



Part 1: Management

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Part I: Management

Course 1

Basic Management Concepts

- **The evolution of modern management**
 - Classical approach
 - Behavioral approach
 - Quantitative approach
- **Enterprise and managerial functions**
- **Managerial roles**

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The evolution of modern management:

A. Classical approach

- A.1. Scientific management
- A.2. Classical organizational theory
- A.3. Bureaucratic approach

B. Behavioral approach

C. Quantitative approach

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The classical approach:

a. the classical approach

a.1. – the scientific management

The person with the greatest influence, leaving a true mark on the thinking and science of management was **Frederick Winslow Taylor (1856 –1915)**, an American mechanical engineer, who was called the father of scientific management.

Taylor has defined the principles of scientific management, that have been subsequently adopted on a large scale, thus there being eliminated all the empirical methods. Taylor was not the only author of his ideas as a whole, but he proved to be a pragmatic person that had the ability to create a synthesis, as far as the work of others was concerned, which he subsequently promoted, in an effective way, to a large audience of managers from the industrial world.

The four principles defined by Taylor in his book "The Principles of scientific Management" are as follows:

1. For every work task, there has to be developed a "scientific" alternative for its carrying out that will replace the empirical methods (for the elimination of the inefficient actions).
2. The employees shall be scientifically selected, then trained and perfected. In former times, workers chose their work tasks by themselves and trained by themselves as best as they knew.
3. There shall be developed an open (sincere) spirit of cooperation between managers and workers to ensure the turning to account of the scientifically elaborated procedures.
4. The division of labour between workers and managers shall be made in proportional shares, each group taking over the responsibility of the tasks. The managers shall take over all the tasks that they can execute better than the workers (planning, organizing tasks, etc).

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The classical approach:

a.2. – the classical organizational theory (the administrative management)

Henry Fayol (1841- 1925), a French mine engineer, promoted the classical organizational theory, defining the firm operational management functions and principles in his work "Administration Industrielle et Generale" – published in France in 1916. The work was taken into consideration in Great Britain and in the United States in 1949, being published by Pitman with the title "General and Industrial Management".

The functions of management, called by H. Fayol *the elements of management* are as follows:

- Prevision (forecasting and planning)
- Organizing
- Control
- Leadership (Coordination)
- Supervision

The functions of management are suggestively presented in figure 1.2 .

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The classical approach:

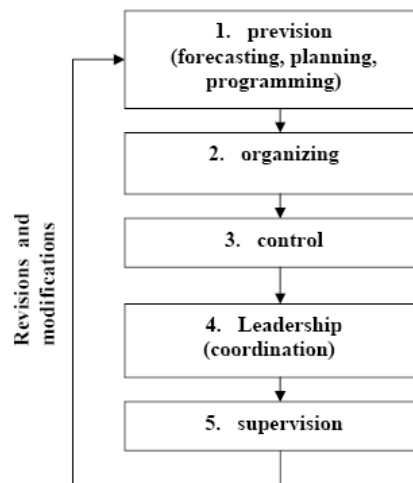


Fig.1.2 The functions of management

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The classical approach:

1. **Prevision** carries out a diagnosis analysis of the firm as function of the internal and external circumstances, on the basis of which there is anticipated the evolution of the firm, and there are established the variants of the objectives to be achieved. There are established the variants of the firm functioning programmes during a certain time interval, and finally there are obtained forecastings, plannings, and operative programmes.
2. **Organizing** can be defined as a process of grouping of the means and methods for the exploiting of the firm resources to achieve an objective in an effective and efficient way.
3. **Control** specifies and determines the firm's optimum course of action, materialized in objectives, resources requirements, programmes and carrying out ways for a certain period of time.
4. **Leadership** represents the influencing and supervising capacity of the employees activities and behaviour to reach the firm's objectives according to the provisions.
5. **Supervision** represents the process through which there are assessed the consequences of the firm's activities according to what had to be carried out, with a view to observe the final parameters for the offered product/service, to integrate within the planned time interval, and to intergrate within the planned budget.

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The classical approach:

a.3. – the bureaucratic approach

Sociologist **Max Weber (1924)** proposes the bureaucratic approach of management, looking upon bureaucracy as the "pure" form of organizing. The target of the bureaucratic management is the equilibrium between quantity and quality through the guaranty of the persons independance, the obtaining of a rational model that ensures the success of a collective action, respectively. The main characteristics of the bureaucratic approach are as follows:

- The defining of competences through the establishing of a number of rules and regulations;
- The establishing of the coordination of activities within the vertical hierarchy by ensuring the objective assessment of current problems, of the workers according to their performances and not according to subjective or emotional aspects, respectively;
- The well defined separation of the administrative activities, each employee being involved in activities that comply with his or her training and accumulated experience;
- The training of the administrative personnel on the basis of laws and regulations that imply a certain type of behaviour;
- The use of the subordinates work force to the maximum;
- The settling of the clerks activity according to regulations.

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Behavioral approach:

b. the behavioral approach

Some authors have developed that side of management that is mainly oriented towards the behavioral approach. Their attention has been focused to experimentally demonstrate the strong influence of the social environment over the employee with immediate consequences over work productivity.

Between 1924-1927, *Elton Mayo* has made an experiment at Hawthorne Plant, Illinois, which produces telephones (near Chicago), through which there was followed up the effect of the variation of light intensity over work productivity, electric lighting being low spread in that period. The experimental sample of employees to whom light was intensified was isolated from the witness group of employees that continued to work under unchanged conditions. Productivity grew both within the experimental group and the witness group. The experiment continued with the decrease of light intensity, productivity proving to be the same within the experimental group and the witness group. The decrease of light intensity went up to the "moonlight" level, and work productivity proved to be the same within the experimental and the witness groups. The final explanation has underlined the occurrence of *ambition* within the witness group to increase its productivity at the level of the experimental group. The conclusion was that the variation of light intensity has very little influenced productivity, while *interhuman relations, communication, interpersonal influences, social conditions, employees satisfaction* considerably influences productivity. The consequences of this experiment, called *Hawthorne effect* form the basis of the approach of managerial thinking through interhuman relations.

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Behavioral approach:

Douglas Mc. Gregor, in his work "The Human Side of Enterprise" (1960), highlights the management convictions concerning the employees behaviour through the two theories – X theory and Y theory. Table 1.2.

X theory	Y theory
<ul style="list-style-type: none"> • People do not like to work, and thus managers have the duty of organizing and of the initiatives for what the employees have to do. • To reach the organization objectives, managers are responsible with directing the efforts of the employees, everything being based on the regard towards the employees. • The employees are passive and generally put up resistance to the needs of the organization without an active intervention from the part of the management. Thus, they have to be convinced, rewarded, punished, supervised, and directed. 	<ul style="list-style-type: none"> • People work with pleasure, have initiative, managers supervising them as a whole, not in detail. • People are not passive or do not put up resistance to the needs of the organization due to their results and experience, having an internal motivation • People have initiative and accept that they will be rewarded only after reaching the objectives. • The essential task of the managers is only to offer the organizing and the operating procedures conditions so that the employees may best reach their objectives.

X theory supposes a highly supervised environment, where managers take all the decisions, and employees are only performers.

Y theory supposes a general motivation of the employees that is consistent with the idea of the mechanism of human relations.

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Behavioral approach:

A strong influence over the managerial theories concerning the behavioral approach by way of employees motivation have had the three American psychologists: **Abraham Maslow, Frederick Herzberg** and **David McClelland**.

Motivation can be defined as a number of reasons for the wish of achievement, of perfection. There are no productive interhuman relations without a strong motivation. A concise classification of the motivations that can influence the initiation of a business is presented in table 2.2.

Table 2.2

The category of motivation	The set of reasons
Professional	<ul style="list-style-type: none"> • The perspective of some attractive activities • The perspective of developing some independent researches and of obtaining some own discoveries • The perspective of perfecting or developing some own methods or techniques in the management of the activities from the respective field
Psychological	<ul style="list-style-type: none"> • The perspective of obtaining a social status and respect • The perspective of obtaining fame • The perspective of extending relations • The status of being your own master • The possibility of satisfying the feeling of pride
Material	<ul style="list-style-type: none"> • The possibility of obtaining some big gains • The possibility of obtaining a high living standard as far as the family is concerned • The safety of the job
Moral	<ul style="list-style-type: none"> • The perspective of demonstrating the skills in a specific field of activity • The perspective of taking part in the progress of the society

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Behavioral approach:

Abraham Maslow (1908-1970) establishes the concept of the hierarchy of needs. People have a variety of needs which they want to fulfil. These needs can be arranged according to their importance in "*Maslow's hierarchy of needs*". Starting from the base of the pyramid, people have the following needs:

1. *physiological – existentialist needs* (food and water, clothes, shelter, sleep)
→ they can be satisfied through *adequate wages*
2. *the need for safety and security* (physical and emotional safety)
→ can be satisfied through *jobs, health insurance, pensions*
3. *social needs*, (love, affection, the need to receive and offer respect, the feeling of belonging to an organization and to a segment of society)
→ can be satisfied through the *work environment, unofficial organizations, social relations, family, friends*
4. *the need of esteem or prestige* (the gratitude of those around us, our own achievement – self-esteem – "respect yourself to be respected")
→ can be satisfied through his or her *own physical and intellectual skills, through promotion in superior work places – with higher responsibility, through honours, prizes*
5. *the need of self-accomplishment* (professional accomplishment)
→ can be satisfied through *growing, maturing, professional development, social development*.

Maslow considers that people satisfy at the beginning their physiological needs, which are followed by the safety, social, and the top needs, respectively. They are motivated by the needs at the base of the pyramid, as long as these needs remain to a certain extent not satisfied. The needs of a certain level will not be completely satisfied before those of the immediately superior level are taken into account.

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Behavioral approach:

Frederick Herzberg (1959) has made a distinction between the satisfiers factors:

- the work proper
- achievements
- responsibility
- acknowledgement
- promotion
- professional career

and the "hygiene" factors, respectively, that act only to prevent the workers' lack of satisfaction:

- the wages
- work conditions
- relations with the superiors.

Smaller wages make a person "feel uncomfortable", but higher wages do not automatically make the same person "feel better".

David McClelland (1969) points out 3 different categories of motivation:

- the orientation towards success
- the orientation towards affiliation
- the orientation towards power

McClelland considers that each man holds them in different proportion, and in various situations one of them becomes more conspicuous than the other two. By identifying the features of each employee, there can be established the recognition that can be granted, the job or position where he or she can best act or interact.

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Quantitative approach:

c. The quantitative approach

Involves the use of quantitative techniques to improve decision making. This approach has also been labeled operations research or management science.

The quantitative approach evolved out of the development of mathematical and statistical solution to military problems during World War II. After the war was over, many of the techniques that had been used for military problems were applied to the business sector. This approach to management involves application of statistics, optimization models, information models and computer simulations to management activities.

Linear programming, for instance is a technique that managers use to improve resource allocation decisions.

Work scheduling can be more efficient as a result of critical path scheduling analysis.

Decisions on determining a company's optimum inventory levels have been significantly influenced by the economic order quantity model.

The quantitative approach has contributed directly to manager decision making in the areas of planning and control. The availability of sophisticated computer software programs to aid in developing models, equations and formulas has made the use of quantitative techniques somewhat less intimidating for managers, although they must still be able to interpret the results.

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Post-war period:

The managerial theories from the post-war period

Peter F. Druker considers that "Management is a practice and not a science. It does not mean knowledge, but performance". Druker's conclusion is that the needs of great organizations shall be satisfied by *common* people capable of *uncommon performances*. Practical management feeds from sciences such as: economy, psychology, mathematics, political sciences, history, philosophy. [Dru-87].

For the *uncommon performances obtaining*, Druker proposes a *Management based on objectives* (MpO), that directs the managers to identify and assess the alternatives available, wherefrom there implicitly results the assessment of the managerial performances.

In his work, Druker proposes eight zones from the sphere of the economic activities for which there have to be established performance objectives:

1. the situation of the market
2. innovation
3. productivity
4. the physical and financial resources
5. profitability
6. performance and the managerial development
7. performance and the attitude of the performer
8. public responsibility

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Post-war period:

As far as the interhuman relations are concerned, a good manager shall have the ability to reach the objectives of the organization by making others to carry out the required activities. Thus, to suggestively outline the quality of being a good manager, there can be defined 5 features that he or she has to acquire:

- Training:
 - in the field of organizing and leadership;
 - professional in the field of the organization activity
 - economic
 - juridical
 - general training
- Experience:
 - in the field of organizing and leadership
 - In the specific field of activity of the given organization
- Psychology:
 - the proper perception of the psychological phenomena experienced by the employees of the given firm
 - flexibility of thinking
 - upright character
 - strong will
- Behaviour:
 - open
 - great communication abilities

Health: - very good

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Theory Z:

Theory Z was presented by William Ouchi, in his 1981 book 'Theory Z: How American management can Meet the Japanese Challenge'.

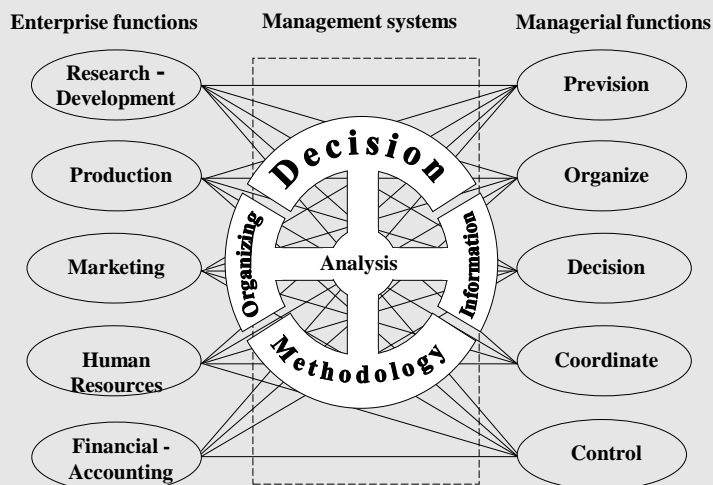
Ouchi Recommended A Hybrid Of The Two Approaches, **THEORY Z.**

Organization Type A American	Organization Type J Japanese	Organization Type Z Modified American
Short-term employment	Lifetime employment	Long-term employment
Individual decision making	Collective decision making	Collective decision making
Individual responsibility	Collective responsibility	Individual responsibility
Rapid evaluation & promotion	Slow evaluation & promotion	Slow evaluation & promotion
Explicit control mechanisms	Implicit control mechanisms	Implicit, informal control with explicit, formalized measures
Specialized career path	No specialized career path	Moderately specialized career paths
Segmented concern for employee as an employee	Holistic concern for employee as a person	Holistic concern, including family

He proposed a model that combined the best of American and Japanese practices -- providing lifetime employment and holistic care for employee and family, but with individual responsibilities and a mixture of explicit and implicit control mechanisms. The result, according to Dr Ouchi, should be stable employment, high productivity and high morale.

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Modern Management Approach:



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Mintzberg H. separated managerial roles into three subcategories:

interpersonal contact (1, 2, 3), information processing (4, 5, 6) and decision making (7-10).

1. FIGUREHEAD: performs ceremonial and symbolic duties as head of the organization;
2. LEADER: fosters a proper work atmosphere and motivates and develops subordinates;
3. LIASION: develops and maintains a network of external contacts to gather information;

4. MONITOR: gathers internal and external information relevant to the organization;
5. DISSEMINATOR: transmits factual and value-based information to subordinates;
6. SPOKESPERSON: communicates to the outside world on performance and policies.

7. ENTREPRENEUR: designs and initiates change in the organization;
8. DISTURBANCE HANDLER: deals with unexpected events and operational breakdowns;
9. RESOURCE ALLOCATOR: controls and authorizes the use of organizational resources;
10. NEGOTIATOR: participates in negotiation activities with other organizations/individuals.