
Waste minimisation (removal of what does not generate added value). (H)	Lean Manufacturing
Continuous improvement (costs, quality, productivity, information sharing). (H/S)	Lean Manufacturing
Pull processes (on customer demand). (H/S)	Lean Manufacturing
Flexibility (quick production of a range of products to prevent lapses in	Lean

efficiency). (H/S)	Manufacturing
Long-term relationships with suppliers, risk sharing, costs and information. (H/S)	Lean Manufacturing
Employees as an internal target market to motivate and satisfy. (S)	Internal marketing
Remuneration is more than merely the job and salary/wage. (H/S)	Internal marketing
Internal communication is essential. (S)	Internal marketing
Optimisation of employees' creative potential (organisational innovation is inherent in employee behaviour). (S)	Internal marketing
Participative management systems. (H/S)	Internal marketing
Other issues (job training, safety, stability, etc.). (H/S)	Internal marketing

Source: (Vazquez 2011)

Author's interpretation of the managerial principles: H - hard approach dominant; S - soft approach dominant; H/S - mixed hard/soft approach

Table 4: Hard and soft functions within HRM

Hard HRM Functions	Soft HRM Functions
1. Job/work analysis	1. Leading and directing
2. Projecting the working places	2. Motivation
3. Planning of personnel needs	3. Communication and informing
4. Recruitment, professional selection and allocation of work places	4. Management with human, interpersonal processes and groups (group dynamics)
5. Training and education of employees	5. Conflict and power management
6. Performance management	6. Change management, organisational development
7. Compensation	7. Innovation management
8. Working relationships	8. Organisational culture and climate
9. Work safety, social rights, judicial safety, standard safety	9. Professional and career development of employees, managerial succession
10. Organisation of Personnel Department and HRIS	10. Organisational behaviour, organisational consulting, behavioural economy

Source: Author

Table 5. “Soft” principles for employee engagement

Number	Managerial principle (The 10 C’s)	Explanation of the principle
1.	Connect	Show the employee that the manager appreciates them as a person and their work. This includes profit-sharing and work-life incentives.
2.	Career	Provide the employee with work challenges and the possibility of career advancement. Not giving the employee the knowledge and tools to be successful is demotivating and unethical. Management should internalise the culture “Our employees are our most valuable asset.”
3.	Clarity	Clearly present the company’s vision and goals. Management should communicate clarity about what the organisation stands for, what it wants to achieve and how people can contribute to the organisation’s success.
4.	Convey	Introduce employees to work processes and procedures. Good leaders establish processes and procedures that help employees master important tasks and achieve goals, but also to improve their skills and create small wins that help the team, unit or organisation to perform at its best.
5.	Congratulate	Praise for strong performance. The employee’s work must be visible, commended and rewarded by their supervisor. Exceptional leaders give a lot of recognition.
6.	Contribute	Employees want to know that investing their efforts and time in work contributes to the overall goals of the company in a meaningful way. Good leaders help employees to see and feel how they are contributing to the organisations success and future.
7.	Control	Employees should be given the opportunity to participate in the process of adopting important decisions. This often reduces stress, creates trust and a culture where employees want to take ownership of problems and their solutions.
8.	Collaborate	Build teams that create an environment of confidence. Great leaders are team-builders. They create an environment that fosters trust and collaboration. Being cared about by colleagues is also a strong predictor of employee engagement.
9.	Credibility	Leaders should strive to maintain a company’s reputation and represent high ethical standards.
10.	Confidence	A good leader gains the confidence of employees by living the values, norms and ethical standards of the company. They help create confidence in the company by being an example of high ethical and performance standards. The restoration of corporate ethics and credibility are key ingredients for success.

Source: Seijts and Crim (2006)

Table 6. Organisational principles that impede or stimulate innovation in companies

Principles that impede innovation (HARD)	Principles that stimulate innovation (SOFT)
Adherence to the norm, inflexibility	Inclination to change, flexibility
Bureaucratic behavioural forms, vulnerability	Autonomous initiative, autonomous action, free decisions
Low propensity for taking risks	High propensity for taking risks
Searching for corrupt by-passes	Correct behaviour
Seclusion, low level of tolerance	Openness, high level of tolerance
Contracts, failure to follow rules	Rule following behaviour

Source: Compilation of Hamori and Szabo (2011)

Table 7: Difference between “hard” and “soft” organisational structures according to the key dimensions

	Hard (hierarchical) structure	Soft (self-organizing) structure
Cornerstones and Core Values	Profit maximisation	Low or zero profit
	Emphasis on property rights	Fluid property rights
	Contract-based	Reciprocal and trust-based
Market Offers and Performance	Standard products and services are preferred	Mass customisation of products and services
	Inquiries and orders are handled according to formal (often slow) processes	Customer needs are informally communicated and quickly fulfilled
	High transaction costs	Low transaction costs
	Good quality because of multiple formal control mechanisms	Quantity problems may occur despite of distributed control efforts
Forms of Collaboration	Controlled value and supply chains	Loose network of collaborations with many parties
	The name of the game is how to exploit your bargaining power to the maximum	The name of the game is how to self-balance contributions and benefits from contributions
	The customer is a consumer with needs and money	The customer is a “prosumer” providing feedback and contributions
	Some tasks are outsourced to selected professional partners	Some tasks are crowdsourced to non-professionals or communities
Organisational Patterns	Top-down, designed (centralised or decentralised structure)	Bottom-up, emergent (modular structure)
	Participants are subordinates	Participants are all equal
	Lean is beautiful, redundancy is avoided	Organic development, redundancy is encouraged
	Transparent structure with some central elements and few lines - therefore vulnerable	Not so transparent, multiple hubs and web of connections survives and revives even from crashes
	Controlled, two way communication	Distributed, parallel communication
	Difficult to scale up or down: limited or non-proportional	Smooth growth or reduction: without limits and extra

	costs occur	costs
Leaderships Issues	Strong leadership required at establishment and for operations	Strong leadership capacity only required at establishment
	Multi-level career paths, gradual and slow advancement, high power distance	“Leaders” are naturally developed, super-nodes (hubs), small power distance
	Autocratic or democratic leadership style	Mentoring: encouragement, coaching, assistance
	Disciplined implementation after the decision is made	Incremental development: experimentation and bricolage
	Partial mistrust, secrecy	Openness, hospitality
Use of Information Technologies	Centralised servers, branded desktops, licensed applications	Cloud computing, mobile clients, open-source applications
	Integrated administrative systems (with ERP system), formal use of MIS systems	Necessary or simple administrative systems with use of more informal MIS systems
	Internet used in a hierarchical way (B2B, B2C applications)	Internet used in an organic way (web2, social media)
	Fixed user roles with predefined permissions	Accidentally changing user roles and permissions

Source: Drotos (2011)

Table 8. Soft and hard principles that underlie future management theory innovations

Dominant approach - soft (S) / hard (H)	Principle	Explanation of the principle
1. S	Ensure that the work of management serves a higher purpose.	Management, both in theory and practice, must orient itself to the achievement of noble, socially significant goals.
2. S	Fully embed the ideas of community and citizenship in management systems.	There is a need for process and practices that reflect the interdependence of all stakeholder groups.
3. S	Reconstruct management’s philosophical foundations.	To build organisations that are more than merely efficient, drawing lessons from such fields as biology, markets, democracies and theology to do so.
4. S	Eliminate the pathologies of formal hierarchies.	There are advantages to natural hierarchies, where power flows up from the bottom and leaders emerge instead of being appointed.
5. S	Reduce fear and increase trust.	Mistrust and fear are toxic to innovation and engagement and must be wrung out of tomorrow’s management systems.
6. S	Reinvent the means of control.	To transcend the discipline-versus-freedom trade-off, control systems will have to encourage control from within, rather than constraints from without.
7. S	Redefine the work of leadership.	The notion of “the” leader as a heroic decision maker is untenable. Leaders must be recast as architects of social systems who work to enable innovation and collaboration.
8. S	Expand and exploit diversity.	The creation of a management system that values diversity, disagreement and divergence as much as conformance, consensus and cohesion.
9. H	Reinvent strategy, making it an emergent process.	In a turbulent world, strategy making must reflect the biological principles of variation, selection and retention.
10. H	Deconstruct and disaggregate the organisation.	To become more adaptable and innovative, large organisations must be disaggregated into smaller, more malleable units.
11. S	Dramatically reduce the pull of the past.	Existing management systems often mindlessly reinforce the status quo. In the future, they must facilitate innovation and change.
12. S	Share the work of setting direction.	To engender commitment, the responsibility or goal setting must be distributed in a process where share of voice is a function of insight, not power.
13. H	Develop holistic performance measures.	Existing performance metrics must be recast because they give inadequate attention to the critical human capabilities that drive success in the creative

		economy.
14. H	Stretch executives' timeframes and perspectives.	Discover alternatives to compensation and reward systems that encourage managers to sacrifice long-term goals for short-term gains.
15. S	Create a democracy of information.	Companies need holistic information systems that equip every employee to act in the interests of the entire organisation.
16. S	Empower renegades and disarm reactionaries.	Management systems must give more power to employees who have their emotional equity invested in the future rather than in the past.
17. S	Expand the scope of employee autonomy.	Management systems must be redesigned to facilitate grassroots initiatives and local experimentation.
18. S	Create internal markets for ideas, talent and resources.	Markets are better than hierarchies at allocating resources, whereby companies' resource allocation processes need to reflect this fact.
19. S	Depoliticise decision making.	The decision-making process must be free of positional biases and exploit the collective wisdom of the entire organisation.
20. H	Better optimise trade-offs.	Management systems tend to force either-or choices. What is needed are hybrid systems that subtly optimise key trade-offs.
21. S	Further unleash the human imagination.	Much is known about what engenders human creativity. This knowledge must be better applied in the design of management systems.
22. S	Enable communities of passion.	To maximise employee engagement, management systems must facilitate the formation of communities of passion.
23. H	Retool management for an open world.	Value-creating networks often transcend the organisation's boundaries and can render traditional power-based management tools ineffective. New management tools are needed to build complex ecosystems.
24. S	Humanise the language and practice of business.	Tomorrows management systems must give as much credence to timeless human ideals such as beauty, justice and community as they do to the traditional goals of efficiency, advantage and profit.
25. S	Retrain managerial minds.	Managers' traditional deductive and analytical skills must be complemented by conceptual and systems-thinking skills.

Sources: Classification by author; Hammel (2009)

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