



**The
Evolution of
Management
Theory**



Scientific Management theory

- **Modern management began in the late 19th century.**
 - Organizations were seeking ways to better satisfy customer needs.
 - Machinery was changing the way goods were produced.
 - Managers had to increase the efficiency of the worker-task mix.
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Job specialization

- **Adam Smith, 18th century economist, found firms manufactured pins in two ways:**
 - **Craft** -- each worker did all steps.
 - **Factory** -- each worker specialized in one step.
 - **Smith found that the factory method had much higher productivity.**
 - Each worker became very skilled at one, specific task.
 - **Breaking down the total job allowed for the division of labor.**
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Scientific Management

- **Defined by Frederick Taylor, late 1800's.**
 - **The systematic study of the relationships between people and tasks to redesign the work for higher efficiency.**
 - Taylor sought to reduce the time a worker spent on each task by optimizing the way the task was done.
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The 4 Principles

- **Four Principles to increase efficiency:**
 1. ***Study the way the job is performed*** now & determine new ways to do it.
 - Gather detailed, time and motion information.
 - Try different methods to see which is best.
 2. ***Codify the new method into rules.***
 - Teach to all workers.
 3. ***Select workers whose skills match*** the rules set in Step 2.
 4. ***Establish a fair level of performance*** and pay for higher performance.
 - Workers should benefit from higher output.
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Problems of Scientific Management

- **Managers often implemented only the increased output side of Taylor's plan.**
 - They did not allow workers to share in increased output.
 - Specialized jobs became very boring, dull.
 - Workers ended up distrusting Scientific Management.
 - **Workers could purposely “under-perform”**
 - **Management responded with increased use of machines.**
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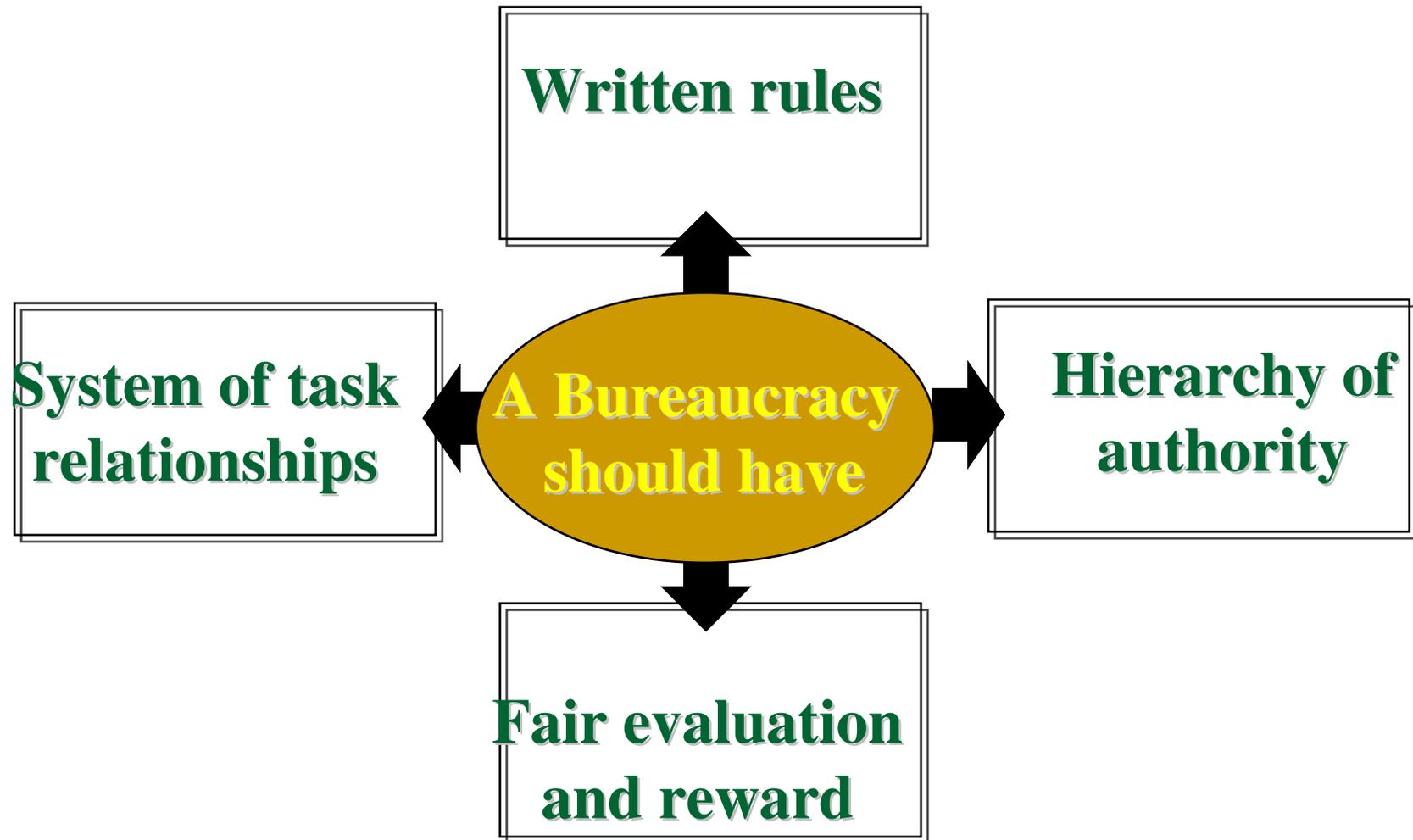
The Gilbreths

- Frank and Lillian *Gilbreth* refined Taylor's methods.
 - Made many improvements to time and motion studies.
 - Time and motion studies:
 - 1. *Break down each action* into components.
 - 2. *Find better ways* to perform it.
 - 3. *Reorganize each action* to be more efficient.
 - Gilbreths also studied fatigue problems, lighting, heating and other worker issues.
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Administrative Management

- **Seeks to create an organization that leads to both efficiency and effectiveness.**
 - **Max Weber developed the concept of bureaucracy.**
 - A formal system of organization and administration to ensure effectiveness and efficiency.
 - Weber developed the Five principles shown in Figure 2.2.
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Bureaucratic Principles



Key points of Bureaucracy

Authority is the power to hold people accountable for their actions. Positions in the firm should be held based on **performance** not social contacts.

Position duties are clearly identified. People should know what is expected of them.

Lines of authority should be clearly identified. Workers know who reports to who.

Rules, Standard Operating Procedures (SOPs), & Norms used to determine how the firm operates. Sometimes, these lead to “red-tape” and other problems.

Fayol's Principles

- **Henri Fayol, developed a set of 14 principles:**
 - 1. ***Division of Labor:*** allows for job specialization.
Fayol noted firms can have too much specialization leading to poor quality and worker involvement.
 - 2. ***Authority and Responsibility:*** Managers have the right to give orders and the power to exhort subordinates for obedience.
 - 3. ***Unity of Command:*** Employees should have only one boss.
 - 4. ***Line of Authority:*** a clear chain from top to bottom of the firm.
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Fayol's Principles

5. **Centralization:** the degree to which authority rests at the very top.
 6. **Unity of Direction:** One plan of action to guide the organization.
 7. **Equity:** Treat all employees fairly in justice and respect.
 8. **Order:** Each employee is put where they have the most value.
 9. **Initiative:** Encourage innovation.
 10. **Discipline:** obedient, applied, respectful employees needed.
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Fayol's Principles

11. ***Remuneration of Personnel:*** The payment system contributes to success.
 12. ***Stability of Tenure:*** Long-term employment is important.
 13. ***General interest over individual interest:*** The organization takes precedence over the individual.
 14. ***Esprit de corps:*** Share enthusiasm or devotion to the organization.
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Behavioral Management

- **Focuses on the way a manager should personally manage to motivate employees.**
 - **Mary Parker Follett: an influential leader in early managerial theory.**
 - Suggested workers help in analyzing their jobs for improvements.
 - The **worker** knows the best way to improve the job.
 - If workers have the knowledge of the task, then they should control the task.
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The Hawthorne Studies

- **Study of worker efficiency at the Hawthorne Works of the Western Electric Co. during 1924-1932.**
 - Worker **productivity was measured** at various levels of light illumination.
 - Researchers found that regardless of whether the light levels were raised or lowered, productivity rose.
 - **Actually, it appears that the workers enjoyed the attention they received as part of the study and were more productive.**
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Theory X and Y

- **Douglas McGregor proposed the two different sets of worker assumptions.**
 - **Theory X:** Assumes the average worker is lazy, dislikes work and will do as little as possible.
 - Managers must closely supervise and control through reward and punishment.
 - **Theory Y:** Assumes workers are not lazy, want to do a good job and the job itself will determine if the worker likes the work.
 - Managers should allow the worker great latitude, and create an organization to stimulate the worker.
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Theory X *vs.* Theory Y

Theory X

Employee is lazy

Managers must closely supervise

Create strict rules & defined rewards

Theory Y

Employee is not lazy

Must create work setting to build initiative

Provide authority to workers

Management Science

- **Uses rigorous quantitative techniques to maximize resources.**

Quantitative management: utilizes linear programming, modeling, simulation systems.

Operations management: techniques to analyze all aspects of the production system.

Total Quality Management (TQM): focuses on improved quality.

Management Information Systems (MIS): provides information about the organization.

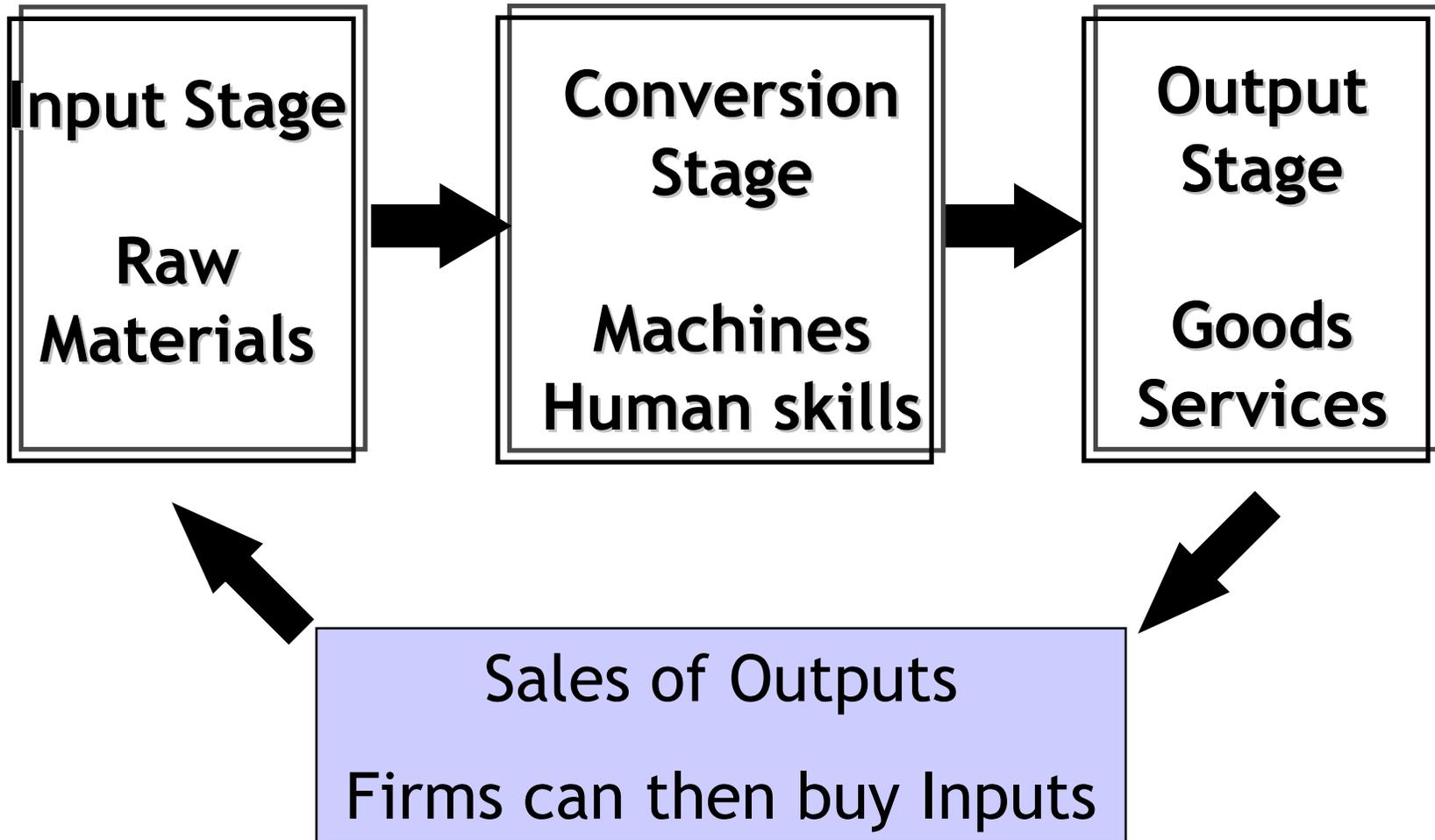
Organization-Environment Theory

- **Considers relationships inside and outside the organization.**
 - The environment consists of forces, conditions, and influences outside the organization.
 - **Systems theory considers the impact of stages:**
 - Input:*** acquire external resources.
 - Conversion:*** inputs are processed into goods and services.
 - Output:*** finished goods are released into the environment.
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Systems Considerations

- **An open system interacts with the environment. A closed system is self-contained.**
 - Closed systems often undergo entropy and lose the ability to control itself, and fails.
 - ***Synergy*: performance gains of the whole surpass the components.**
 - Synergy is only possible in a coordinated system.
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The Organization as an Open System



Contingency Theory

- **Assumes there is no one best way to manage.**
 - The environment impacts the organization and managers must be flexible to react to environmental changes.
 - The way the organization is designed, control systems selected, depend on the environment.
 - **Technological environments change rapidly, so must managers.**
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Definition of Management

The process of **planning, organizing, leading and controlling** the work of organization members and of using all available organizational resources to reach stated organizational goals!!

Definition of a Manager

- People responsible for directing the efforts aimed at helping organizations achieve their goals

Definition of Managerial Performance

- The measure of how efficient and effective a manager is – How well he/she determines and achieves appropriate objectives
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Efficiency and Effectiveness

- **Efficiency** is the ability to minimize the use of resources in achieving organizational objectives.
 - **Doing Things Right!!**
 - **Effectiveness** is the ability to determine the appropriate objectives.
 - **Doing the Right Thing!!**
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Introduction to Management

- The management Process:
 - Planning
 - Organizing
 - Leading
 - Controlling
 - Decision making
 - Motivating
 - Communicating
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Planning

- The process of establishing goals and a suitable course of action for achieving those goals
 - Establish Goals for organization
 - Establish goals for sub units, Dept.s
 - Establish programs to achieving goals in a systematic manner
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Organizing

- The process of engaging two or more people in working together in a structured way to achieve a specific goal or a set of goals
 - Allocate resources
 - Allocate work authority
 - Allocate teams
 - Allocate deadlines and milestones
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Leading

- The process of directing and influencing the task-related activities of group members of an entire organization
 - Establish proper atmosphere
 - Lead and persuade others to join
 - Help employees to do their best
 - Use power and authority appropriately
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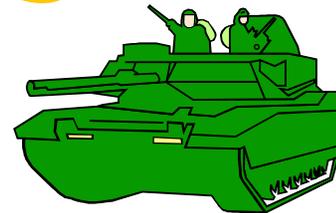
What is Power?

- Is it Muscle?
- Is it Money?
- Is it Mind?



Or

- Is it Violence?
- Is it Wealth?
- Is it Knowledge?



Controlling

- The process of ensuring that actual activities confirm to planned activities
 - Establishing standards for performance
 - Measuring current performance
 - Comparing these with established standards
 - Taking corrective action if deviations are detected
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Decision Making

- The process of identifying and selecting a course of action to solve a specific problem
 - Identifying problems
 - Identifying opportunities
 - Investigate the situation
 - Take decisions minimizing the risk
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Motivating

- The process of using factors that cause, channel, and sustain an individual's behavior to get work done
 - Satisfying the hierarchy of needs
 - Performance, rewards and incentive schemes
 - Fairness
 - Working environment and culture
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Communicating

- The process by which people share meaning via the transmission of messages
 - Dealing with trust, inconsistent verbal and non verbal communication in negotiations
 - Reacting to emotions & different perceptions
 - Vertical & Horizontal communication
 - Presentations, Business letters, email, web based systems
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Why Study Management Theory?

What is theory?

- A coherent group of assumptions put forward to explain the relationship between two or more observable facts and to provide a sound basis for predicting future events!!
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Why Study Management Theory?

- Theories provide a stable focus for understanding what we experience
 - Theories enable us to communicate efficiently and thus move in to more and more complex relationships with others
 - Theories make it possible to challenge us to keep learning about our world
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What were the well established schools of thought?

- Scientific Management School
- Classical Organizational Theory
- Behavioral School

Management Science:

- The Systems Approach
 - The contingency Approach
 - Dynamic Engagement Approach
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Scientific Management School

- An approach formulated by **Frederic Taylor** and others between 1890 and 1930, that sought to determine scientifically the best methods for performing any task, and for selecting, training and motivating workers.
 - **Henry Gantt** invented the Gantt charts to record the worker's progress publicly.
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Classical Organizational Theory

- An attempt pioneered by **Henri Fayol** to identify the principles and skills that underlie effective management
 - **Max Weber**
 - **Mary Follett**
 - **Chester Bernard**
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Fayol's 14 Principles of Management

1. Division of Labour
 2. Authority
 3. Discipline
 4. Unity of Command
 5. Unity of Direction
 6. Subordination of individual interest to the common good
 7. Remuneration
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Fayol's 14 Principles of Management

8. Centralization
 9. The Hierarchy
 10. Order
 11. Equity
 12. Stability of Staff
 13. Initiative
 14. Esprit de Corps
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Behavioral School

- A group of management scholars trained in sociology, psychology, and related fields, who use their diverse knowledge to propose more effective ways to manage people in organizations
 - The Hawthorne experiment
 - Elton Mayo
 - Theory X and Theory Y
 - Maslow's needs
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The Systems Approach

View of the organisation as a unified directed system of inter-related parts

Key Concepts:

- Subsystems
 - Synergy
 - Open and closed systems
 - System boundary
 - Flow
 - Feedback
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The contingency Approach

- The view that the Management Techniques that best contributes to the attainment of goals might vary in different types of situations or circumstances
 - Job enrichment
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Dynamic Engagement Approach

- The view that time and human relationships are forcing management to re-think traditional approaches in the face of constant rapid change

