Week 2 Lecture

21512 Understanding Organisations: Theory and Practice

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Learning objectives

At the end of the session, you should be able to:

a) Describe briefly the history of the emergence of organisational theories and management thought

b) Explain the essential elements and related principles of two classic management theories, namely *scientific management* and *bureaucratic management theory*

c) Discuss the utility or benefits and limitations of these two classic management theories.

Reflection Of the lecture 1:

What is your understanding of 'Theory’?

What is theory

"coherent description or explanation of observed or experienced phenomena"

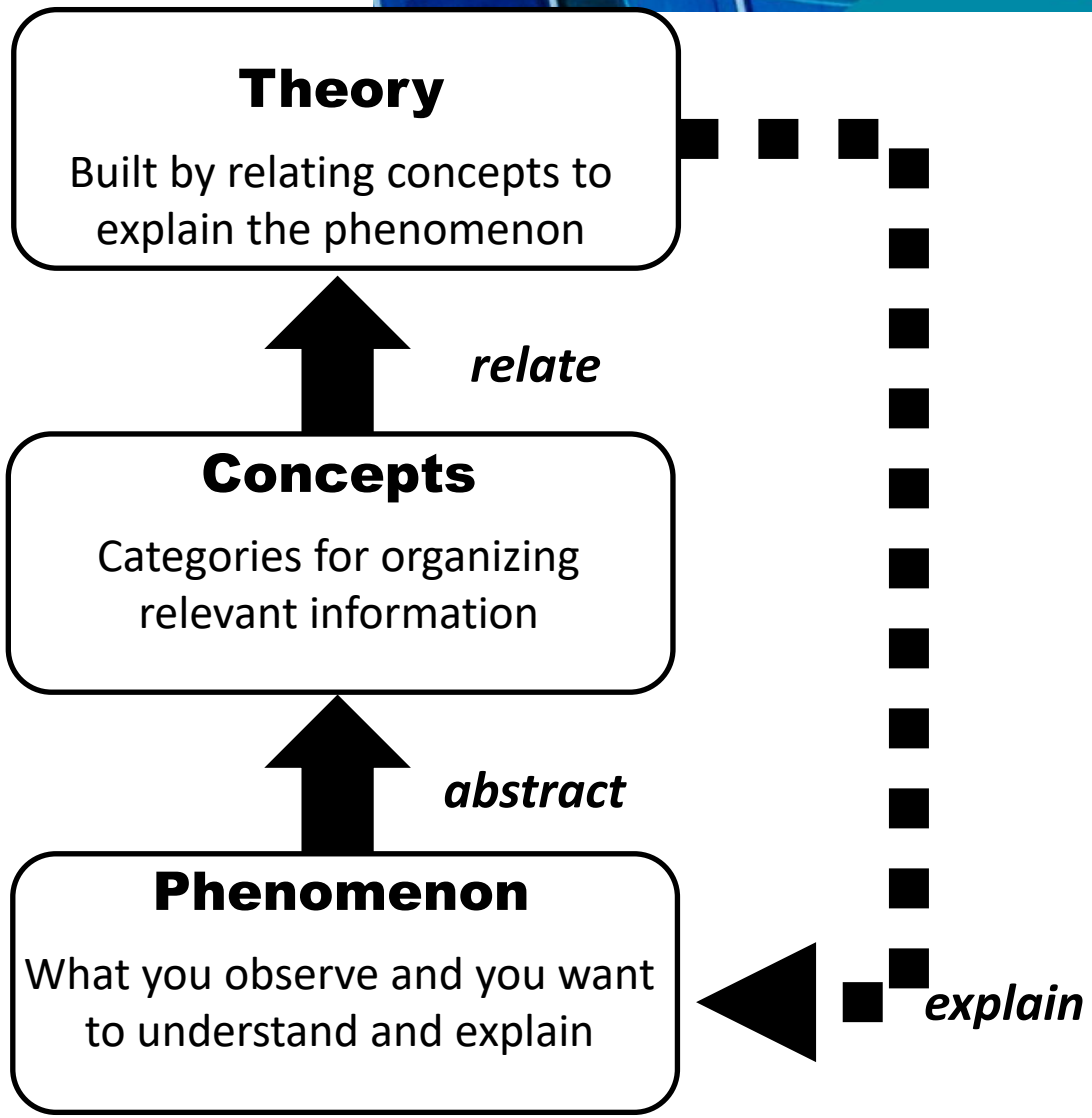
(Gioia & Pitre, 1990, p. 587)

"statement of relations among concepts within a boundary set of assumptions and constraints.

It is no more than a linguistic device used to organize a complex empirical world"

(Bacharach, 1989, p. 496)

What is theory



What is a theory?
Example of Organisational Theory

- Everyone is affected by the existence of, and what goes on in, organizations.
- We are all members of organizations for most of our lives.
- What happens in organizations is ultimately traceable to human behaviour.
- Organization theory helps us to reflect upon and understand who we are, and why we are who we are.
- It is about us and how we interact with others during our encounters in a vast array of different, often deceptively ordinary and mundane, social contexts.


CLASSIC ORGANIZATIONAL THEORY

Traditional ideas about Management

- Organisations as rational instruments:
- Key words: Effectiveness, Efficiency, Productivity, Management

Figure 2.1 Sources of inspiration for the perspectives of OT

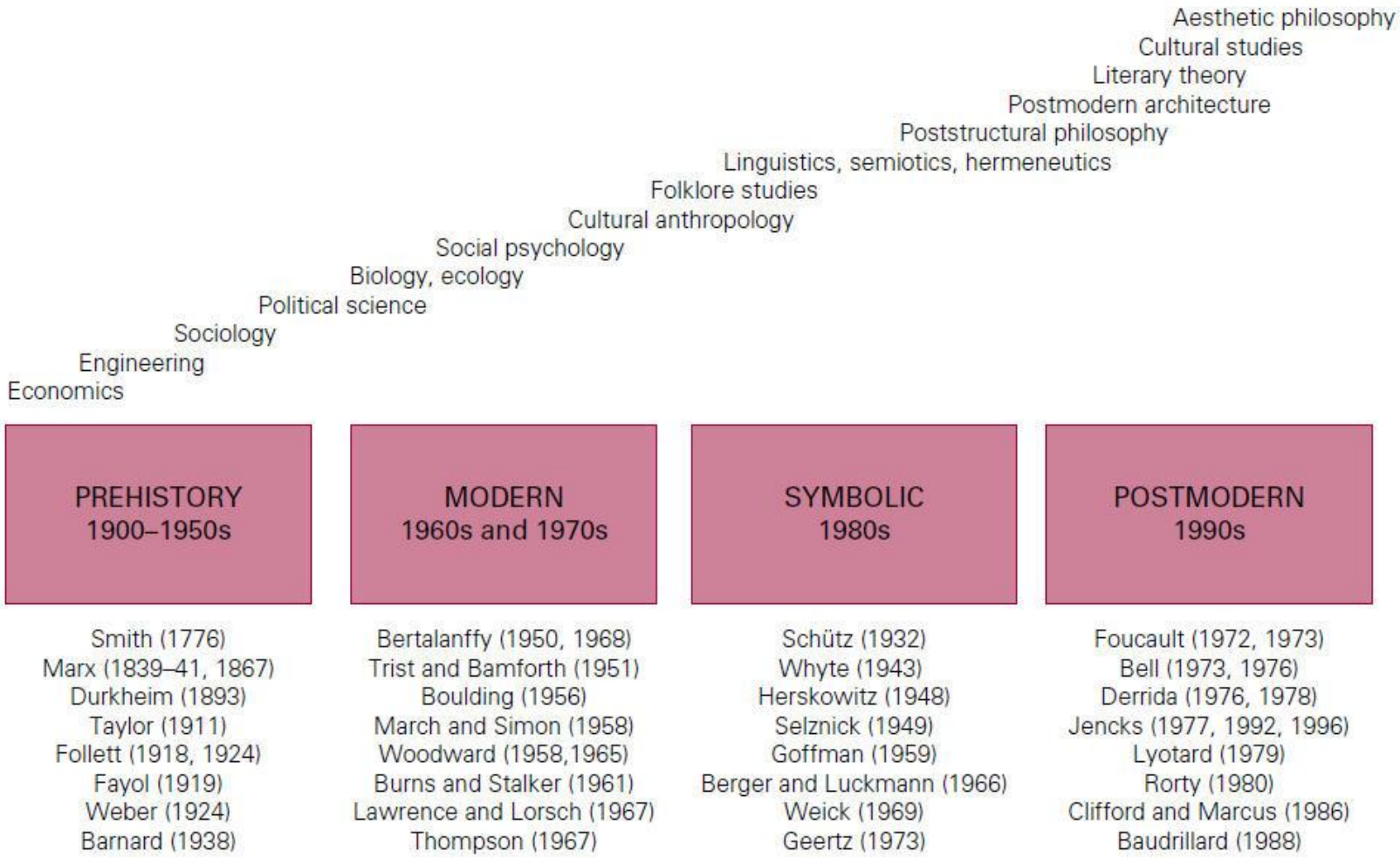


Figure 2.1 Sources of inspiration for the perspectives of OT

- Emergence of merchant culture (trade and economic activity using currency) in Sumer (now Iraq) = need for coordination
- Emergence of written laws and commands: Code of Hammurabi (Babylonian King)
- Han Dynasty – bureaucracy based on Confucian teachings and meritocracy (based on mastery of Confucian values and practices)

EARLY ORIGINS
(THE ANCIENT WORLD)

- Platonic and Socratic Teachings
- Sun Tzu's Art of War = Strategies to build and lead the military
- Italian Renaissance – printing, modern enterprise, system of accounting

PREHISTORY 1900–1950s	MODERN 1960s and 1970s	SYMBOLIC 1980s	POSTMODERN 1990s
Smith (1776)	Bertalanffy (1950, 1968)	Schütz (1932)	Foucault (1972, 1973)
Marx (1839–41, 1867)	Trist and Bamforth (1951)	Whyte (1943)	Bell (1973, 1976)
Durkheim (1893)	Boulding (1956)	Herskowitz (1948)	Derrida (1976, 1978)
Taylor (1911)	March and Simon (1958)	Selznick (1949)	Jencks (1977, 1992, 1996)
Follett (1918, 1924)	Woodward (1958,1965)	Goffman (1959)	Lyotard (1979)
Fayol (1919)	Burns and Stalker (1961)	Berger and Luckmann (1966)	Rorty (1980)
Weber (1924)	Lawrence and Lorsch (1967)	Weick (1969)	Clifford and Marcus (1986)
Barnard (1938)	Thompson (1967)	Geertz (1973)	Baudrillard (1988)

Figure 2.1 Sources of inspiration for the perspectives of OT

The Industrial Revolution: radical shift from agriculture and handicrafts TO large-scale industries, mechanised manufacturing and the factory system in Britain = steam engine

Karl Marx: The communist manifesto – the struggle between the ruling elite and working class

F. W. Taylor – an aristocrat by birth: The scientific management

Henri Fayol: Administrative management
Max Weber: Bureaucratic theory

Aesthetic philosophy
Cultural studies
Literary theory
Postmodern architecture
Political science
Engine ng
conomics

EARLY ORIGINS (THE ANCIENT WORLD)	PREHISTORY 1900–1950s	MODERN 1960s and 1970s	SYMBOLIC 1980s	POSTMODERN 1990s
Adam Smith – economist and philosopher- The Wealth of Nations – specialissatin and coordination within corporations for economic growth	Smith (1776) Marx (1839–41, 1867) Durkheim (1893) Taylor (1911) Follett (1918, 1924) Fayol (1919) Weber (1924) Barnard (1938)	Bertalanffy (1950, 1968) Trist and Bamforth (1951) Boulding (1956) March and Simon (1958) Woodward (1958,1965) Burns and Stalker (1961) Lawrence and Lorsch (1967) Thompson (1967)	Schütz (1932) Whyte (1943) Herskowitz (1948) Selznick (1949) Goffman (1959) Berger and Luckmann (1966) Weick (1969) Geertz (1973)	Foucault (1972, 1973) Bell (1973, 1976) Derrida (1976, 1978) Jencks (1977, 1992, 1996) Lyotard (1979) Rorty (1980) Clifford and Marcus (1986) Baudrillard (1988)

Figure 2.1 Sources of inspiration for the perspectives of OT

The Age of Reason (The Enlightenment – 18th century Europe)

Bertallanfy: General Systems Theory: all phenomena are related within a system of hierarchy (a grand theory – IPO)

Burns and Stalker: Contingency theory

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Figure 2.1 Sources of inspiration for the perspectives of OT

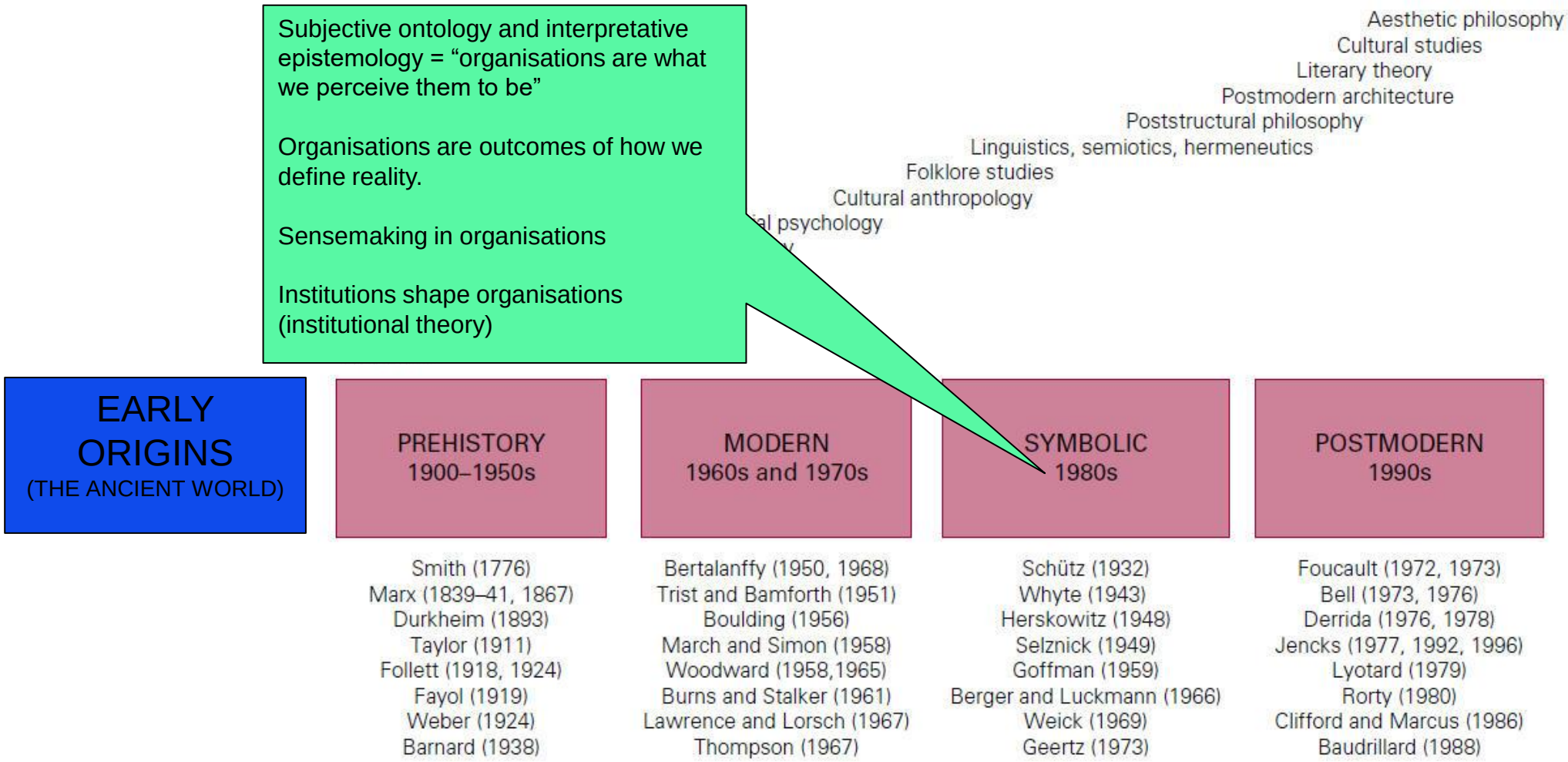
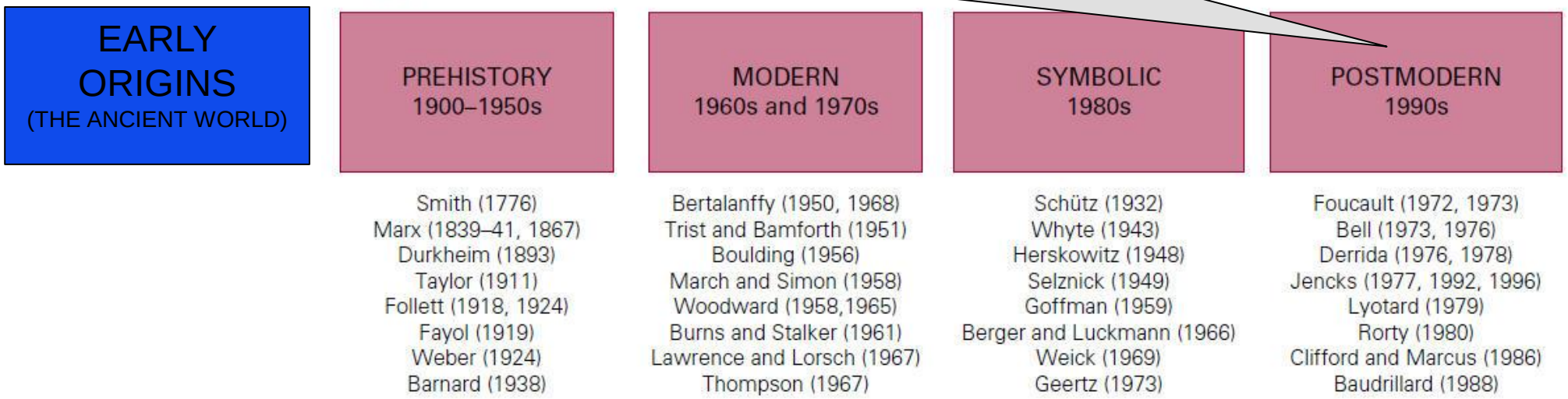


Figure 2.1 Sources of inspiration for the perspectives of OT

A movement that questions how we define our relationships with the social world and how we account for our experience
Example:
Foucault argued that power/knowledge are entwined and influence/are influenced by discursive practices.
Discursive practices are systems of rules that determine the rationality and legitimacy of particular forms of knowledge. These rules are powerful because they create and regulate:

- social institutions (the university, hospital)
- 'good' knowledge
- who we are (expert or not)
- what we say
- how we act

Aesthetic philosophy
ultural studies
ry theory
rchitecture
y



The birth of modern management ideas

Max Weber:
bureaucracy

New phenomena:

Emergence of large corporations having to coordinate many specialized workers, technology, large capital investments (e.g. US Railroads)

New ways of thinking:

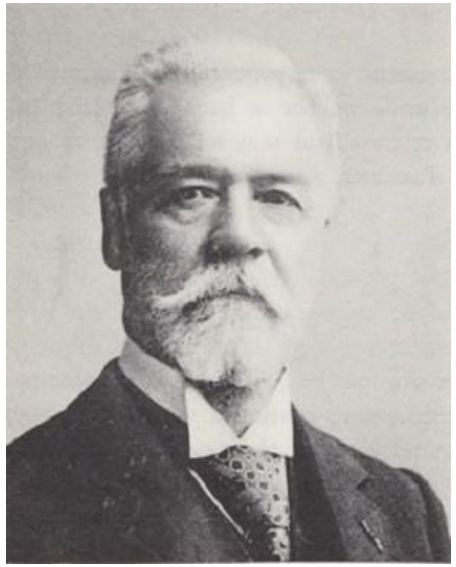
Rationalization of society

Henri Fayol:
principles of management

Frederick W. Taylor:
scientific organization

Henri Fayol
(1841-1925)

- French mining engineer
- Develops a general theory of business administration

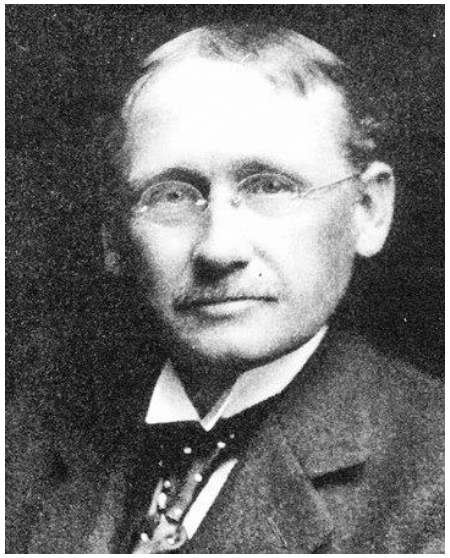


Principles of management (1916)

Division of work	Authority	Discipline	Unity of command
Unity of direction	Subordination to goals	Remuneration	Centralization
Hierarchy	Order	Equity	Tenure
	Initiative	Team spirit	

Frederick W Taylor
(1856-1915)

- American mining engineer
- Applies scientific method to study of management
- Assumption: “ worker is stupid and phlegmatic… resembles an ox”



Scientific management (1911)

Search for optimization (“one best way”)	**Use experiments**
Measure performances	**Objective: to maximise prosperity by achieving maximum efficiency**

Documentary： Ford and Taylor Scientific Management

F.W. Taylor and Scientific Management

Scientific Management

- The systematic study of the relationships between people and tasks for the purpose of redesigning the work process for higher efficiency.

  - developed by Frederick Taylor in the late 1800's to replace informal rule of thumb knowledge.
  - Taylor sought to reduce the time a worker spent on each task by optimizing the way the task was done
  - applying scientific methods to work to maximize the benefits to employees, employers, and society.
  - developed work standards, uniform work methods, order-of-work sequences, methods of placing workers, methods of supervision, and incentive schemes.

F.W. Taylor and Scientific Management

Principles to increase efficiency:

1. Study the ways jobs are performed now and determine new ways to do them.
   - Standardisation of work
   - Gather detailed time and motion information.
   - Try different methods to see which is best.
2. Codify the new methods into rules.
   - Teach all workers the new method (Training)
   - Select workers whose skills match the rules.
3. Cooperation between labour and management (harmony nor discord)
4. Equal division of the work and the responsibility between the management and the workmen
   - Establish fair levels of performance and pay a premium for higher performance.

Practical lessons (benefits of) from scientific management

- Science- not taken for granted “rules of thumb”
- Results-based compensation a performance incentive
- Carefully designed jobs with efficient work methods
- Carefully selected workers with the abilities to do these jobs
- Training of workers to perform jobs to the best of their abilities
- Training of supervisors to support workers so they can perform jobs to the best of their abilities – technical skills

Practical lessons (benefits of) from scientific management

- Reduced cost of production
- Increased efficiency (perform tasks using the least amount of resources used)
- Shorter production time
- Increased productivity
- Customer satisfaction – meeting the needs and demands of customers
- Meritocracy – hiring, reward and promotion based on technical skills

Limitations of Scientific Management:

1. Exploitation of workers – technical or engineering element of work (not social, moral, psychological)
2. The principles of scientific management focus on solutions from an engineering point of view rather than a managerial point of view
3. The theory assumes that employees (humans) are rational and motivated primarily by material gains (overlooks the social and emotional needs of workers and over-emphasis on their economic and physical needs)
4. The human desire for self-actualization and job-satisfaction (working conditions, job content, etc.) is ignored by the theory
5. Trade unions: the theory undermines rights of employees (i.e. collective bargaining)
6. Employers: requires substantial investment to adopt and integrate scientific approach to production (e.g. SMEs may not be able to afford the resources needed to implement scientific management)

Criticism of ‘Taylorism’

Concrete effects

Anomie (Durkheim)

Loss of sense of belonging
Breakdown of moral order

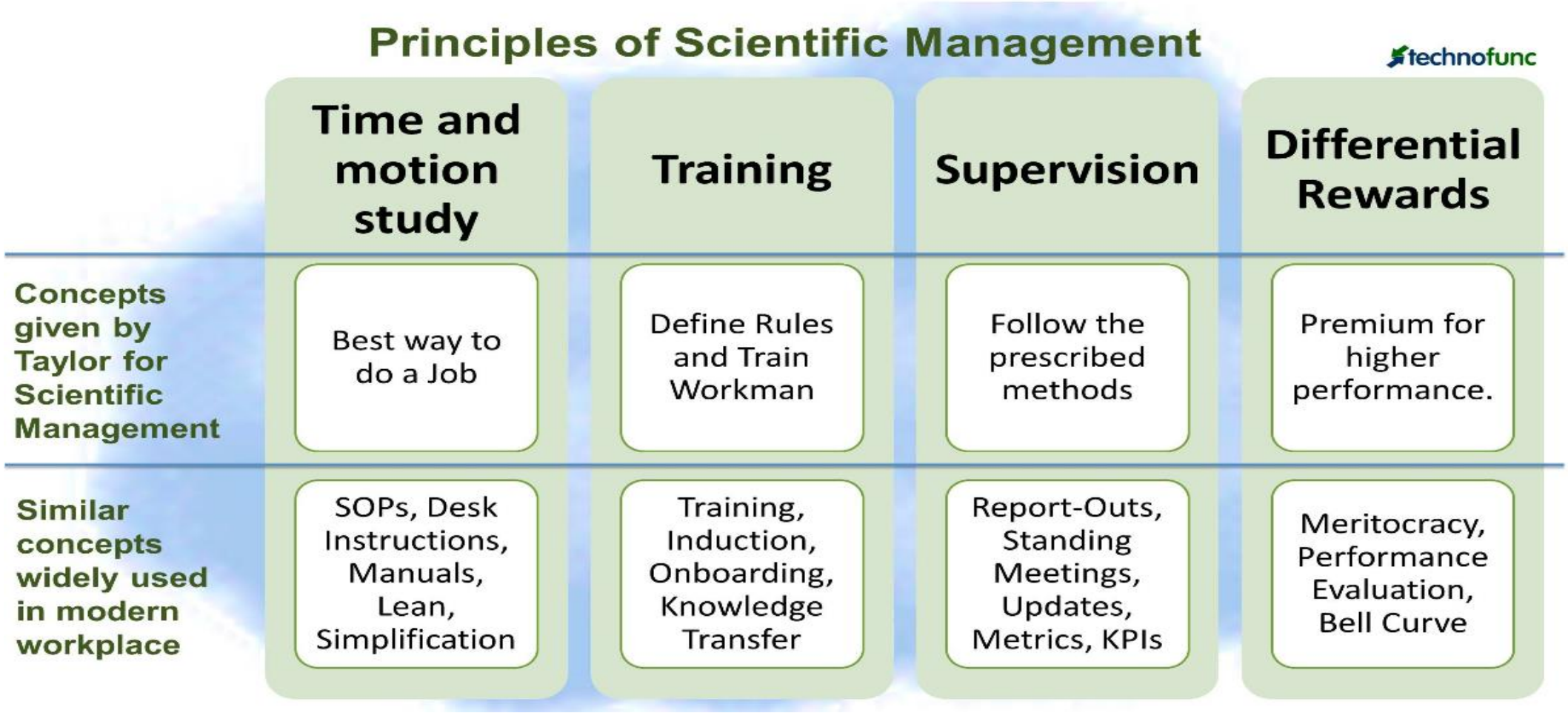
Alienation (Marx):

sense of exclusion and separation from our creative products

Ignores ***tacit knowledge***

Non codifiable expertise
Know how

F.W. Taylor and Scientific Management



Source: https://www.technofunc.com/index.php/leadership-skills-2/leadership-a-management/item/taylor-s-scientific-management


FOXCONN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Scientific Management at McDonald's

Speedee system

Standardisation

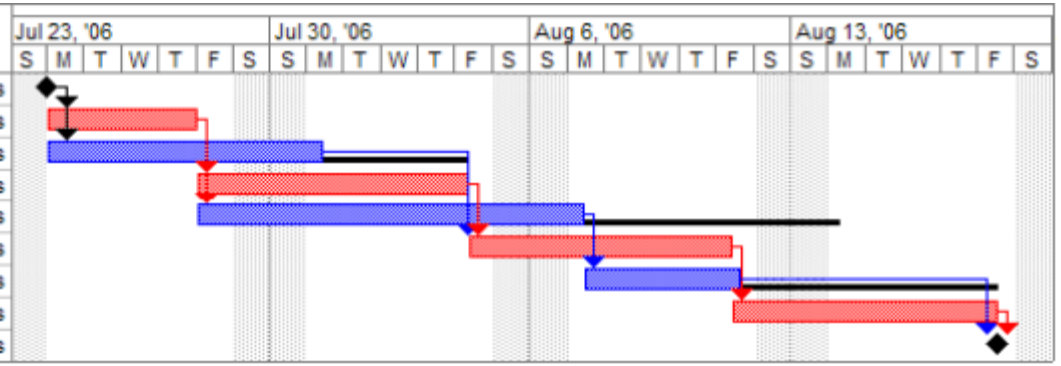
Consistent quality

'One best way'

Simple processes

Offshoots of the Scientific Management Theory

ID	Task Name	Predecessors	Duration
1	Start		0 days
2	a	1	4 days
3	b	1	5.33 days
4	c	2	5.17 days
5	d	2	6.33 days
6	e	3,4	5.17 days
7	f	5	4.5 days
8	g	6	5.17 days
9	Finish	7,8	0 days



An example of a simple Gantt chart

The Gantt chart has multiple benefits for project management:

- It aids in the breakdown of tasks into specific elements.
- It allows for the monitoring of projected timelines.
- It identifies which tasks are dependent upon a prior task or element and which are independent and can be completed at any time.

Summary: Scientific management principles

1. Analyse of workers perform their task:

- **Observe what they do**
- **Collect their informal knowledge**
- **Experiment ways of improving performance**

2. Codify new methods in written standards and procedures

3. Select workers who have the right skills and attitude for the task and train them to perform it according to procedures

4. Establish desired performance level and develop a pay system that rewards for exceptional performances

Example: coal loading at Bethlehem Steel

Applications...

Max Weber
(1856-1915)

- German sociologist
- Interested in understanding modern society
- Uses ‘ideal-types’ (generalization based on observation)
- Focuses on rationalization process

Rationality

- Actions controlled by ideas: many types (e.g. based on values vs technical)

Technical rationality

- View, dominant in modern society, according to which “one can, in principle, master all things by calculation”

Bureaucracy:

- an idealtypical organizational model based on technical rationality

Legitimization

- Principles underpinning obedience in a given society

Weber's description of modernity

Rationalization

Social actions, social relationships, and social institutions becoming increasingly more "rational" in an instrumental sense

Instrumental (technical) rationality

Rationality based on the consideration of the most effective means of achieving the ends

Bureaucracy

The dominant organizing mode of modern society, based on this rationalization process

Weber’s sociology

Objective: Understand the subjective meaning that actors attach to actions within a specific social context

Ideal type (analytical construct to develop hypothesis)

Rationality

- Technical
- Value-based
- Affective
- Traditional

Authority/governance

- Traditional
- Charismatic
- Legal/rational

Weber's bureaucracy

Division of work

Hierarchy (based on expertise)

Formal selection

Formal rules

Impersonality

Non ownership of means of production

Career

Expression of legal rational form of legitimacy (technical rationality)

calculability of results	**depersonalization**

Weber's Theory of Bureaucracy: Characteristics

1. Division of labour and specialisation
    - Divide tasks into highly specialised jobs (clear job tasks and descriptions)
2. Primacy of rules and regulations
    - Tasks are performed consistent with established rules, procedures, policies, etc.
3. Hierarchy of authority
    - Hierarchy of authority – decisions, responsibilities and accountabilities
    - Chain of command
4. Impersonality
    - Professional vs. personal relationships
    - Autonomous, impartial and impersonal approach to achieve organisational goals
    - Favouritism, nepotism, and personal interference in management has no room in a bureaucratic organisations
5. Career orientation
    - Meritocratic orientation – reward and develop employees based on their skills
6. Formal selection system
    - Employees and managers are selected following the rigours of a professional selection system based on qualifications, not relations.

Weber's Theory of Bureaucracy: Uses and Benefits

1. Professionalisation of organisations – rule-based (assumes a formal organisation)
2. Predictability in systems and processes (i.e. rational- not driven by whimsical desires of managers or decision makers)
3. Goal oriented – the system is designed to achieve the goals of an organisation in an efficient way
4. The organisation becomes a 'living' entity on its own separate from that of individuals (i.e. individuals such as employees, managers, and leaders come and go, but the organization remains)
    - Ensures continuity and sustainability of the organisation
5. A system in place to manage conflict.
6. An efficient mode or organising

Weber's Theory of Bureaucracy: Limitations and Criticism

- Disregards the informal power structures and struggles within formal organisations
- Rules matter but the implementation of rules matter more (who implements these rules and how?)
- Slow response to organisational issues (e.g. endless committee meetings before making strategic decisions)
- Goal displacement – a rule becomes an end by itself
- Excessive paperwork or "red tape" – complex rules and procedures
- Slowness in handling problems
- Rigidity in the face of shifting needs
- Resistance to change
- Employee apathy
- Disregards the human and social element of formal organisations

Take away: So what have we learned today?

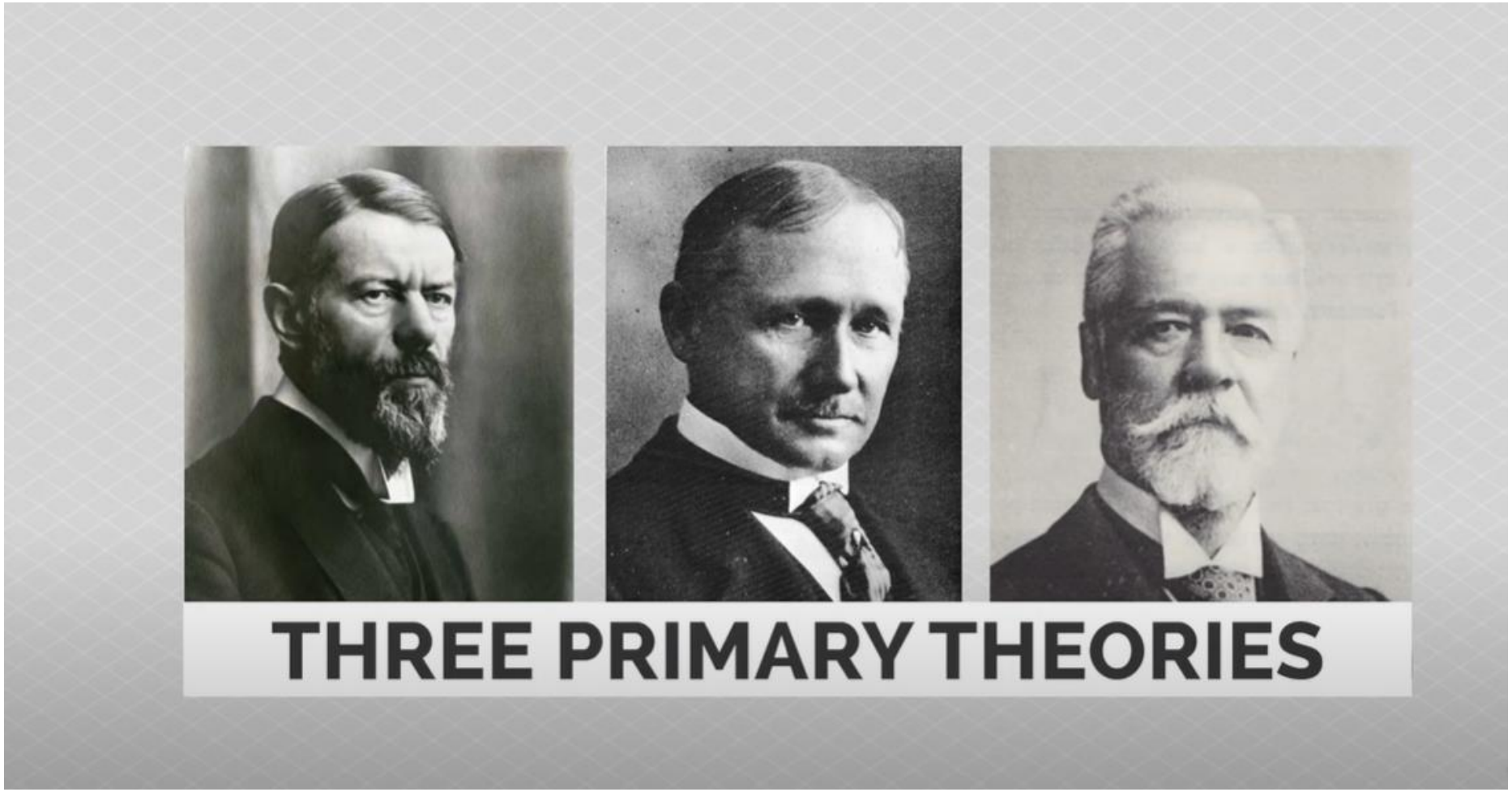
History and Evolution of Management Theory

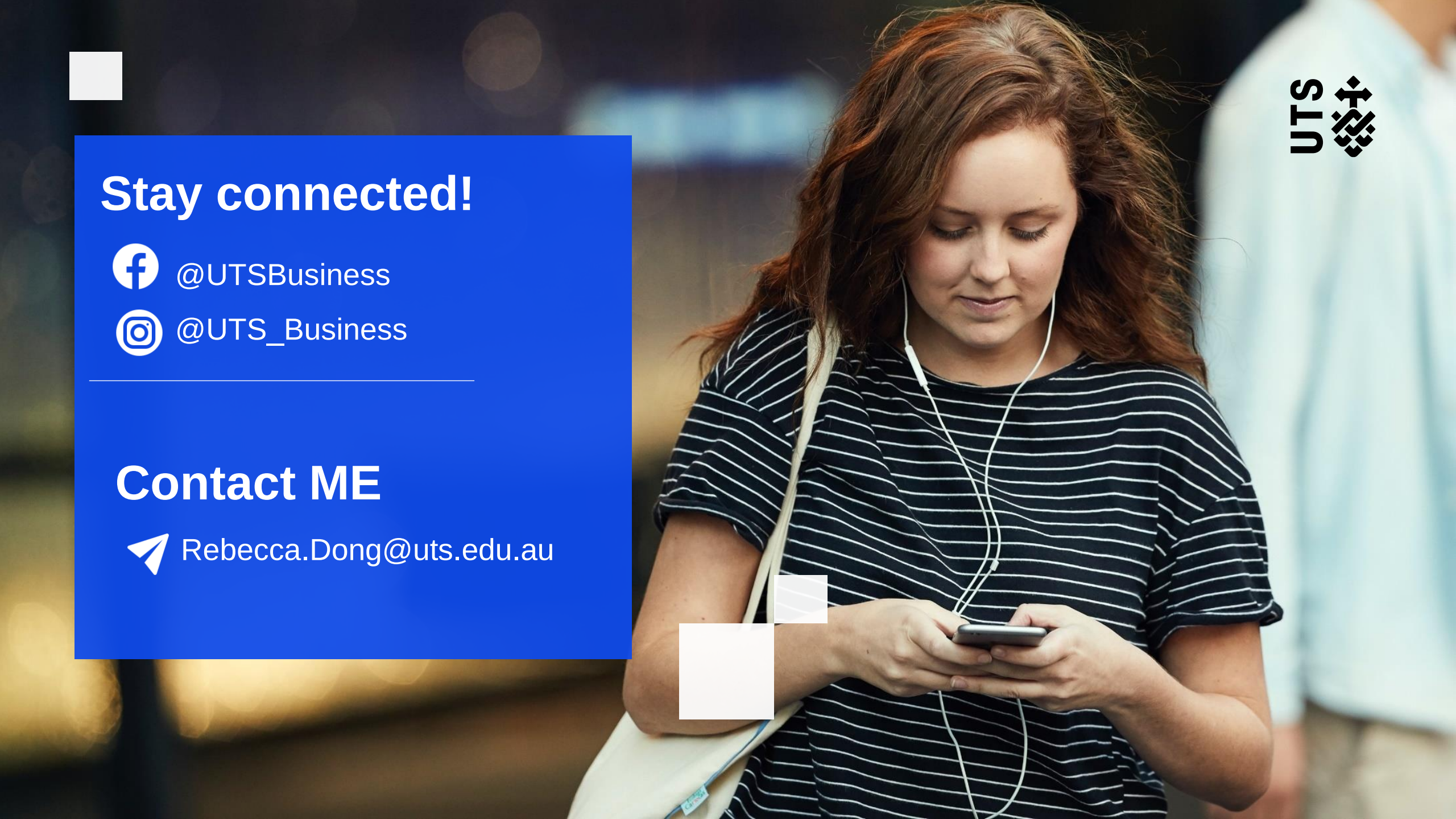
Scientific Management Theory

Bureaucratic Theory of Management

Any questions?

CLASSICAL MANAGEMENT THEORY: VIDEO CASE STUDY (AFTER CLASS)





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