MANAGEMENT PRINCIPLES AND PRACTICE (MPPR 210) UNIT B: MANAGEMENT THEORIES

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OUTLINE

- Neoclassical Approach/Theory to Management

    a. Hawthorne Experiment

    b. Human Relation Movement

    c. Organisational Behaviour

- Moderm Management Theory

    a. Quantitative Theory

    b. Systems Theory

    c. Contingency Theory

Neoclassical Approach

- Began around 1970s, with Hawthorne studies.

- Grew out of limitations of Classical Theory.

- Under Classical Theory, attention was on jobs and machines.

- Later, workers resisted this approach as it did not provide social and psychological satisfaction.

- Then attention shifted towards human side management (George Etton Mayo, 1890 – 1949) is considered the founder.

3 Elements of Neoclassical Theory of Management

1. Hawthorne Experiment
2. Human Relation Movement
3. Organisational Behaviour

Main Features of Neoclassical Theory

1. Individual
2. Work group
3. Participative management
4. Orientation
5. Motivation Leadership Employee Development

Neoclassical Theory
a. Hawthorne Experiement

▶ The Hawthorne experiments were originally conducted by Elton Mayo and Fritz Roethlisberger to study the effect of shop-floor lighting on worker productivity at a telephone parts factory Western Electric's factory in Hawthorne Suburb of Chicago in 1920s and early 1930s.

▶ The Hawthorne studies were part of a refocus on managerial strategy incorporating the socio-psychological aspects of human behaviour in organizations.

▶ The studies originally looked into whether workers were more responsive and worked more efficiently under certain environmental conditions, such as improved lighting.

Neoclassical Theory
a. Hawthorne Experiement Findings

▶ The results were surprising: Mayo and Roethlisberger found that productivity improved, not just when the lighting was improved, but also when the lighting was diminished.

▶ Hence workers were more responsive to social factors such as the people they worked with on a team and the amount of interest their manager had in their work than the factors under observation (lighting, etc.).

▶ Workers were highly responsive to additional attention from their managers and the feeling that their managers actually cared about, and were interested in, their work.

▶ The studies also found that although financial motives are important, social issues are equally important factors in worker productivity.

▶ Therefore, productivity improved whenever changes were made in other variables such as working hours and rest breaks.

▶ The Hawthorne Effect is the inclination of people who are the subjects of an experimental study to change or improve the behaviour being evaluated only because it is being studied and not because of changes in the experiment parameters or stimulus.

Neoclassical Theory
a. Hawthorne Experiement Findings

- The social organisation of the company represents a system of values from which the worker derives satisfaction or dissatisfaction according to the perception of his social status and the expected social rewards.

- The social demands of the worker are influenced by social experience in groups both inside and outside the work plant.

- During the course of interviews, it was discovered that workers' behaviour was being influenced by group behaviour.

- The Hawthorne Effect (that people can modify behaviour because they are being monitored) is thought to be unavoidable in studies and experiments that use humans as subjects.

Neoclassical Theory
b. Human Relational Movement by Elton Mayo

- Borrowing a leaf from the Hawthorne experiment, several theorists conducted research in the field of interpersonal and social relations among the members of the organisation.

- Essentially the Hawthorne studies concluded that when employers take an interest in workers and make decisions based on their natural needs and psychological makeup, productivity increases.

- They also found that people work best when organised into groups, when they can have effective two-way communication with their leaders, and when leaders communicate and share information freely as part of an overall cohesive decision-making process.

- In other words, relationships between workers and management affect employee efficiency.

- If workers are being analyzed by their boss, they will be more motivated to do well and being part of a group and having a specific responsibility in that group also increased employees' motivation.

Neoclassical Theory
b. Human Relational Movement

- This movement argued that workers respond primarily to the social context of the workplace including social conditioning, group norms, and interpersonal dynamics.

- Two theories emanated from here: Maslow's theory of Human needs and Douglas MacGregor's Theory X and Theory Y.

- The human relations movement is seen as the precursor of the modern human resources function.

- Before the human relations movement, workers were typically seen as replaceable cogs in organisational systems that put the ultimate value on higher output

Neoclassical Theory
b. Human Relational Movement

- Human relations encompass all interactions between employees and your company.

- That means not just how your employees interact with you (the business owner), but your work environment - all your other employees, your clients and anyone else they come into contact with in the course of their work.

- The goal of human relations is to ensure that your employees are as happy *and* productive – not the latter at the expense of the former – as possible.

Theory X: Negative outlook on workers

▶ Management is responsible for organizing company components in the interest of economic ends.

▶ Managers should direct workers' efforts, motivate them, control their actions and modify their behaviour to suit organizational needs.

▶ Managers must persuade, reward, punish and control workers to stop passiveness and resistance.

Theory Y: Positive outlook on workers

- Management is responsible for organizing company components in the interest of economic ends.

- Passiveness or resistance to organizational needs develop with experience in organizations.

- Motivation, potential for development, capacity for assuming responsibility and readiness to direct behaviour toward organizational goals are naturally instilled in people.

- Above all, management should focus on creating a system where workers can achieve their own goals in line

Theory Y

- Theory Y shared similarities with the human relations movement, noting that workers can be trusted and are naturally motivated and efficient.

- However, American psychologist Abraham Maslow had developed a theory of hierarchical needs, which McGregor referred to in his book, to indicate employee incentives to perform well.

- From lowest to highest in the hierarchy, those are physiological needs, safety needs, social needs, ego needs and self-fulfilment needs.

- The two theories were important additions to management studies, and the human relations movement progressed by aligning individual needs with organizational needs.

Results of the human relations movement

- The human relations movement was a crucial event in management history and a major contribution to today's style of leading.

- The behavioural sciences helped managers and theorists understand how to increase productivity by ditching the primary focus on organizations over their workers.

- Contemporary theories, like the contingency theory and the systems theory, focus more on the importance and effect of every individual in a company and how they can achieve their own goals while benefiting their organization.

How human relations management improve employee performance

▶ **Treat work naturally.** Try to encourage employees to treat work just as naturally as they would resting or playing. After all, this is one of the central points of human relationship management. They are exercising their skills in a professional environment. The more that employees can treat work as a natural state, the easier this will become.

▶ **Share the big picture.** Try to share the overall theme and big picture of the job with employees. Everyone wants to feel valued, and they want to know that their work is contributing to larger successes. When employees can see how they fit into the big picture, they will be more motivated.

▶ **Give employees more power.** Everyone wants to feel independent, and nobody wants to feel like someone is constantly looking over their shoulder. Therefore, push employees to innovate and make independent decisions when appropriate.

▶ **Train employees and develop their skills accordingly.** Employees who feel like the company is investing in them are more likely to perform better. As they grow, increase their freedom and responsibilities as well.

▶ **Reward success.** Recognize employees when they do well. Nobody wants to feel like their work is being ignored. Therefore, reward employees and success, and make sure they know their hard work is being noticed. This will encourage others to work hard to achieve company goals as well.

Neoclassical Theory
C. Organisational Behaviour

- This is a behavioural science approach developed by sevral psychologists and sociologists.

- It involves the study of attitudes, behaviour and performance of individuals and groups in organisational settings.

- It is an extended and improved version of human relations movement.

- It is multidisciplinary and multidimensional hence called behavioral science approach.

Contribution of Neoclassical Theory

- Made significant contribution to understanding human behaviour at work and in organisation.

- Generated awareness of overwhelming role of human factor in industry.

- Approach has given new ideas and techniques for better understanding of human behaviour.

- Recognizes organisation as a social system subject to the sentiments and cultural patterns of the member of the organisation group dynamics, leadership, motivation, participation, job environment etc.

- This changed the approach that employees are tools and furthered the belief that employees are valuable resources of the organisation.

- Laid foundation for later development in management theory.

Limitations of Neoclassical Theory

1. Lacks precision of classical theory, because human behaviour is unpredictable.

2. Its conclusions lack scientific validity and suffer clinical bias, its findings are tentative.

3. Its application in practice is very difficult because it requires fundamental changes in thinking and attitude of both management and workers.

3. MODERN MANAGEMENT THEORIES

- A change in one system affects the other.

- This theory depends on systems approach and contingency approach.

- Management is influenced by internal and external environment.

- Appropriate techniques are determined by situation and environmental factors of an organisation.

MAIN FEATURES OF MODERN MANAGEMENT THEORIES

1. Management is responsive to environmental changes.

2. Business organisations are dynamic institutions composed of inter-related divisions and sub-divisions.

3. Business firms have multiple objectives: Managers behave economic and non-economic objectives and maximize the interests of diverse groups of shareholders like customers, suppliers, etc.

4. Management is multi-disciplinary in nature.

MODERN MANAGEMENT THEORIES
a. Quantitative Theory

▶ This is also called Management Science Theory and has considerable impact on solving complex business problems. Its features are:

1. It establishes relationships amongst quantifiable variables of a decision – making situation and facilities disciplined thinking.

2. Mathematical models help to derive precise and accurate results by analyzing complex statistical data.

3. Decisions are based on data and logic rather than intuition and judgement.

MODERN MANAGEMENT THEORIES
b. Systems Theory

► This views organisations as a whole which operates in the external environment and has an internal environment consisting of various departments (production, marketing, finance, etc), interrelated to each other in a manner that input output conversion is done in the most efficient manner.

MODERN MANAGEMENT THEORIES
b. Systems Theory: Features

1. It considers the organisation as a dynamic and interrelated set of parts.

2. It considers the impact of both near and distant future on organisational activities.

3. It integrates goals of different parts of the organisation (sub systems or departments) with the organisations as a whole.

4. It enables the organisations to frame politics that promote business objectives and social objectives.

MODERN MANAGEMENT THEORIES
c. Contingency Theory

- Developed in 1950s when research team by Joan Woodward an industrial sociologist, studied 100 British firms of different sizes producing different products.

- It was concluded that difference in performance was not because of principles of classical theories theories but better technology to produce goods.

- This developed the contingency theory which gives the idea that appropriate actions that managers make depends on or are contingent on the situation.

MODERN MANAGEMENT THEORIES
c. Contingency Theory: Features

1. Management is situational in nature. The technique of management depends on complexity of the situation.

2. It is the "if" and "then" approach of management.

3. Managment principles are not universal in nature as there is no best style of management.

MODERN MANAGEMENT THEORIES
Conclusion

1. Classical and Neoclassical approaches made crucial role in the advancement of management theories and practices.

2. The adopted management approaches are important due to the fact determine the efficiency and congenial environment with which managerial activities are performed.

3. In this era of rapid economic development and industrial expansion of different naions, classical and neocalssical theorists made big roles by develloping techniques of production.

4. System approach, Quantitative Aproach and Contingency Theory Approach are included into modern management theories because these were developed in late 20th Century (after 1950s) and havent found themselves yet in the Classical and Neo-Classical era.

END OF UNIT B