

# The Evolution of Management Theory



# The Importance of Theory and History

## □ Why Theory?

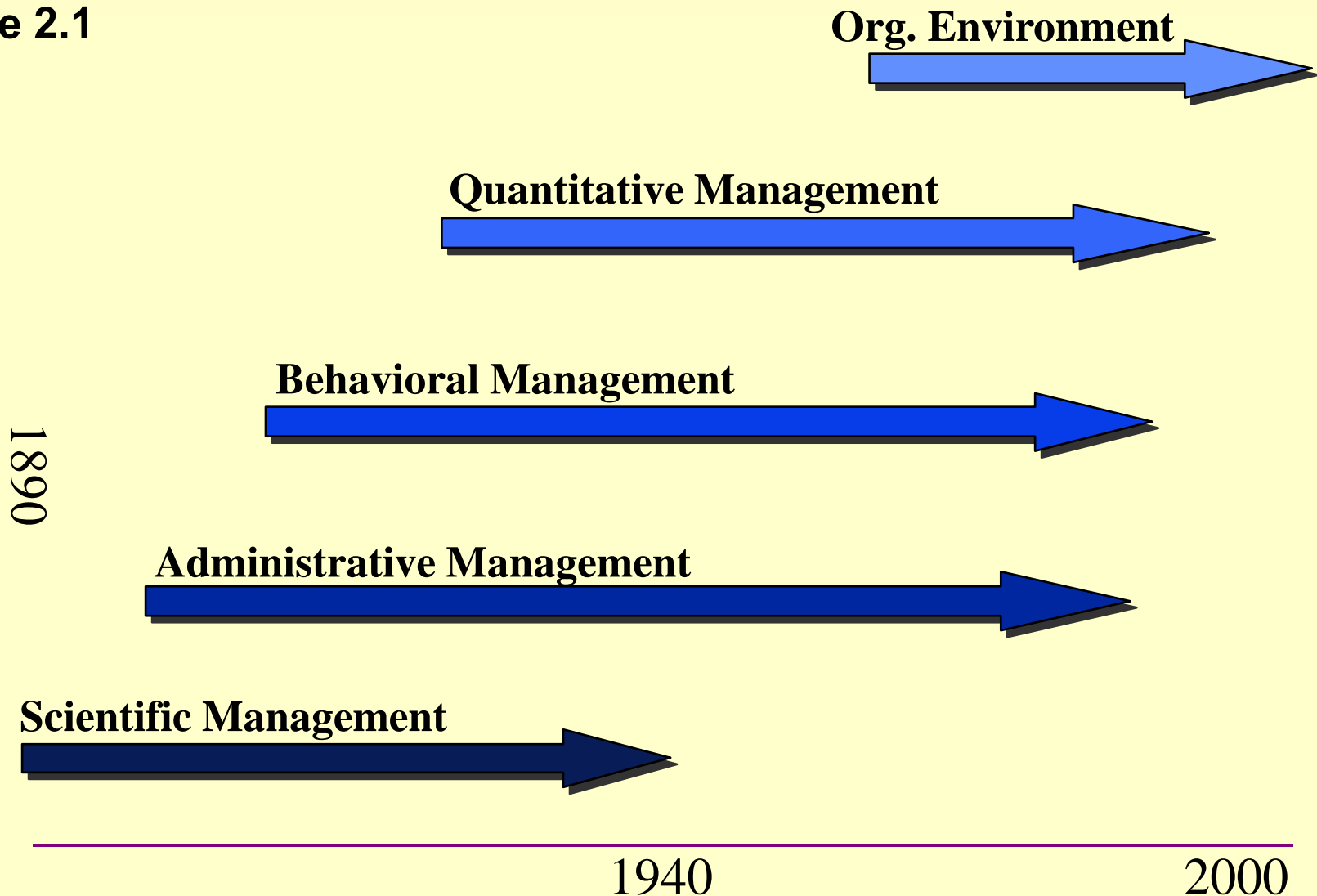
- A theory is a **conceptual framework** for **organizing knowledge** and providing a **blueprint** for action.
- Management theories, used to build organizations, are grounded in reality. Most managers develop their own theories about how they should run their organizations.

## □ Why History?

- An awareness and understanding of important historical developments in management are also important to contemporary managers in **furthering the development of management practices** and in **avoiding the mistakes of others in the past**.

# Evolution of Management Theory

Figure 2.1



## ☒ Scientific Management

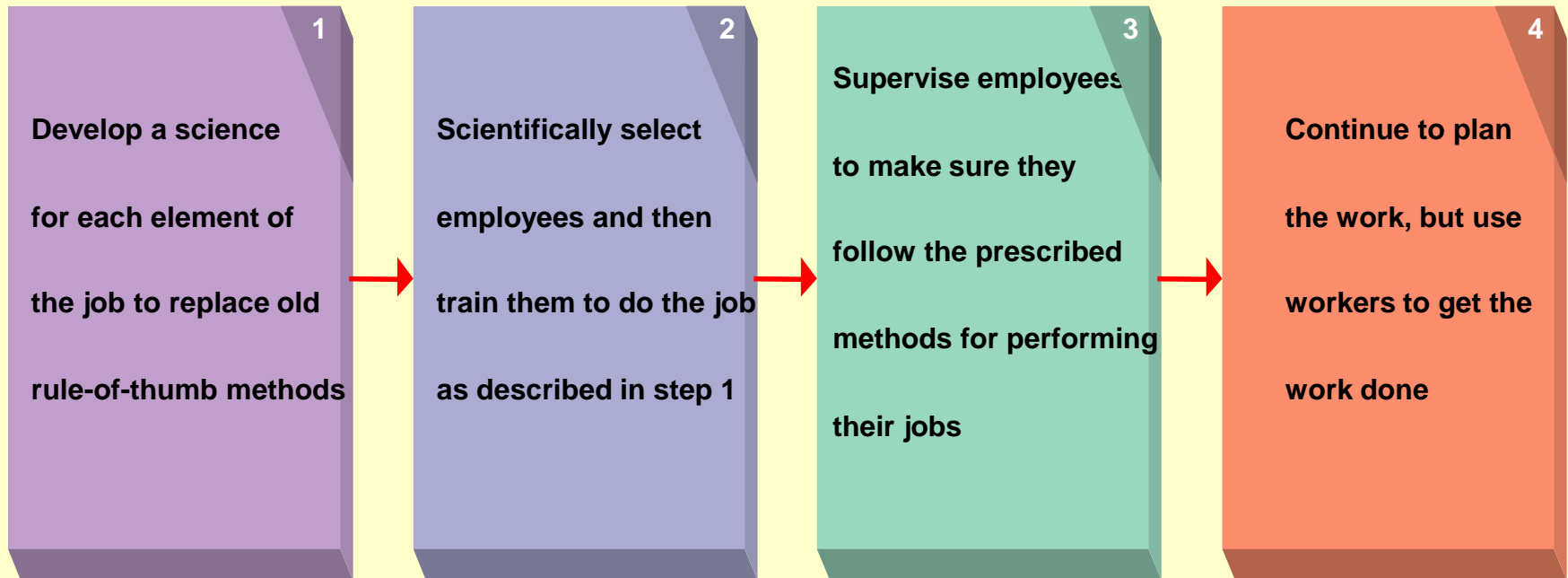
- ☐ Concerned with improving the performance of individual workers (i.e., efficiency).
- ☐ Grew out of the industrial revolution's labor shortage at the beginning of the twentieth century.



# Scientific Management

- ❑ Frederick Taylor (1856–1915)
  - ❑ Considered the “Father of Scientific Management.”
  - ❑ Replaced old rule-of-thumb methods of how to do work with scientifically-based work methods to eliminate “soldiering” where employees deliberately worked at a pace slower than their capabilities.
  - ❑ Believed in selecting, training, teaching, and developing workers.
  - ❑ Used time studies of jobs, motion study, standards planning, exception rule of management, **instruction cards**, and **piece-work pay systems** to control and motivate employees.

# Steps in Scientific Management



# Principles of Scientific Management

- ✓ ● Develop science for each element of an individual's work, which replaces the old rules of thumb method
- ✓ ● Scientifically select and then train, teach & develop the worker
- ✓ ● Cooperate with the workers so as to ensure that all work is done in accordance with the principles of the science that has been developed.
- ✓ ● Divide work & responsibility almost equally between management & workers.

# Problems of Scientific Management

- **Managers often implemented only the increased output side of Taylor's plan.**
  - They did not allow workers to share in increased output.
  - Specialized jobs became very boring, dull.
    - Workers ended up distrusting Scientific Management.
- **Workers could purposely “under-perform**
- **Workers are considered as machine**



## ❑ **Administrative Management Theory**

- ❑ Focuses on managing the whole organization rather than individuals.

## ❑ **Henri Fayol, (1841-1905) French Industrialist**

- ❑ Wrote “General and Industrial Management.”
- ❑ Helped to systematize the practice of management.
- ❑ Was first to identify the specific management functions of planning, organizing, leading, and controlling.
- ❑ Improve Managerial Effectiveness

# Fayol's Principles

- **Henri Fayol, developed a set of 14 principles:**

1. ***Division of Labor:*** allows for job specialization.
  - ◆ Fayol noted firms can have too much specialization leading to poor quality and worker involvement.
2. ***Authority and Responsibility:*** Fayol included both formal and informal authority resulting from special expertise.
3. ***Unity of Command:*** Employees should have only one boss.
4. ***Line of Authority:*** a clear chain from top to bottom of the firm.
5. ***Centralization:*** the degree to which authority rests at the very top.

# Fayol's Principles

6. ***Unity of Direction:*** One plan of action to guide the organization.

7. ***Equity:*** Treat all employees fairly in justice and respect.

8. ***Order:*** Each employee is put where they have the most value.

9. ***Initiative:*** Encourage innovation.

10. ***Discipline:*** obedient, applied, respectful employees needed.

# Fayol's Principles

- 11. *Remuneration of Personnel:* The payment system contributes to success.
- 12. *Stability of Tenure:* Long-term employment is important.
- 13. *General interest over individual interest:* The organization takes precedence over the individual.
- 14. *Esprit de corps:* Share enthusiasm or devotion to the organization.

# Administrative Management

□ Max Weber, (1864-1920) German sociologist.

**He developed the concept of bureaucracy.**

- A formal system of organization and administration to ensure effectiveness and efficiency.
- Weber developed the six principles on Bureaucracy

# Principles of Bureaucracy

- **Division of labor:** jobs are broken down into simple, routine and well defined task
- **Authority Hierarchy:** Offices or positions are organized in a hierarchy, each lower one being controlled & supervised by a higher one.
- **Formal Selection:** All organization members are to be selected on the basis of technical qualification demonstrated by training, education or formal examination
- **Formal rules & regulations:** To ensure uniformity to regulate the action of the employees.
- **Impersonality:** Rules and controls are applied uniformly, avoiding involvement with personalities & personal preference of employees
- **Career Oriented:** managers are professional officials rather than owners of the units they manage. They worked for fixed salaries and pursue their careers within the organization.

# Behavioral Management

- **Focuses on the way a manager should personally manage to motivate employees.**
- **Mary Parker Follett & Hugo Munsterberg are the influential leaders in early managerial theory.**

Emphasizes individual attitudes and Behaviors and group processes in the Organization.

- Suggested workers help in analyzing their jobs for improvements.
- The **worker** knows the best way to improve the job.
- If workers have the knowledge of the task, then they should control the task.

# The Hawthorne Studies

- Study of worker efficiency at the Hawthorne Works of the Western Electric Co. during 1924-1932.

## Illumination Test:

- Worker productivity was measured at various levels of light **illumination**.
- Researchers found that regardless of whether the light levels were raised or lowered, productivity same

## Relay assembly experiments

- Informal interpersonal Relationship of the workers in the organization affects in production
- Actually, it appears that the workers enjoyed the attention they received as part of the study and were more **productive**.



## V.V.I Theory X and Y

- Douglas McGregor proposed the two different sets of worker assumptions.

■ *Theory X*: Assumes the average worker is lazy, dislikes work and will do as little as possible.

- ◆ Managers must closely supervise and control through reward and punishment.

■ *Theory Y*: Assumes workers are not lazy, want to do a good job and the job itself will determine if the worker likes the work.

- ◆ Managers should allow the worker great latitude, and create an organization to stimulate the worker.

# Theory X v. Theory Y

Figure 2.3

## Theory X

Employee is lazy

Managers must  
closely supervise

Create strict rules  
& defined  
rewards

## Theory Y

Employee is not  
lazy

Must create work  
setting to build  
initiative

Provide authority  
to workers

# *Quantitative management*

- Applying Quantitative Techniques in Management
- Uses rigorous quantitative techniques to maximize resources.

***Management Science:*** Focuses Specifically on the development of mathematical models. It utilizes linear programming, modeling, simulation systems.

***Operations management:*** Concerned with Helping the organization more Efficiently Produce Its Products or Service

***Total Quality Management (TQM):*** focuses on improved quality.

***Management Information Systems (MIS):*** provides Internal & External information about the organization.

# Organization-Environment Theory

- **Considers relationships inside and outside the organization.**
- The environment consists of forces, conditions, and influences outside the organization.

## SYSTEM PERSPECTIVE

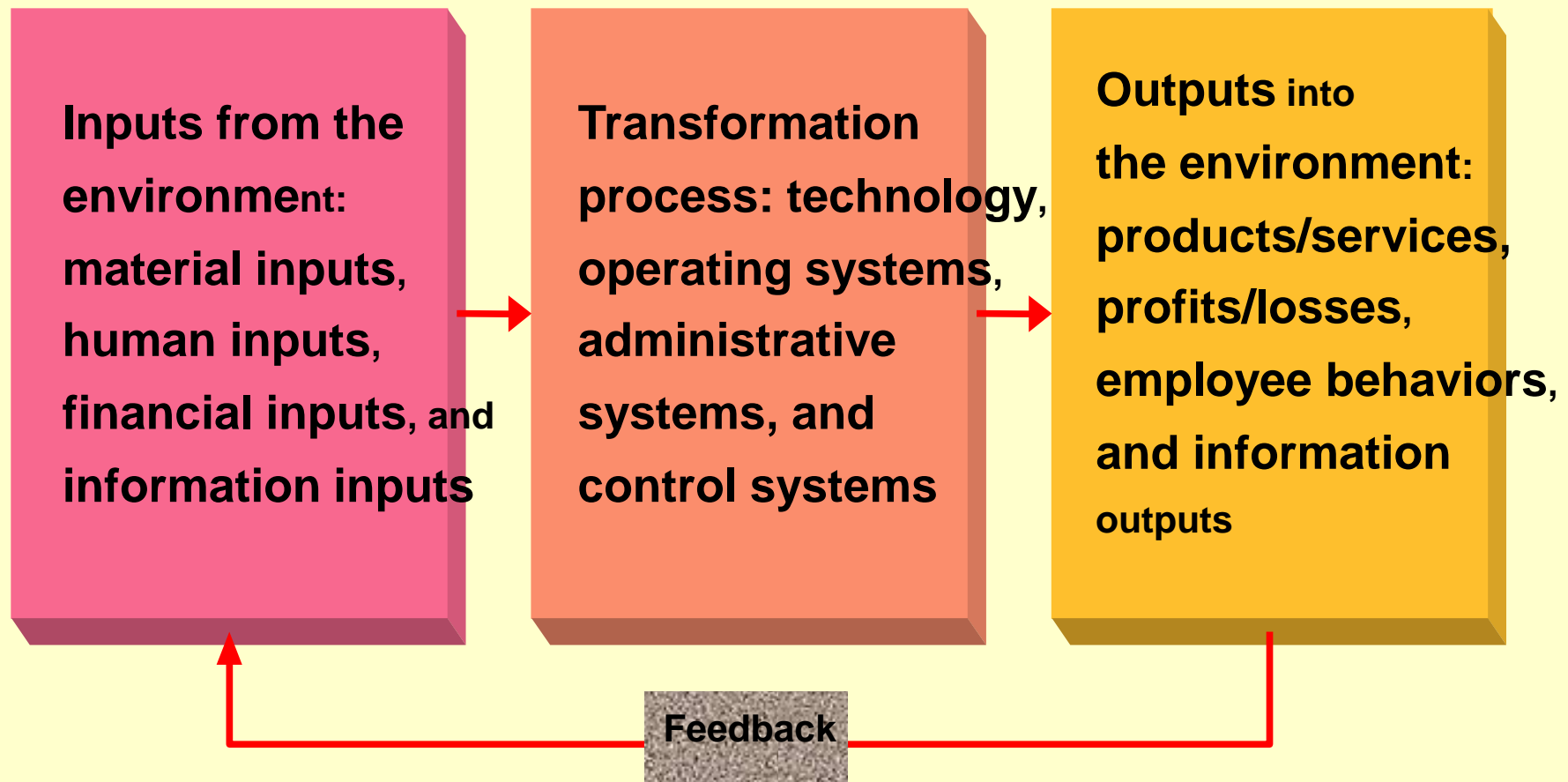
- **Systems theory considers the impact of stages:**

***Input:*** acquire external resources.

***Conversion:*** inputs are processed into goods and services.

***Output:*** finished goods are released into the environment.

# The Systems Perspective of Organizations



# Systems Considerations

- **System** An Interrelated Set of Elements Functioning As a Whole
- **An open system** Is An Organizational System that interacts with the environment.
- **A closed system** is self-contained That Doesn't Interact With the Environment.
  - Closed systems often undergo entropy and lose the ability to control itself, and fails.
- **Synergy:** Two or more Subsystems Working together to Produce more than the Total of What might Produce Working Along.

**Entropy:** A normal Process Leading to System Decline

# Contingency Theory

- **Assumes there is no one best way to manage.**
  - The environment impacts the organization and managers must be flexible to react to environmental changes.
  - The way the organization is designed, control systems selected, depend on the environment.
- **Technological environments change rapidly, so must managers.**



# Theory Z

- **William Ouchi (1981) researched the cultural differences between Japan and USA.**
  - USA culture emphasizes the individual, and managers tend to feel workers follow the Theory X model.
  - Japan culture expects worker committed to the organization first and thus behave differently than USA workers.
- **Theory Z combines parts of both the USA and Japan structure.**
  - Managers stress long-term employment, work-group, and organizational focus.



- **Long-Term Staff Development and Employment:** The organization and management team has measures and programs in place to develop employees. Employment is usually long-term, and promotion is steady and measured. This leads to loyalty from team members.
- **Consensus in Decisions:** Employees are encouraged and expected to take part in organizational decisions.
- **Generalist Employees:** Because employees have a greater responsibility in making decisions, and understand all aspects of the organization, they should be "generalists." However, employees are still expected to have specialised career responsibilities.

- **Concern for the Happiness and Well-Being of Workers:** The organization shows sincere concern for the health and happiness of its employees, and for their families. It puts measures and programs in place to help foster this happiness and well-being.
- **Informal Control with Formalized Measures:** Employees are empowered to perform tasks the way they see fit, and management is quite "hands off." However, there should be formalized measures in place to assess work quality and performance.
- **Individual Responsibility:** The organization recognizes the contributions of individuals, but always within the context of the team as a whole.