Unit 3
Evolution of Management Thoughts

Classical Theory

- Oldest formal school of thought
- 1900-1920
- Emphasis on efficiency of workers, management based on careful observation
  - Scientific Management
  - Administrative Management
 - Bureaucracy

Classical Perspective

Scientific Management Theory

- Propounded by FW Taylor
- one best way to do perform a task
- Analysis of work
- Efficiency/ productivity
- Incentives

Taylor's principles of scientific management

1. Replace rule-of-thumb work methods with methods based on scientific study of task.

2. Scientifically select, train and develop each worker rather than passively leaving them to train themselves.

3. Cooperate with the workers to ensure that developed methods are followed.

- Advantages?
- Disadvantages?
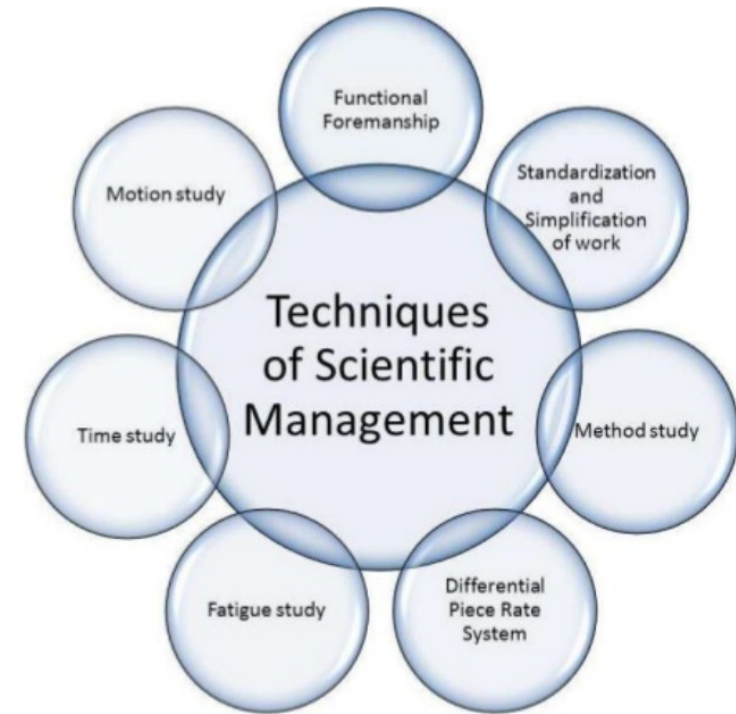
Classical Perspective

Administrative Management
- Henry Fayol
- 14 principles of management

Division of work	Centralization
Authority and responsibility	Scalar chain
Discipline	Equity
Unity of command	Order
Unity of direction	Stability of tenure of personnel
Subordination of individual interest to general interest	Initiative
Remuneration	Esprit de corps

Classical Perspective

Bureaucracy

- Max Weber

- Principles
  - Job specialization
  - Hierarchy
  - Merit based selection
  - Formal rules and regulations
  - Impersonality
  - Career orientation

Criticisms
Rigid and lack of flexibility
Too much emphasis on rules and regulations
Slow decision making
Waste of time and resources

Limitations of Classical Theory

- Ignores human relations aspects and undermines the role of human aspects
- Views organization as a closed system (External environment not considered)
- Assumes economic rewards as the main motivator (Nonmonetary factors ignored)
- Based on oversimplified assumptions; the principles are ambiguous and contradictory
- Strict adherence to rules and regulations/ Limited individual initiativeness

Behavioural Perspective

Organizations do not improve by only increasing the efficiency of workers and productivity. The work environment and human relations also affect the behavior of workers that ultimately affects the total productivity

Hawthorne Studies

- A number of experiments done in Western Electrical Company, situated in Illinois that are known as "Hawthorne Studies"
- Examine the effects of varying levels of light on worker productivity
- Expected brighter light to lead to increased productivity, but the results showed that varying the level of light (brighter or dimmer) led to increased output from the experimental group
- Elton Mayo
- Conducted experiments on job redesign, length of workday and workweek, length of break times, and incentive plans
- The results of the studies indicated that increases in performance were tied to a complex set of employee attitudes
- Finding—Hawthorne effect--The phenomenon that employees perform better when they feel singled out for attention or feel that management is concerned about their welfare

Quantitative Perspective

Management Science Theory

- Applies scientific methods and quantitative techniques to management
- Develops models and concepts to solve managerial problems
- Involves applying statistics, optimization models, information models, computer simulations and other quantitative techniques to management activities
- Especially in production and operations management
  - New ways for managers
  - Plenty of decision making tools and techniques
  - Enhanced understanding of managerial process

But
  - ignores non-quantifiable human factors
  - Cannot account individual behaviour, attitudes ad skills
  - Cannot solve all problems
  - Not applicable for non predictable managerial decisions

Contemporary approach

Two contemporary management perspectives
- Systems Theory and
- Contingency Theory

• A system is a set of interrelated and interdependent parts arranged in a manner that produces a unified whole
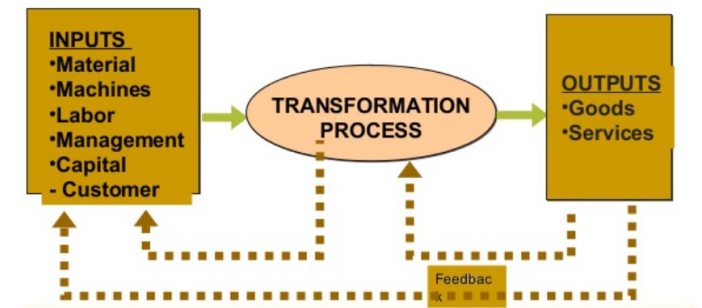
Two basic types

• Closed and open systems

Closed: systems that are not influenced by and do not interact with their environment

Open: systems that interact with their environment • Today when we describe organizations as systems, we mean open systems

Systems Theory

- Systems theory views an organization as an organism made up of numerous parts (subsystems) that must work together in harmony

- Departments, work groups, business units, facilities and individual employees can all be viewed as subsystems of the organizations

- Differentiated and integrated

- Communication and coordination among

- Conversion of inputs into outputs

- Interaction and inter-relation with enviror

- Goal directedness

INPUTS
- Material
- Machines
- Labor
- Management
- Capital
- Customer

TRANSFORMATION PROCESS

OUTPUTS
- Goods
- Services

Feedback

Contingency Theory

- Situational approach
- Organizations are different, face different situations (contingencies), and require different ways of managing
- " it depends………."
- This approach is logical because organizations and even units within the same organization differ

Emerging Management Concepts

Workforce Diversity

- Organization are becoming more heterogeneous mix of the people in the terms of gender, age, ethnicity and sexual orientation.

- One of the major challenges facing manager in 21st century will be coordinating work efforts of diverse organizational members in accomplishing organization goal.

THE BENEFITS OF WORKFORCE DIVERSITY:

- Diverse different talents together working towards a common goal
- Using different sets of skills that engenders innovation and productivity

- every individual brings in their way of thinking, operating. solving problems and decision making

How to manage diversity?

- Have just and equitable HR policies
- Encourage diversity in teams and groups
- Have proper grievance handling system. Treat complaints of discrimination seriously
- Provide trainings/ Informal events

Outsourcing

The strategic use of outside resources to perform activities that would otherwise be performed by the in-house employees

Benefits

Focus on core competency	Updated technology
Diversification of risk	Cost reduction and control
Skilled expertise	Strategic alliance
Increased productivity & efficiency	Focus on core competencies
Improve costumer service	Technological advantage

Risks of outsourcing

- Loss of management control
- Threat to security & confidentiality
- Low quality
- Lack of costumer focus
- Demotivation to internal employee
- Risk to bad publicity

Knowledge Management

- Approach to achieving organizational goals by making the best use of knowledge

- Focuses on identifying, selecting, organizing, disseminating and transferring information

- Objective to provide the right information to the right people at the right time to enable informed decision making which makes organization more efficient and effective

Learning Organization

Organization which focuses on
- 1. Systematic Problem Solving
- 2. Experimentation with new approaches
- 3. Learning from past experiences
- 4. Learning from best practices from others
- 5. Transferring knowledge quickly and efficiently

- A company that facilitates the learning of its members and continuously transforms itself
- People are in a continuous search for new and better ways to adapt to change and improve performance.
- Learning organization enables organizations to sustain competitive position in the business environment

CASE

Nabin is BBA graduate from TU and joined his family business where there are 25 workers. The business was independently handled by his father, a retired Government officer. After one month his father called him and said Nabin, I observed your style of working with the people for past one month. But your behaviour shows that you are just nice to people but not emphasizing at work. I know you studied human relation and behavioural science theory at TU, but only those theories do not work in practice. I remember when the Hawthorne studies were first reported, everyone in the academic field got excited about them. However, it is more to do to get work from the people; only nice to them is not sufficient. You need to consider many factors to meet business goal.

1. What is your reaction about father's comment on Nabin's behaviour on workers?

2. Do you think Nabin's father understood and interpreted Hawthorne studies? Comment.

3. What steps should Nabin take to achieve business goal?

4. Explain Hawthorne studies conducted by Elton Mayo and his colleagues.