LECTURE 2
EVOLUTION OF MANAGEMENT THEORY & PRACTICE

By
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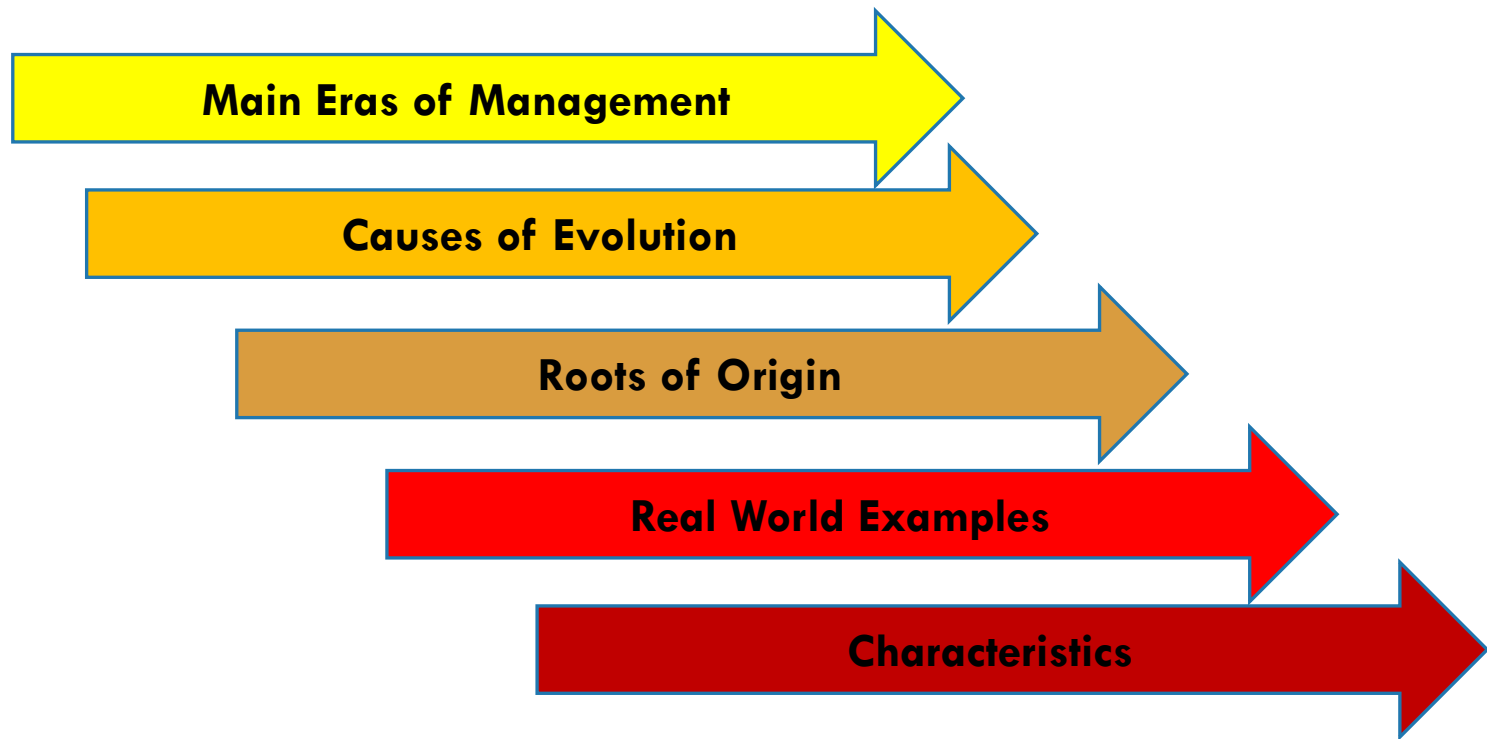

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LEARNING OUTCOMES

On successful completion of this lesson, the learner will be able to:

LO1: Outline the historical milestones of the field of Management.

LO2: Describe major causes of the evolution of management theory and practice.

LO3: Describe the main attributes and changes in each historical milestone.

LO4: Discuss how did different eras of management transform management thought.

EARLY ORIGINS OF MANAGEMENT

Main Eras of Management

Causes of Evolution

Roots of Origin

Real World Examples

Characteristics

MAIN ERAS OF MANAGEMENT

A particular approach to MANAGEMENT is seen in each era which is to some extent overlapping.

1. **Industrial revolution era (19th century)**
2. Trade union movement era (19th century)
3. Social responsibility era (beginning of the 20th century)
4. **Scientific management era (1900 – 1920s)**
5. Welfarism and industrial psychology era (1920 – 1930)
6. **Human relations era (1930s – 1950s)**
7. Behavioral science era (1950s – 1960s)
8. **Systems and contingency approach era (1960 onwards)**

CAUSES OF EVOLUTION

➢ Key changes in the economic environment.

➢ Key changes in the social environment.

➢ Multidisciplinary nature of management.

➢ Practice-oriented nature of management.

ROOTS OF MANAGEMENT

➢ We can track the concept of management under the Sumerians (indigenous people of ancient Babylonia).

➢ Management has its roots in the ancient world whenever and wherever there has been commerce.

➢ Evolution of management can be seen with the thinking about how to do commerce better.

➢ In the ancient time, work was performed mostly in home and on farms by forced labor or family members.
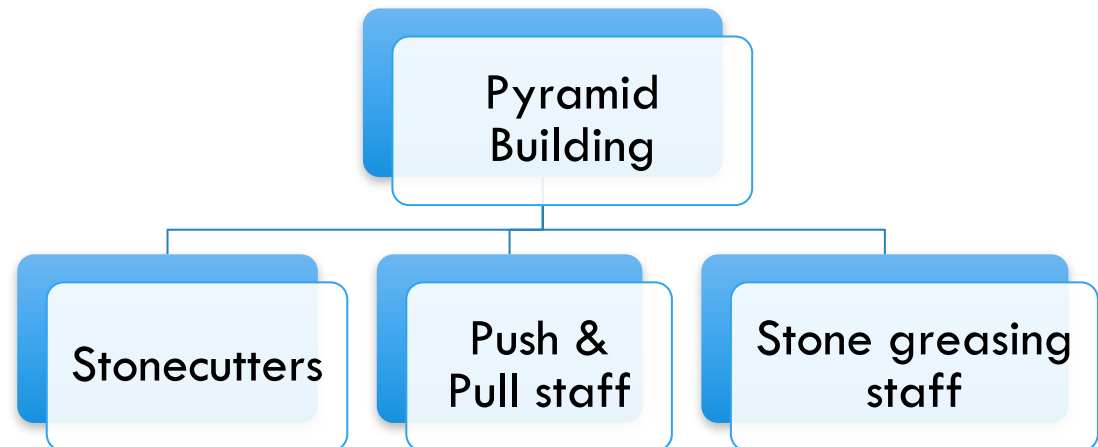
EXAMPLES OF EARLY MANAGEMENT

➢ The Seven Wonders of the Ancient World, including the Roman Colosseum, the Hanging Gardens of Babylon, and the Great Pyramid could not have been constructed without management.
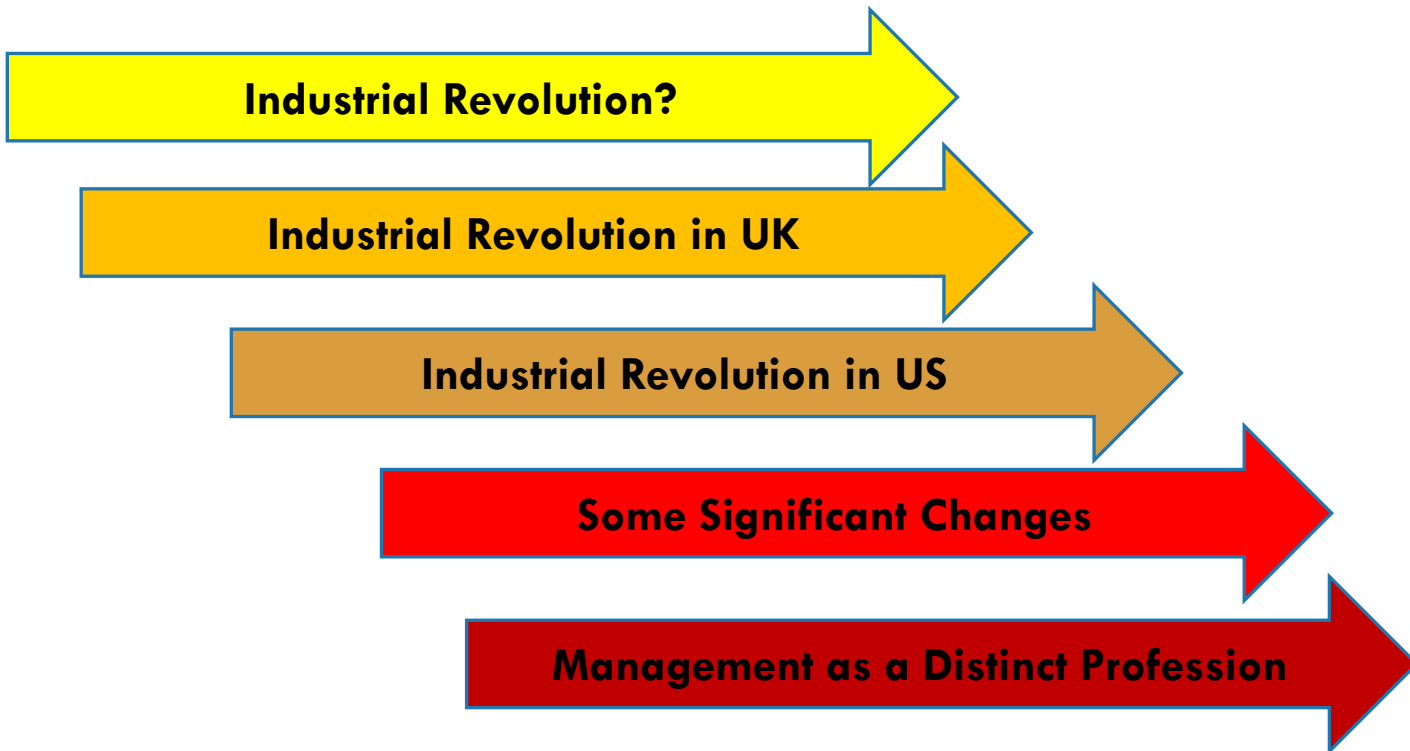
CHARACTERISTICS OF EARLY MANAGEMENT

➢ Mode of payment: bartering, clay coins
➢ Track of trades: writing
➢ Written commands & control
➢ Division of labor
➢ Coordination
➢ Specialization
➢ Span of control
➢ Bureaucracy

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                    ┌─────────────┐
                    │   Pyramid   │
                    │  Building   │
                    └──────┬──────┘
         ┌─────────────────┼─────────────────┐
  ┌─────────────┐  ┌─────────────┐  ┌─────────────────┐
  │ Stonecutters│  │   Push &    │  │ Stone greasing  │
  │             │  │ Pull staff  │  │     staff       │
  └─────────────┘  └─────────────┘  └─────────────────┘
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INDUSTRIAL REVOLUTION

Industrial Revolution?

Industrial Revolution in UK

Industrial Revolution in US

Some Significant Changes

Management as a Distinct Profession

WHAT IS INDUSTRIAL REVOLUTION?

The industrial revolution that started during 1870s in Western Europe and USA.

➢ Industrial revolution replaced the old cottage system with the concept of factory.

➢ Industrial revolution consisted of:
  - ➢ Development of machinery
  - ➢ Use of mechanical energy in production processes
  - ➢ A large number of workers working together
  - ➢ Centralized work locations
  - ➢ Migration of workers from their place of origin
  - ➢ Indirect contact between factory owners and workers[10]

INDUSTRIAL REVOLUTION & PROGRESSION OF MANAGEMENT (UK1760-1900)

➤ Establishment of the marketplace (Organizing the exchange of goods)
➤ Specialization and division of labor
➤ Development of the steam engine (transportation of goods and raw materials)
➤ Mass production in factory setting
➤ Low cost of production
➤ Standardized goods and services
➤ Large number of employees coordinated by managers
➤ Emergence of international corporations in the 18th century (Hudson's Bay Company, East India Company)

INDUSTRIAL REVOLUTION & PROGRESSION OF MANAGEMENT (US1820-1860)

➤ **Transportation revolution:** construction of canals and, later, railroads.

➤ The emergence of a telegraph system allowed for faster communication.

➤ **Broad market revolution:** emerged a wide variety of corporations

➤ Idea of employee motivation emerged

➤ Standardization of equipment

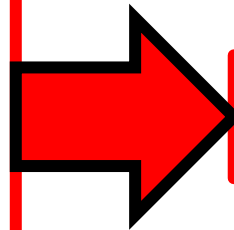➤ Although this period witnessed enormous changes in technology, management was still lagging behind.

SIGNIFICANT CHANGES

➢ Over the centuries, economics and morality shifted and it brought up many changes:

- ✓ Laborers could choose where to work.
- ✓ Laborers could choose for whom to work.
- ✓ Changes in how labor and other resources were employed in production.
- ✓ Changes in how and where goods were sold.

MANAGEMENT AS A DISTINCT PROFESSION

➢ Establishment of Vast Companies

➢ Competition Required the Development of Economies of Scale

➢ Coordination and Specialization in the Use of Resources.

MANAGEMENT

SCIENTIFIC MANAGEMENT
Frederick Winslow Taylor

Taylor-Made Management?

Taylorism – Principle 1

Taylorism – Principle 2

Taylorism – Principle 3

Taylorism – Principle 34

Known for Father of scientific management, efficiency movement and industrial engineering

1856 - 1915

TAYLOR-MADE MANAGEMENT

➢ Taylor went to Stevens Institute of Technology and gained a background in engineering. Then he applied it to his work.

➢ He advanced a total system of management by uniting the ideas and philosophies of many others.

➢ Synthesis of management by the use of:

   ✓ Division of labor, Cost-Control Systems, Written Instructions for workers, Planning, Standardized Equipment, use of Incentives, Piecework production, Sales Commissions, Training, Work Breaks, Task Management System, Cost Accounting System.

TAYLORISM – 4 PRINCIPLES

➢ **Principle 1:** A manager should develop a rule of science for each aspect of a job.

➢ **Principle 2:** Scientifically select and train each worker.

➢ **Principle 3:** Management and the workforce should work together to ensure that work is performed according to the principles of management.

➢ **Principle 4:** Work and responsibility should be equally divided between management and workers.

TAYLORISM – PRINCIPLE 1

➤ **Principle 1:** A manager should develop a rule of science for each aspect of a job.

➤ Taylor opposed "work at a stretch" & proposed work breaks (through research) during the workday for maximum benefits.

Due to Taylor's research, all employees now enjoy tea & meal breaks.

TAYLORISM – PRINCIPLE 2

➢ **Principle 2:** Scientifically select and train each worker.

➢ Prior to Taylor's work, the selection of workers was made based on favoritism, nepotism, or random choice.

Due to Taylor's research, organizations now find the best worker for the job and train them appropriately.

TAYLORISM – PRINCIPLE 3

➢ **Principle 3:** Management and the workforce should work together to ensure that work is performed according to the principles of management.

➢ Rather than enmity, Taylor stressed cooperation and the need for the work relationship to be mutually beneficial.

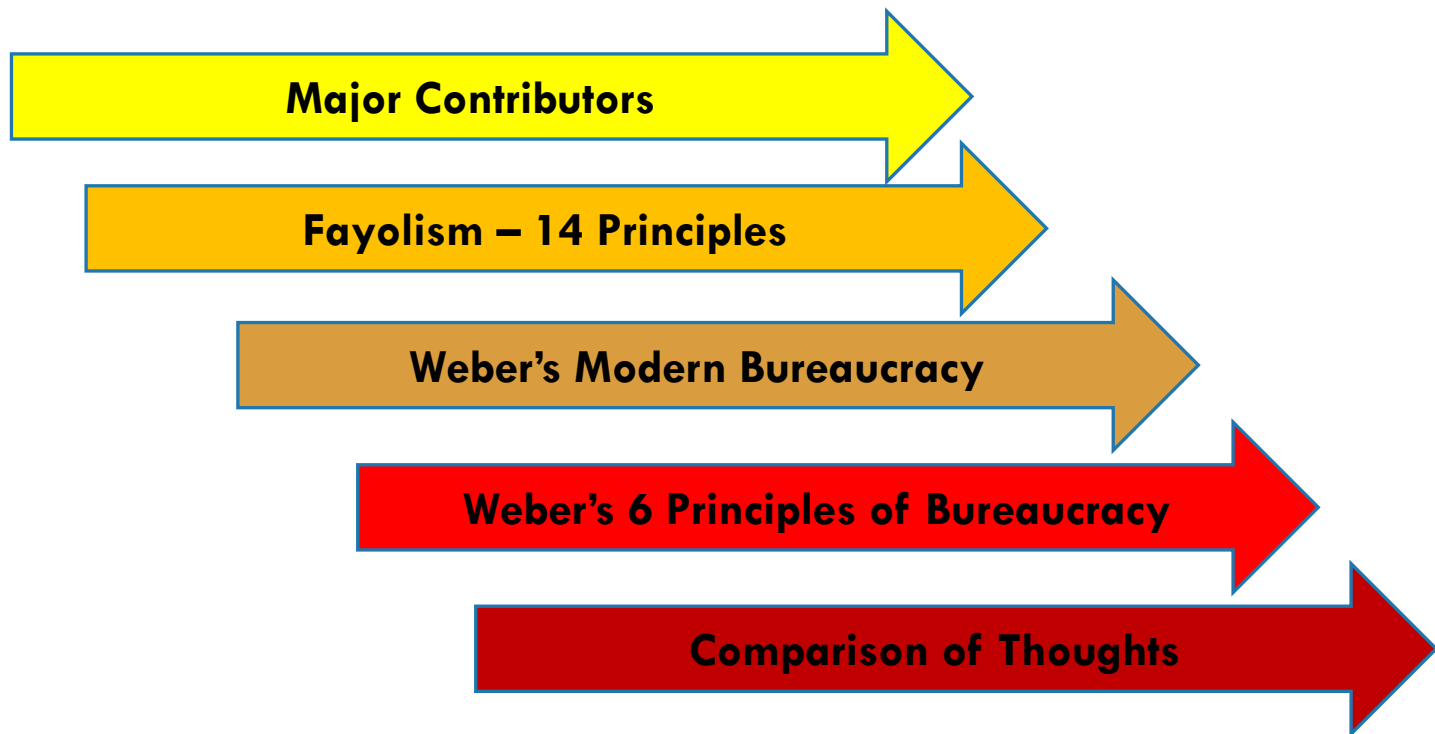**Due to Taylor's research, employees now enjoy direct access to the management.**

TAYLORISM – PRINCIPLE 4

➢ **Principle 4:** Work and responsibility should be equally divided between management and workers.

➢ **Management's responsibility:** To scientifically select the quantity of output for the day and provide a fair wage.

➢ **Worker's responsibility:** To provide a fair day's work.

Due to Taylor's research, the management take over all work for which they are better fitted than the workmen.

ADMINISTRATIVE & BUREAUCRATIC MANAGEMENT

Major Contributors

Fayolism – 14 Principles

Weber's Modern Bureaucracy

Weber's 6 Principles of Bureaucracy

Comparison of Thoughts

ADMINISTRATIVE & BUREAUCRATIC MANAGEMENT (Major Contributors)

➢ **Frederick Winslow Taylor**

Taylor focused on frontline managers, those who handle workers.

➢ **Henri Fayol**

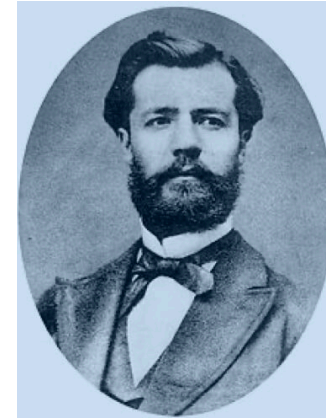Fayol focused on top managers, who set strategy.

➢ **Max Weber**

Weber focused on middle managers, who implement strategy.

Each stressed the need for logical & rational systems to coordinate and control various types of enterprises.

FAYOLISM – 14 PRINCIPLES

1. Division of Labour
2. Authority and Responsibility
3. Unity of Command (One Boss)
4. Unity of Direction (One Plan)
5. Equity
6. Order
7. Discipline
8. Initiative
9. Fair remuneration
10. Stability of tenure
11. Scalar chain
12. Individual Interest and General Interest
13. Team Spirit
14. Centralization and De-centralization

Fayol's Administrative Theory
14 types of tasks that managers are supposed to do

FAYOLISM – DIVISION OF LABOUR

➢ A worker specialized in performing one task that was part of a larger series of tasks, at the end of which a product would be produced.

➢ Segregating work in the workforce amongst the workers would enhance the **quality** of the product, **productivity**, **efficiency**, **accuracy**, and **speed** of the workers.

➢ This principle can be applied for both managerial and non-managerial work.

➢ **EXAMPLE:** A football team (everyone is not trying to score goals.

FAYOLISM – AUTHORITY & RESPONSIBILITY

➢ **AUTHORITY:** Right to make decisions and give orders.

➢ **RESPONSIBILITY:** Obligation to complete tasks successfully.

➢ **EXAMPLE:** A supervisor of a production line has the authority to lead the production by making decisions and giving orders while employees are responsible to complete the tasks successfully.

If there was no authority, there would be no order & responsibility. If there was no responsibility, tasks would remain unfinished.

FAYOLISM – UNITY OF COMMAND

➢ Each employee should have only one direct supervisor or manager.

➢ In an organization, unity of command ensures clear communication and prevents confusion.

➢ **EXAMPLE:** An assembly line with multiple supervisors giving contradictory orders – it would never produce its final product.

FAYOLISM – UNITY OF DIRECTION

➢ All members of the organization should be working towards the same goal(s).

➢ **EXAMPLE:** Different sets of activities within a department should be managed by different managers to avoid confusion and lesser efficiency within the workflow. but they should all work towards a common goal under the direction of one main person in charge of the whole thing.

FAYOLISM – EQUITY

➢ Equity implies fairness and justice in dealing with employees.
➢ Equity states that managers should use fairness and justice towards everyone they manage.
➢ This creates loyalty and devotion among the employees towards the organization they work for.

➢ **EXAMPLE**: All employees, irrespective of gender, religion, race, and sexuality, must feel safe, seen, and heard and be given equal opportunities to grow and flourish in their careers within the organization.

FAYOLISM – ORDER

- ➢ This principle states that there should be an orderly placement of resources (5Ms) in the right place at the right time.

- ➢ This ensures the proper use of resources in a structured fashion.

- ➢ Misplacement of any of these resources will lead to misuse and disorder in the organization.

- ➢ **EXAMPLE:** Employees should be given a designated space and the right tools or equipment to complete their work efficiently.

FAYOLISM – DISCIPLINE

- A must for any organization to run effectively.
- There should be appropriate organizational rules, philosophies, structures in place and a culture of mutual respect.
- Good supervision and impartial judgment is vital.

- **EXAMPLE:** In an organization, discipline ensures that everyone works together harmoniously to achieve common objectives.

FAYOLISM – INITIATIVE

➢ Encourages for new ideas to develop and carry out plans for improvement.

➢ When encouraged, employees feel motivated and respected.

➢ Constant supervision is detrimental.

➢ **EXAMPLE:** Taking suggestions from employees regarding their specific department can make them feel seen in an authoritative position and can give them a sense of achieving something for the team.

FAYOLISM – FAIR REMUNERATION

➢ Employees should be paid fair wages for the work that they carry out.

➢ both financial and non-financial incentives should be fair.

➢ Underpays its workers will struggle to motivate and keep quality workers.

➢ **EXAMPLE:** Any organization must be fair regarding their remuneration policies where all the employees must receive a salary worth their efforts irrespective of their gender, tenure, and other factors.

FAYOLISM – STABILITY OF TENURE OF PERSONNEL

➢ Providing employees with job security and opportunities for long-term employment.

➢ An organization should work to minimize staff turnover and maximize efficiency.

➢ Job insecurity/instability can lead to inefficiency.

➢ **EXAMPLE:** If a team members are constantly changing – they would struggle to develop teamwork and chemistry. In an organization, stability of tenure reduces turnover and allows employees to grow with the company.

FAYOLISM – SCALAR CHAIN

- ➢ A clear chain of communication between employees and their superiors.
- ➢ Employees should know where they stand in the hierarchy of the organization and the chain of command.
- ➢ Fayol suggests that there should be an organizational chart drawn out for employees to see this structure clearly.

- ➢ **EXAMPLE:** In an organization, the scalar chain ensures a smooth flow of communication and delegation of tasks.

FAYOLISM – COLLECTIVE INTEREST OVER INDIVIDUAL INTEREST

➢ The interest of the organization should not be sabotaged by the interest of an individual. If it happens, the organization will collapse.

➢ In an organization, prioritizing the collective interest ensures cohesive teamwork and success.

➢ **EXAMPLE:** If the team members of a group project only focus on their ideas, ignoring the project's overall success, then the project will not be successful.

FAYOLISM – TEAM SPIRIT (Esprit de Corps)

➢ The management should strive to create unity, morale, and co-operation among the employees.

➢ Team spirit is a great source of strength in the organization.

➢ Happy and motivated employees are more likely to be effective and efficient.

➢ **EXAMPLE:** When members cheer for each other and celebrate successes together, they create a strong bond. In an organization, team spirit leads to a positive work culture and higher team morale.

FAYOLISM – CENTRALIZATION AND DE-CENTRALIZATION

➢ **CENTRALIZATION:** The concentration of decision-making authority at the top levels of management.

➢ **DECENTRALIZATION:** The authority is distributed to all levels of management.

➢ There can be a balance of centralization and decentralization as per the size of the organization.

➢ **EXAMPLE:** Centralization is mostly common in small and medium-sized firms where the delegation of work is minimal, and the owners make most of the decisions.

WEBER'S MODERN BUREAUCRACY

What is Bureaucracy?

➢ Bureaucracy is the basis for the systematic formation of any organisation and is designed to ensure efficiency and economic effectiveness.

What is a Bureaucratic Organization?

➢ A bureaucratic organization relies on:

✓ Division of labour
✓ Enforced chain of command
✓ Regulated operating procedures
✓ Strict hierarchy
✓ Policies and rules
✓ Impersonal relationships

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WEBER'S 6 PRINCIPLES OF BUREAUCRACY

Maximilian Karl Emil Weber was a German sociologist, historian, jurist and political economist

1	Task specialisation
2	Hierarchical of authority
3	Formal selection
4	Rules and requirements
5	Impersonal
6	Career orientation

WEBER'S BUREAUCRACY IN DETAIL

1) **Task Specialization:** Tasks are to be divided into simple and routine categories.
2) **Hierarchical Layers of Authority:** Managers are organized into hierarchical layers, where each layer of management is responsible for its staff and overall performance.
3) **Formal Selection:** All employees are selected on the basis of technical skills and competences.
4) **Rules & Requirements:** Formal rules and requirements should be in place to ensure uniformity.
5) **Impersonal:** Treat all employees equally and prevent nepotism or involvement from outsiders or politics.
6) **Career Orientation:** Select right people for the right positions.

HUMAN RELATIONS MOVEMENT
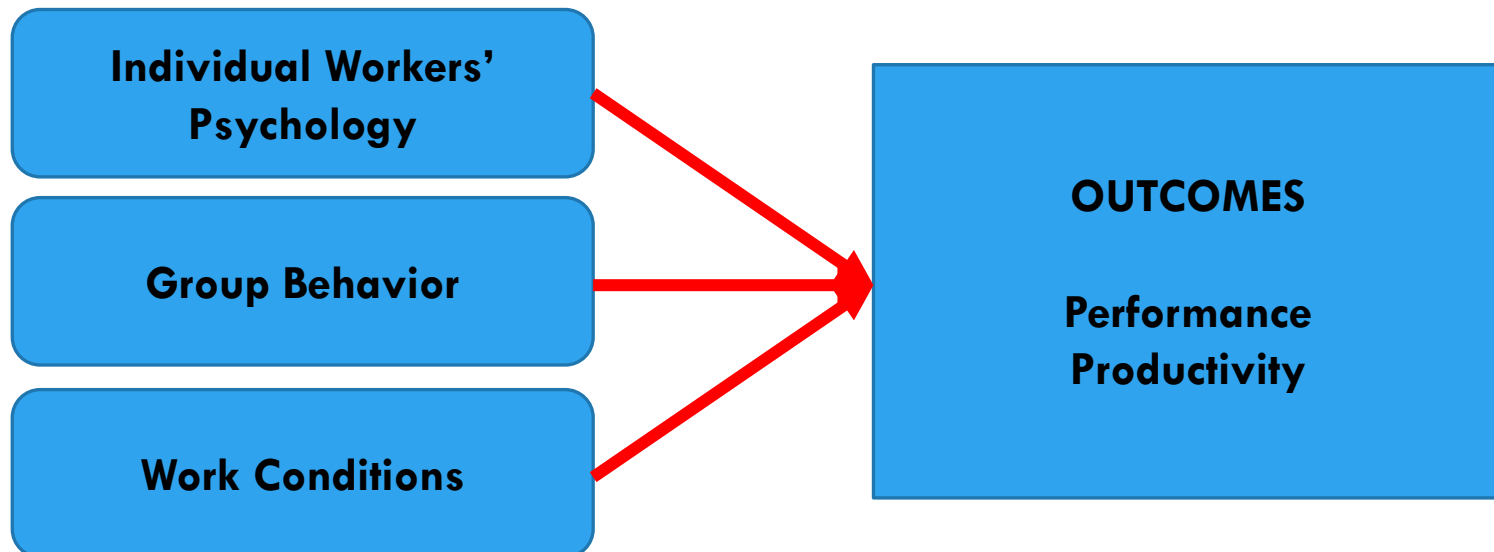
Elton Mayo

(1880-1949).

The Hawthorne Experiment

The Hawthorne Effect

Hawthorne New Concerns

THE HAWTHORNE EXPERIMENT

➢ A group of Harvard Business professors researched:
   ➢ the human aspects of work and
   ➢ working conditions
at the Hawthorne plant of Western Electric Company in Chicago.

Individual Workers' Psychology	
Group Behavior	→ OUTCOMES
Work Conditions	Performance Productivity

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THE HAWTHORNE EFFECT

Effect of Individual & social factors on Productivity

➢ Research findings revealed that the productivity of workers depends on individual & social factors at the workplace.

  ➢ Personality, health & wellbeing, morale, motivation
  ➢ Workload & work hours
  ➢ Work groups
  ➢ Nature of leadership and supervision
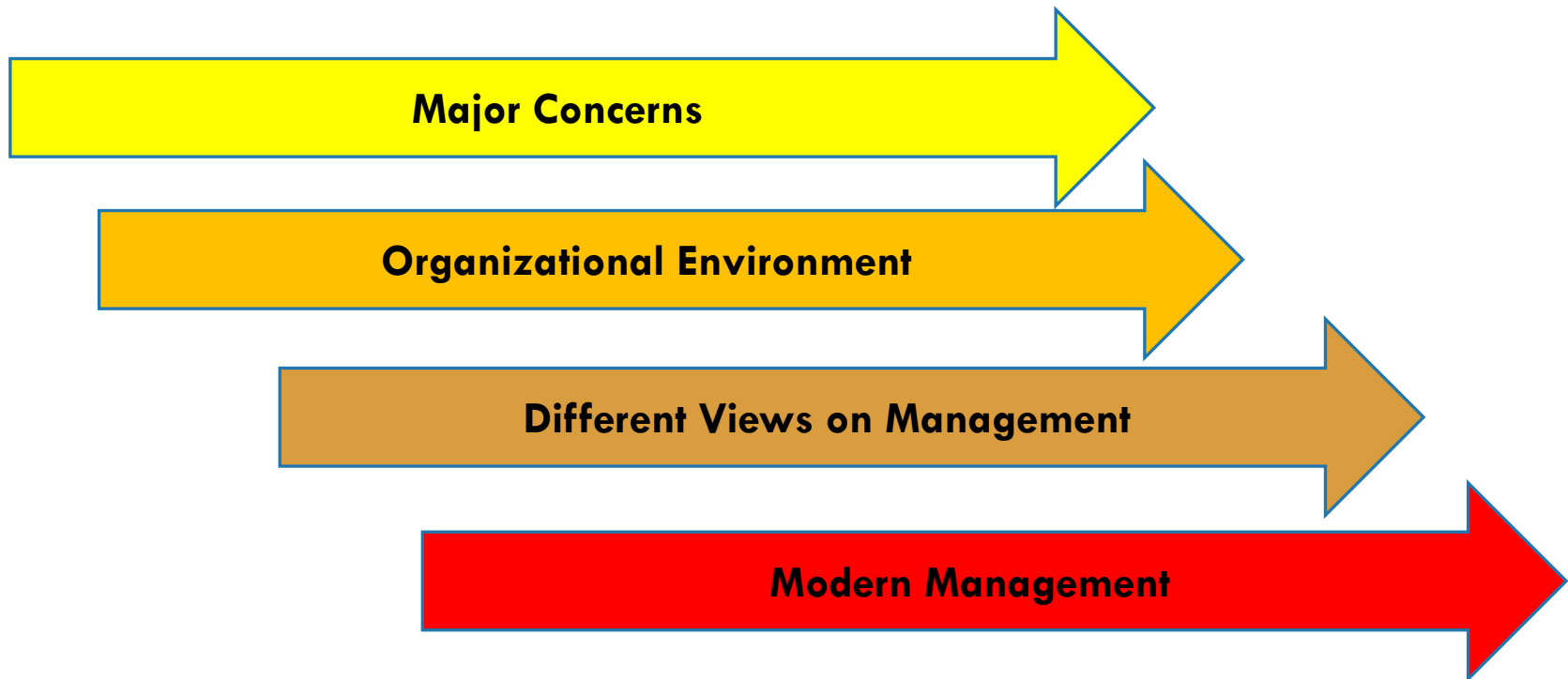 ➢ Nature of communication

HAWTHORNE NEW CONCERNS

Hawthorne studies brought new concerns on human relations besides the physical conditions at the workplace.

➢ Consequently, some new concepts and techniques entered into the field of management.
  ➢ Social system
  ➢ Informal organization
  ➢ Group influence
  ➢ Non-logical behavior
  ➢ Fringe benefits
  ➢ Selection
  ➢ Training

SYSTEMS & CONTINGENCY APPROACH

Major Concerns

Organizational Environment

Different Views on Management
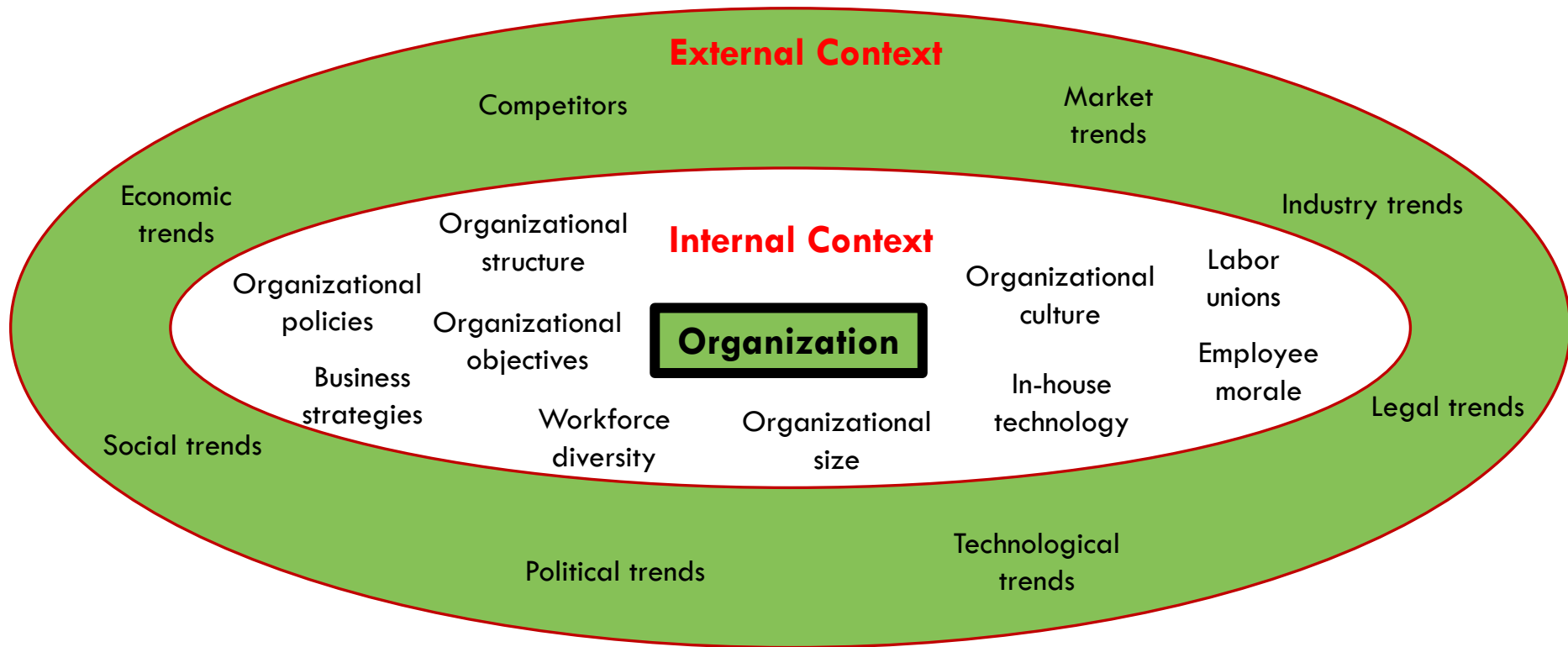
Modern Management

MAJOR CONCERNS

Systems and contingency approach considers the totality of the situation when managing organizations.

➢ This considers a vast array of factors affecting from both internal and external environments of an organization.

➢ Business is not operational in a vacuum, instead every decision is contingent on a great deal of interconnected factors.

➢ There is no one best/universal way of managing organizations.

➢ External and internal factors create unique situations, and each situation requires a different response.

INTERNAL & EXTERNAL ENVIRONMENT

External Context

Competitors

Market trends

Economic trends

Industry trends

Internal Context

Organizational structure

Organizational policies

Organizational culture

Labor unions

Organizational objectives

Organization

Business strategies

In-house technology

Employee morale

Workforce diversity

Organizational size

Social trends

Legal trends

Political trends

Technological trends

DIFFERENT VIEWS ON MANAGEMENT

➢ **Economists:** Management is a factor of production.

➢ **Sociologists:** Management is a class or group of persons.

➢ **Practitioners of Management:** Management is a process.

Management entails the principles, practices, techniques and skills of management which help in achieving organizational objectives.

MODERN MANAGEMENT

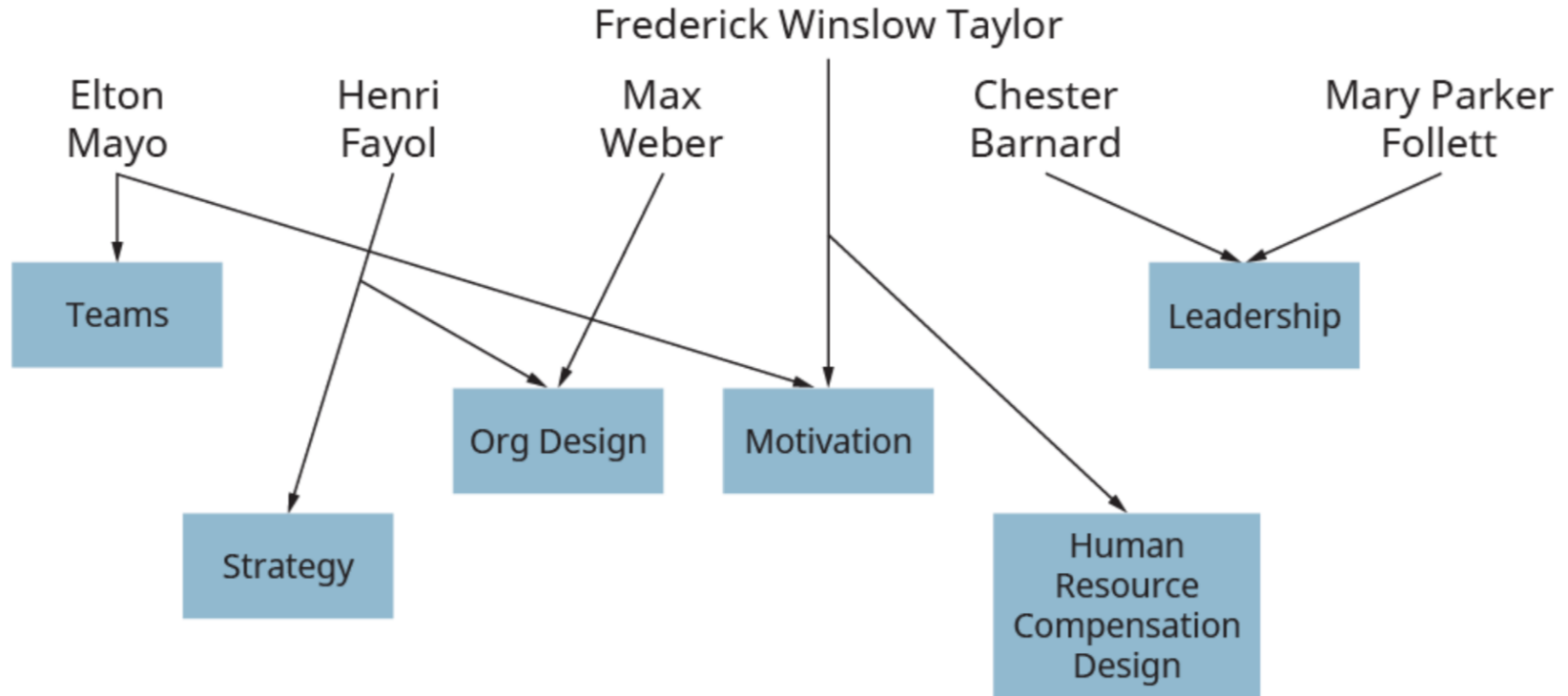➢ Despite its ancient roots, modern management is less than 150 years old.

Exhibit 3.6   The Development of Management Thought

SUMMARY

➢ Management in the Ancient World

➢ Scientific Management

➢ Administrative and Bureaucratic Management

➢ Human Relations Movement

➢ Systems & Contingency Management

➢ Modern Management

Compare & Contrast

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➢ https://www.simplilearn.com/principles-of-management-by-henri-fayol-article#:~:text=According%20to%20Henri%20Fayol%2C%20there,the%20manager%20will%20feel%20frustrated.