

## **TOPIC 2: THE EVOLUTION OF MANAGEMENT**

The evolution of management comes in three main stages.

1. Classical Era/Classical Theory
2. Neoclassical Era/Theory (Behavioural or human classical Era)
3. Management science or operations management school of thought/Theory

### **CLASSICAL ERA**

There are 3 main schools of thought under the classical era:

- 1 Scientific school of management thought
- 2 Administrative school of thought
- 3 Bureaucratic school of thought

#### **Scientific school of management**

The originator of scientific school of thought was one Fredrick Taylor. He is also known as the father of scientific management. His main concern was with

1. Inefficiency of production
2. Unduly high cost in the production process.

He attributed these state of affairs to:

- i) Lack of scientific decision making. He reasoned that decisions were based on luck and intuition rather than facts and knowledge.
- ii) He also thought that there was unequal distribution of workload. Much of the workload was left to the less skilled while the skilled did less and less of this work.
- iii) Lack of standards. He reasoned that work was not standardized in terms of materials, time and procedures.

He carried out 3 experiments in 3 places:

1. Midvale Steel Co
2. Simmons Rolling Machine
3. Bethlehem Steel

## Objectives of the Experiments

1. He wanted to carry out time and motion studies to find out how long it takes a man or machines to carry out a specific task.
2. He wanted to develop uniform standards for similar work.
3. He wanted to find a way of matching workers to jobs.
4. He wanted to find better ways of supervising and promoting employees.

## Conclusions

These conclusions also came to be known as principles of scientific management. They are:

- 1) **“one best way.”** Managers must develop or identify an ideal method of performing a specific task.
- 2) **Scientific selection.** Workers should be **scientifically selected** so that they are given tasks for which they are most suited. This should be supplemented by teaching, training and development of workers.
- 3) **Principle of co-operation.** Managers must endeavour to co-operate with workers and according to Taylor the key to co-operation is an **incentive wage scheme**. Each worker is to be **paid according to the units produced** so that workers’ earnings can increase as they focus attention on productivity.
- 4) **Division of labour.** Managers should be left to do the duty of **planning** for work while subordinates should **execute plans and directions**. There were other players/thinkers. They include:
  1. Frank and Lillian Gilbreth
  2. Henry Gantt
  3. Harrison Emerson

## LIMITATIONS OF THE SCIENTIFIC THEORY

1. Man was perceived as only rational economically i.e. he could work more only if he is paid more. They **overlooked the social esteem and actualization aspects** of man which are equally important after a given point.
2. They overlooked the **idea of more pay for the same work**.
3. They overlooked the **contribution of the work environment to productivity**.
4. The **bonus plans** which were introduced **led to low supervision methods**.
5. They did not foresee the **emergence of trade unions that would push for wage increase and improved working conditions**.

6. Did not foresee the **emergence of wage legislation**.

## **ADMINISTRATIVE SCHOOL**

This was compounded by Henry Fayol. He is also referred to as the **father of modern management**.

### **Principles of Management by Henry Fayol**

In 1916 in his book 'General and Industrial Management' Fayol described a number of management principles namely:

1. **Division of work.** Division of work leads to division of labor and division of labor leads to specialization. There would be better results if managers were left to prepare and plan for work while workers execute plans and instructions.
2. **Authority and responsibility.** Authority is the right to give order or commands. Responsibility is the obligation to accomplish objectives or expected results of performance. Authority should be equal or co-terminus (commensurate) with the responsibilities assigned i.e. should not be too low nor too high.
3. **Principle of discipline.** Rules, regulations and procedures should be honored by each member of the organization. There should be a common code of conduct.
4. **Unity of command.** Orders and instructions must come from one superior and the workers should be accountable to one superior.
5. **Unity of direction.** All individual and group efforts should be directed to one super goal.
6. **Common interest** should override personal interest.
7. **Principle of remuneration.** There should be fair pay for work as well as fairness in other rewards and incentives.
8. **Principle of centralization and decentralization.** There must be a good balance between centralization and decentralization of powers and authority. Extremes should be avoided.
9. **Scalar chain.** The unity of command should bring about a chain or hierarchy of command linking the top to the bottom of the organization.
10. **The principle of order.** He suggested there is a place for everything and everyone. Disorder leads to chaos and confusion.
11. **Principle of Equity.** Also referred to as justice and Kindness. There should be equal treatment in all matters of remuneration, discipline, promotions etc.
12. **Stability of tenure.** A person needs time to adjust him or herself to new work and demonstrate his efficiency in due course. Employees must have job security.

13. **Spirit of co-operation** (Esprit De Corps). Unity is strength and unity demands co-operation. Pride, loyalty and a sense of belonging are responsible for good performance.
14. **Principle of initiative.** A worker must be encouraged to take initiative, be creative and innovative.

### Other players

They includes:

- 1 Douglas McGregor – Famous for his theory X and theory Y
- 2 Chris Argyris – Famous for his “maturity immaturity theory
- 3 Abraham Maslow – Famous for his hierarchy of needs theory

### BUREAUCRATIC SCHOOL OF THOUGHT

This theory was advanced by one Max Weber, a German sociologist and advisor to the German govt. He believed that organizations would become instruments of efficiency if structured around certain guidelines. He developed an ideology called **bureaucracy**. He labelled it the ideal system of management.

**Bureaucracy** can be defined as the **rational systematic and precise** form of organization in which rules, regulations and techniques of control are precisely defined. He prescribed the following features of a bureaucratic organization.

1. **Hierarchal structure.** There is an established hierarchy of authority. Positions are established and linked by a **chain of command**. Power and authority **increases as one moves up** through the levels in the organization.
2. **Division of labor.** A bureaucratic organization will define what needs to be performed as narrowly as possible. Weber argued that the most **rational division of work could reduce a complex task into several operations**. This will lead to higher efficiencies.
3. **Rules and regulations.** There should be explicit rules and regulations governing decision making and interpersonal behavior
4. **Technical competence.** Selection to positions would be based on **adequate technical training** as opposed to family ties, friendship etc. Promotion would also be **based on merits**.
5. **Separation from ownership.** Weber believed that owners were a major source of inefficiency of an organization because decisions could be based on profits than on increasing production efficiency. The level of interference from the owners will be reduced if businesses were

separated from their owners.

6. **Positional power.** Weber believed that org would achieve functionality when **power and authority are vested in a position and not on the incumbents (position holder)**. He believed that if power and authority were given to individuals, they would use it for personal gains. It would also be easier to remove those managers who are non-performers.
7. **Record keeping.** It is necessary to keep records because organizations live longer than the members, **records should therefore be kept for future decision making**.

### **The shortcoming of bureaucracy**

1. It **hinders personal growth and development** of individuals.
2. It **discourages initiative and creativity**. Due to the many rules and procedures people (workers) do not find new ways of doing work because **procedures for every task are prescribed**.
3. It gives rise to **group thinking and conformity**. It establishes a system where new ideas are not welcomed and only known solutions are applied in problem solving.
4. It does **not recognize the existence of informal groups** in the organization. Informal groups can be used by managements to enhance job satisfaction which will translate to changed organization performance.
5. It has an **inadequate judicial system**. If subordinate wants to make a complaint against an immediate superior, he has to do it through the same person.
6. It impairs the **communication** system. Due to the bureaucratic structure, information could be **distorted by the omission of detail or additions** as it passes through various points.
7. It is **conservative**. Doesn't give the workers, management etc room to try out new ideas. Things have to be done according to the rules.

### **NEO-CLASSICAL THEORY OF MANAGEMENT**

As a result of the shortcomings of the classical period (Era) other prominent theorists carried on with further research in the 1920s and 1930s.

#### **Elton Mayo –(1881-1994)**

He was a Psychologist and an Austrian who later migrated to the Harvard business school in 1924. He did experiments at the Hawthorne Plant Western Electric co. in Illinois. The experiment was to identify factors other than fatigue that would diminish worker productivity. It was believed that physical surroundings e.g. noise, light and humidity would have an impact on productivity.

## Conclusions

1. Workers are not so much driven by pay and working conditions as by psychological wants and desires which would be satisfied by belonging to a work group.
2. The chance by workers to make decisions concerning a task whether as individuals or in a group is a stimulus ie treat them as more important.
3. Recognition by supervisor made workers feel that they make a unique and important contribution to the operations of the organization.

## Contributions of the Hawthorne Experiment

- a) A business organization is basically a social system. It is not just a techno-economic system.
- b) The employee can be motivated by psychological and social wants because his behaviour is also influenced by feelings, emotions and attitudes. Thus economic incentives are not the only method to motivate people.
- c) Participation becomes an important instrument in human relations movement. In order to achieve participation effective two-way communication network is essential.
- d) Productivity is linked with employee satisfaction in any business organization. Therefore, management must take greater interest in employee satisfaction.
- e) Group psychology plays an important role in any business organization. We must therefore rely more on informal group effort.

## 3.0 MODERN MANAGEMENT THEORIES

### 3.1 The Systems Approach

The systems approach focuses on understanding the organization as an open system that transforms inputs into outputs. Systems theory developed in the 1950s and 1960s alongside management science and derived from the work being done on mechanical, electrical and biological systems.

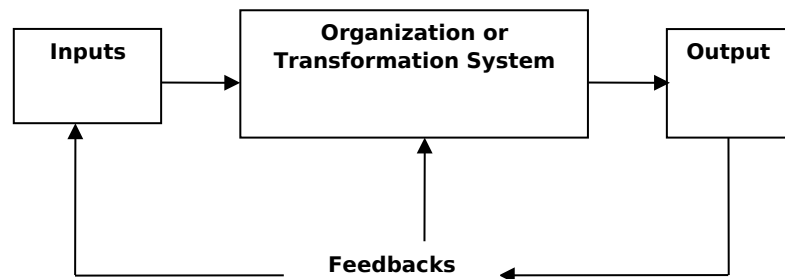
A system is a set of inter-connected **elements or component parts** to achieve certain goals. The systems approach looks upon the management as a 'System' of an organized whole make up of sub-systems integrated into a unity or orderly totality. It emphasizes the inter-relatedness and inter-dependence of all activities within an organization. It attempts to identify the nature of relationships of various parts of the system. The attention should be given to the overall effectiveness of the system rather than effectiveness of any sub-system in isolation. The systems - approach focuses on the-organization as a whole, its interaction with the environment, and its need to achieve

equilibrium. It considers an organization as an adaptive system which has to adjust to changes in its environment.

### The Basic Elements of Organization as a System

Organizational systems operate on the basis of the following basic elements (see Figure 2.1 below):

- a) **Inputs** - the organizational resources, e.g. raw materials, human resources, financial resources, information and equipment etc, acquired from the environment.
- b) **Transformation processes** - an organization's work force - using appropriate tools, techniques, and machinery - transforms these inputs into outputs of finished products. The conversion of inputs into outputs is through managerial functions, technological operations and production activities.
- c) **Outputs** – are the results of the transformation processes, which include profits/losses, goods/services and so on. Some of these outputs like for example products and service-: are returned to the environment for use by other organizations and individuals.
- d) **Feedback** - the environment's reactions to these outputs are relayed back to the system. The feedback loop is also needed so you know what the consumer thinks of the product so you can improve it or change it. Without this, you may be making products that people are dissatisfied with.
- e) **Boundaries and the environment** - A boundary is regarded as existing around each system or sub-system, defining it and separating it from all others. Anything outside the boundary of a system with the potential to affect its operation constitutes the “environment”.
- f) **Subsystems** - are parts of a system that depend on one another. Changes in one part of the organization affect other parts. The organization must be managed as a coordinated whole.
- g) **Goals and Objectives** - Every system is goal-oriented and it must have a purpose or objective to be attained.



**Fig 2.1 Basic Elements of a System**

## **Open Versus Closed Systems**

These are terms indicating the relative degree with which a system interacts with its environment. An open system is an organizational system which interacts with its environment, whereas a closed system is one that does not do so and is therefore self-sufficient. However, in reality, an organization cannot be a totally closed system because, for survival, an organization has to interact with its environment. The concept of open and closed systems is used as a continuum (scale, range) to assess the extent to which an organization interacts with its environment.

## **Contributions of the systems approach**

- Systems approach to management provides a conceptual basis as well as guidelines for establishing a more efficient system for planning, organization, directing and controlling.
- It forces the manager to look upon his business as an open adaptive system.
- Information is an important part of the system because an organization must act and interact with its environment.

## **Features:**

- a) An organization consists of many sub-systems.
- b) All the sub-systems are mutually related to each other.
- c) The sub-parts should be studied in their inter-relationships rather than in isolation from each other.
- d) The organization provides a boundary, which separates it from other systems. It determines which parts are internal and which parts are external.
- e) The organization is responsive to environmental effect. It is vulnerable to the changes in environment.
- f) Organization is an open system and it interacts with its environment. It is also a dynamic system as the equilibrium in it is always changing.
- g) Management is expected to regulate and adjust the system to secure better performance.

## **3.2 The Contingency Approach**

The contingency approach to management emerged from the real life experience of managers who found that no single approach worked consistently in every situation. This theory rejects the



universality thesis and emphasis that there is no one best way to manage. The basic idea of this approach is that **no management technique or theory is appropriate in all situations**. The main determinants of a contingency are related to the **external and internal environment** of an organization. It focuses on the **interrelationship within and among subsystems** as well as **between the organization and its environment**. It emphasizes the **multivariate nature of organizations** and attempts to understand how organizations operate **under varying conditions and in specific situation**.

Contingency approach advocates that managerial actions and organizational design must be appropriate to the given situation and a particular action is valid only under certain conditions.

**There**

**is no one best approach to management and it all depends on the situation.** In other words, managerial action is contingent upon external environment. There is no one best approach for all situations. What a manager does depends upon a given situation and there is an active inter-relationship between variables in a situation and the managerial action.

**Features of contingency approach:**

1. There is no best way of doing anything.
2. Management is entirely situational: the conditions of the situation will determine which techniques and control system should be designed to fit the particular situation.
3. One needs to adapt himself to the circumstances.
4. It is a pragmatically suited.
5. Management policies and procedures should respond to environment.

#### **4.0 CONTEMPORARY APPROACHES / RECENT CONTRIBUTION TO MANAGEMENT THOUGHT**

Several approaches have emerged in the last fifty years which are worth of inclusion here in our review of the development of management thinking. There are certain similarities between them in that they are mostly based on analyses of highly successful undertakings.

**The Excellence Approach**

In their book “In Search of Excellence” in 1983, Thomas J. Peters and Robert Waterman identified the characteristics that distinguish the excellent and innovative companies in America. The book was based on a study of the most successful U.S. companies. The central theme of this, and subsequent

work by Peters, is that the primary concern of management is the pursuit of excellence, the striving for measurement and eventual achievement of high standards of performance. This principle has been generally accepted as at least one of the main tenets of modern management thinking and whilst there may be doubts about its detailed prescriptions, it undoubtedly raises aspirations as to what the organization can achieve.

The theory is based on a total commitment to a series of management and organisational imperatives.

These are expressed in **eight attributes/characteristic of excellent effective and innovative companies**. These are:

1. ***Bias for action*** - A preference for doing something, anything, rather than sending an idea through endless circles of analysis and committee reports.
2. ***Close to the customer*** - They loved their customers and learned from the people they serve. Learning the customer's preferences and catering to them.
3. ***Autonomy and Entrepreneurship*** - Breaking the corporation into small units and encouraging them to act independently and competitively. Encouraging and rewarding creativity and innovation at all times. Practical risk taking is to be encouraged and such organizations are supportive of “good ideas”
4. ***Productivity through people*** - Creating in all employees the **awareness** that their best efforts are essential and that they will share in the rewards of the company's success. They treated the rank and file employees as the source of ideas, quality and productivity and not just a pair of hands. This is rooted in the concept of respect for every individual, no matter how lowly his or her status.
5. ***Hands on, value driven*** - Company values and philosophy were more important than organizational structure. Insisting that managers keep in touch with the company's essential business and promote a strong culture.
6. ***“Stick to the knitting”*** - remaining with the business the company knows best i.e. their core business. They never acquired a business they didn't know how to run.
7. ***Simple form, lean staff*** - They had **simple** organizational structures and **lean** level staff i.e, few administrative layers, few people at the levels.
8. ***Simultaneous loose-tight properties*** - There is a place for both centralized and decentralized forms of organization. They were both centralized (about the few core values) and decentralized (product development and “product champions).” Fostering a climate of dedication to the central values of the company, combined with tolerance for all employees

who accept those values

## MANAGEMENT SCIENCE SCHOOL (OPERATIONS RESEARCH SCHOOL)

It owes its origin to the 2<sup>nd</sup> World War when the British realized they were not advancing well and they made a tactical retreat. They formed operations research teams to chart the way forward. These team consisted of experts from various fields e.g. in military warfare, mathematicians, physicists, etc. These teams were to find solutions on how best Britain would advance in the war.

In modern organizations, operations research technique is applicable because when a problem arises and a decision has to be made it is common to call in experts from the various concerned departments to **investigate and develop alternative solution**. eg in case of product failure, experts will be called in from the following departments:

1. Marketing research
2. Engineering
3. Manufacturing (production)
4. Finance
5. Supplies/purchases.