

LESSON THREE PART A: MANAGEMENT THEORIES

Introduction

A theory, is a principle that has been formed as an attempt to explain things that have already been substantiated by data. It is used in the names of several principles accepted in the scientific community.

Scientific Management Theories

Scientific management belongs to the classical era of management and may be defined as the “Art of what is to be done and the best way of doing it”. Scientific management is the result of applying scientific knowledge and scientific methods to the various aspects of management and the problems that arise from them.

Principles of Scientific Management Theory

The theory was developed by Frederick Winslow Taylor (1856-1915) was born in Philadelphia, Pennsylvania. Taylor is best known for his 1911 book, “Principles of Scientific Management.” In this book, he presented numerous principles of management that were based on the scientific method and could improve the efficiency and productivity of industrial workplaces. Due to this work, Taylor is known as the father of Scientific Management, which is also known as “Taylorism.

In “the Principles of Scientific Management,” Taylor starts with the following statement: “The principal object of management should be to secure the maximum prosperity for the employer, coupled with the maximum prosperity for each [employee].” In saying this, he meant that the organization and employees should work together, strive to get the most out of one another, and be compensated for their efforts as it’s in everyone’s best interests.

Taylor argued that getting initiative out of workers is rare and a better approach would be to apply the scientific method in order to increase efficiency and performance. Through his studies that used the scientific method, Taylor established Four Principles of Management, including to:

- **Development of Science for each element of work: Analyze the work scientifically, rather than using thumb rule.** It means that an attempt is made to find out what is to be done by a particular worker, how he is to do it & what equipment will be necessary to do it. This information is provided to the worker, to reduce wastage of time, material etc. and improve the quality work. Apart from “developing a science,” he wanted to know “the best day’s that workers [person] could properly work, year in and year out, and still thrive.” Thus, he had a focus on long-term productivity, considering both the organizations and the workers’ perspectives. With this focus in mind, he essentially meant that management should:

- Gather objective data on work.
 - Perform experiments; and
 - Standardize policies and procedures based on the results of the experiments.
- In order to gather objective data on work, Taylor would select “first-class laborers” to perform a given task, pay them extra wages, and carefully examine and test them to ensure that they were working “to the best of their ability at all times.” That way, optimal productivity could accurately be determined. Next, these workers would be observed while performing various procedures and timed, using a stop-watch, in order to determine how much time was taken for each motion. Then, after experimenting with different tools and/or procedures, which often included varying rest intervals, the tools and/or procedure that would produce the optimal productivity could be determined. And finally, with optimal tools and/or procedures determined, such tools and/or procedures could be documented and used as standard for a given task.
- **Scientific selection, placement and training of workers:** This principle states that he selected the workers best suited to perform the specific task, and then trained them within the industry in order to attain the objectives of the enterprise. Regarding training and development, if a worker was performing below standard, Taylor believed that a “competent teacher should be sent to show [the worker] exactly how [their] work can be best done, to guide, help, and encourage [them][and give them] the time and the help required to make [them] proficient at [their] present job.”
- **Division of Labour:** division of work in smaller tasks and separation of thinking element of job from doing element of the job, this is the principle of specialization. It is essential for efficiency in all spheres of activities as well as in supervision work. He argued that Scientific Management was more effective because “even if the [worker] was well suited to the development and use of scientific data, it would be physically impossible for [them] to work at [their] machine and at a desk at the same time.”
- **Standardization of methods, procedures, tools, and equipment:** Standardization helps in reducing time, labor and cost of production. The success of scientific management largely depends upon standardization of system, tools, equipment and techniques of production.
- **Use of time and motion study:** He introduced time and motion determine standard work. Taylor’s undertook, incurred by studies the on fa workers and the time necessary to complete task.
- **Differential wage system:** Taylor’s differential piece rate scheme incentive for a worker to achieve high level of optimum output. It distinguishes the more productive workers from less productive workers and motivates them to produce more.
- **Cooperation between labour and management:** Mutual respect and cooperation between the workers and management helps in providing proper and effective leadership. The labour starts thinking that it is their work and they must put their heart in the work assigned to him.
- **Principle of Management by Exception:** He suggested that only major or significant deviations between the actual performance and standard performance should be brought to the notice of top management. Top management should pay more attention to those areas of work where standards and procedures could not be established and where there is a significant variation between standard performance and actual performance.

Administrative Management Theory

This theory equally belongs to the classical management era. While the proponents of scientific management developed principles that could help the individual workers perform their tasks more efficiently, the administrative theory focused on principles that could be used by managers to coordinate the internal activities of organizations. The most prominent of the administrative theorists was Henri Fayol. He is regarded as the father of modern management. Henri Fayol (1849-1925) was a French industrialist and a prominent European management theorist. He developed a general theory of management and also, laid down the 14 principles of Management. Fayol was unknown to American managers and scholars until his most important work, "General and industrial management", was translated into English in 1949.

According to Fayol, the business operations of an organization could be divided into six broad activities.

1. Technical: Producing and manufacturing products
2. Commercial: Buying, selling and exchange
3. Financial: Search for optimal use of capital
4. Security: Protecting employees and property
5. Accounting: Recording and taking stock of costs, profits, liabilities, maintaining balance sheets and compiling statistics
6. Managerial: Planning, organizing, commanding, coordinating, and controlling

The fourteen principles of management created by Henri Fayol are explained below;

1. Division of Work- Henri believed that segregating work in the workforce amongst the worker will enhance the quality of the product. Similarly, he also concluded that the division of work improves the productivity, efficiency, accuracy and speed of the workers. This principle is appropriate for both the managerial as well as a technical work level.

2. Authority and Responsibility- These are the two key aspects of management. Authority facilitates the management to work efficiently, and responsibility makes them responsible for the work done under their guidance or leadership.

3. Discipline- Without discipline, nothing can be accomplished. It is the core value for any project or any management. Good performance and sensible interrelation make the management job easy and comprehensive. Employees good behaviour also helps them smoothly build and progress in their professional careers.

4. Unity of Command- This means an employee should have only one boss and follow his command. If an employee has to follow more than one boss, there begins a conflict of interest and can create confusion.

5. Unity of Direction- Whoever is engaged in the same activity should have a unified goal. This means all the person working in a company should have one goal and motive which will make the work easier and achieve the set goal easily.

6. Subordination of Individual Interest- This indicates a company should work unitedly towards the interest of a company rather than personal interest. Be subordinate to the purposes of an organization. This refers to the whole chain of command in a company.

7. Remuneration- This plays an important role in motivating the workers of a company. Remuneration can be monetary or non-monetary. However, it should be according to an individual's efforts they have made.

8. Centralization-In any company, the management, or any authority responsible for the decision-making process should be neutral. However, this depends on the size of an organization. Henri Fayol stressed on the point that there should be a balance between the hierarchy and division of power.

9. Scalar Chain- Fayol on this principle highlights that the hierarchy steps should be from the top to the lowest. This is necessary so that every employee knows their immediate senior also they should be able to contact any, if needed.

10. Order- A company should maintain a well-defined work order to have a favourable work culture. The positive atmosphere in the workplace will boost more positive productivity.

11. Equity- All employees should be treated equally and respectfully. It's the responsibility of a manager that no employees face discrimination.

12. Stability- An employee delivers the best if they feel secure in their job. It is the duty of the management to offer job security to their employees.

13. Initiative- The management should support and encourage the employees to take initiatives in an organization. It will help them to increase their interest and make them worth.

14. Esprit de Corps- It is the responsibility of the management to motivate their employees and be supportive of each other regularly. Developing trust and mutual understanding will lead to a positive outcome and work environment.

Bureaucratic Theory

The theory belongs to the classical era of management. It was propounded by Max Weber. He believed bureaucracy was the most efficient way to set up an organisation, administration, and organizations. Max Weber believed that Bureaucracy was better than traditional structures. Bureaucracy is an organisational structure that is characterised by many rules, standardised processes, procedures and requirements, number of desks, meticulous division of labour and responsibility, clear hierarchies and professional, almost impersonal interactions between employees. According to this theory of Max Weber, bureaucracy is the basis for the systematic formation of any organisation and is designed to ensure efficiency and economic effectiveness.

It is an ideal model for management and its administration to bring an organisation's power structure into focus. With these observations, he lays down the basic principles of bureaucracy and emphasises the division of labour, hierarchy, rules and impersonal relationships. Generally, one can identify a bureaucratic organization based on its regulations. A bureaucratic organization relies on the use of policies, rules and a strict hierarchy. Additionally, one can see an enforced chain of command and regulated operating procedures in a bureaucratic organization. The Max Weber theory for bureaucratic management points to six principles or characteristics. Below is a more detailed explanation of the bureaucratic management principles.

Task specialization: Tasks are divided into simple, routine categories on the basis of competencies and functional specializations. Every employee is responsible for what he/she does best and knows exactly what is expected of him / her. By dividing work based on specialisation, the organisation directly benefits. Each department has specific powers. As a result, there is a delineation of tasks and managers can approach their employees more easily when they do not stick to their tasks. Every employee knows exactly what is expected of him/ her and what his/ her powers are within the organization. Every employee has a specific place within the organisation and is expected to solely focus on his/ her area of expertise. Going beyond your responsibilities and taking on tasks of colleagues is not permitted within a bureaucracy.

Hierarchical layers of authority; Managers are organised into hierarchical layers, where each layer of management is responsible for its staff and overall performance. In bureaucratic organizational structures, there are many hierarchical positions. This is essentially the trademark and foundation of a bureaucracy. The hierarchy of authority is a system in which different positions are related in order of precedence and in which the highest rank on the ladder has the greatest power. The bottom layers of bureaucratic organizational structures are always subject to supervision and control of higher layers. This hierarchy reflects lines of bureaucratic communication and the degree of delegation and clearly lays out how powers and responsibilities are divided.

Formal selection; All employees are selected on the basis of technical skills and competences, which have been acquired through training, education and experience. One of the basic principles is that employees are paid for their services and that level of their salary is dependent on their position. Their contract terms are determined by organisational rules and requirements and the employee has no ownership interest in the company.

Rules and requirements; Formal rules and requirements are required to ensure uniformity, so that employees know exactly what is expected of them. In this sense, the rules and requirements can be considered predictable. All administrative processes are defined in the official rules. By enforcing strict rules, the organisation can more easily achieve uniformity and all employee efforts can be better coordinated. The rules and requirements are more or less stable and always formalised in so-called official reports. Should new rules and requirements be introduced, then senior management or directors are responsible for this.

Impersonal; Regulations and clear requirements create distant and impersonal relationships between employees, with the additional advantage of preventing nepotism or involvement from outsiders or politics. These impersonal relationships are a prominent feature of bureaucracies. Interpersonal relationships are solely characterised by a system of public law and rules and requirements. Official views are free from any personal involvement, emotions, and feelings. Decisions are solely made based on rational factors, rather than personal factors.

Career orientation: Employees of a bureaucratic organization are selected based on their expertise. This helps in the deployment of the right people in the right positions and thereby optimally utilizing human capital. In a bureaucracy, it is possible to build a career on the basis of experience and expertise. As a result, it offers lifetime employment. The right division of labour within a bureaucratic organisation also allows employees to specialise themselves further, so that they may become experts in their own field and significantly improve their performance.

Advantages and disadvantages

Advantages

- ❖ Generally speaking, the term bureaucracy has a negative connotation and is often linked to government agencies and large organisations.
- ❖ Nevertheless, the great benefit of a bureaucracy is that large organisations with many hierarchical layers can become structured and work effectively. It is precisely the established rules and procedures that allow for high efficiency and consistent execution of work by all employees.
- ❖ All this makes it easier for management to maintain control and make adjustments when necessary. Bureaucracy is especially inevitable in organisations where legislation plays an important role in delivering a consistent output. For these organisations the Weber theory provides a solid framework.

Disadvantages

- ❖ Bureaucracy is characterised by a large amount of red tape, paperwork, many desks, certain office culture and slow bureaucratic communication due to its many hierarchical layers.
- ❖ This is the Weber theory's biggest disadvantage of a bureaucratic organization. It is also unfortunate that employees remain fairly distanced from each other and the organisation, making them less loyal. Bureaucracy is also heavily dependent on regulatory and policy compliance.
- ❖ This restricts employees to come up with innovative ideas, making them feel like a number instead of an individual. Later research (the human relations theory) demonstrated that employees appreciate attention and want to have a voice in decision-making. This is something that the Weber theory does not consider.

Bureaucratic Theory: problems

Because employees of a bureaucratic organization have no opportunity to voice their opinion or influence decision-making, a bureaucracy may demotivate employees in the long run.

Moreover, over the course of time, employees may start to get annoyed at the various rules and requirements, with the risk that they may start boycotting and / or abusing these rules and stand up to the established order.

It is therefore very important that bureaucratic organisations properly inform employees well in advance about their approach to work and requires them to accept this. Only employees who agree to this approach are suitable to work within a bureaucratic organisation.

Human Relations Theory

This theory cuts across the neo classical and modern eras' of management. The Human Relations Theory holds the belief that valuing employees' feelings, emotions, needs, and attitudes, prompting teamwork, employee participation, non-directive supervision, good relationships between managers and workers, etc. are the key ways to employee motivation and productivity, of the whole organization. This theory emphasized that managers should be more sensitive to employees' needs and attitudes. Employees i.e. workers should be treated as human beings not only as factors of production.

Elton Mayo (1880-1949), an Australian Psychologist, developed this human relations theory. According to him, workers' work satisfaction is necessary for productivity, money is not the only factor for workers' motivation-workers motivation depends on various factors, and the workplace should have a healthy working environment.

Prof. Mayo is in opposed the classical management theories of F.W. Taylor, Henri Fayol, and Max Weber. All of these three classical theories have a common thing of rigid structure and ignoring workers' sentiments and only being focused on productivity. Mayo stated that these theories were suitable for the industrial age but are not so suitable in this modern practice.

He and his team did a series of experiments. The experiments were eight years long. They did their experiments among several groups of workers at the Hawthorne Plant of the Western Electric Company in Chicago. That is why human relation theory is also called the Hawthorne experiment. He made the theory which is more focused on the various motivating aspects of workers in the workplace. In fact, his experiment was the first to focus on work life and the outside life of employees, made a significant impact on the management practice of how employee satisfaction is a critical factor to organizational success.

The Hawthorne Experiment by Prof.Mayo

The experiments Mayo conducted include illumination experiments, relay assembly test room experiments, mass interviewing experiments, and bank wiring observation room experiments.

Illumination Experiment (1924)

The illumination experiment is the first Mayo conducted in 1924 which lasted for 3 years. In this experiment, he wanted to find out whether the light bulb affects workers' productivity. He formed two groups of workers and kept them in separate rooms. In one room the light bulbs held constant and, in another room, the number of light bulbs was reduced (or removed). He thought that the removal of light bulbs would reduce productivity and its availability would increase productivity. But in both cases, he found the same productivity. And he concluded that group works and social relationships among workers were the real cause of productivity.

Relay Assembly Test (1927)

In the second experiment, he volunteered six women operators for the study, and they are employed in assembling relays or electromagnetic switches used in switching telephone calls automatically. The study was to find out whether changes in work conditions affect employees' mental health and productivity. To ensure precision in measuring output and quality, the women were segregated into separate areas. The productivity remained the same despite changes in rest breaks, pay incentives, the kind of supervision, etc. for workers in a separate room. Researchers found that the rest break, relief from boring working conditions, the wage incentive, and the sort of supervision offered in the test environment all contributed to an improvement in performance and efficiency. And it was determined that although elements like illumination, work hours, rest breaks, bonus incentives, and supervision had an impact on employees, the attitudes of those who experienced the things were more important.

Mass Interviewing Program

In the third experiment, 20,000 workers were interviewed through questions to know their attitudes toward the workplace, supervision practices, insurance plans, promotions, and wages. The focus of this experiment was on knowing employees' human relations in the organization rather than their physical. After the interviewing process, it was concluded that workers' behavior was more influenced by informal relations, group behavior, and psychological needs which had a significant impact on productivity.

Bank Wiring Observation (1931-1932)

In the last experiment of Elton Mayo's human relations theory, 14 male workers were formed into a small group. They were engaged in the assembly of terminal banks for equipment used for the telephone exchange. Their wage for hourly work is fixed based on average outputs and bonuses also on growth. It was expected that highly efficient workers would bring pressure on less efficient workers to increase output and take advantage of the group incentive plan. However the result was different and workers were influenced by other various factors like fear of unemployment, fear of not increasing in output, desire to protect slow workers, etc.

Conclusions of Hawthorne Studies.

After the experiment, Elton Mayo had drawn the following conclusions from his Hawthorne studies.

- He concludes that an organization is a social unit. Workers are social beings. An organization should have a social way to manage its workers as society people maintain their society.
- Organizations have group influence in their operations. Workers develop different groups in the organization, they develop psychological bonds between them, and have a strong influence on each other.
- Organizations now are formed in groups. Managers should understand group practice as group efforts bring literally greater results than individual efforts.
- Mayo's human relations theory gives stronger favor to the motivation of employees not only by means of finance but also through social considerations, praise, recognition, and other factors.
- Managers' supervision over their subordinates has a great impact on employees' performance. A manager who supervises his employees by being friendly will get higher employee motivation and productivity than a manager who does not.
- He emphasized ensuring proper communication in the organization that must make understand workers the logic behind the information and do the work efficiently.
- Organizations run effectively and efficiently with a balanced approach. Every component of an organization should be discussed and evaluated before taking an important decision.

Study Questions.

Explain at least four critics/limitations of each of the theories discussed above.