



# The Evolution of Management Theory



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# Scientific Management theory

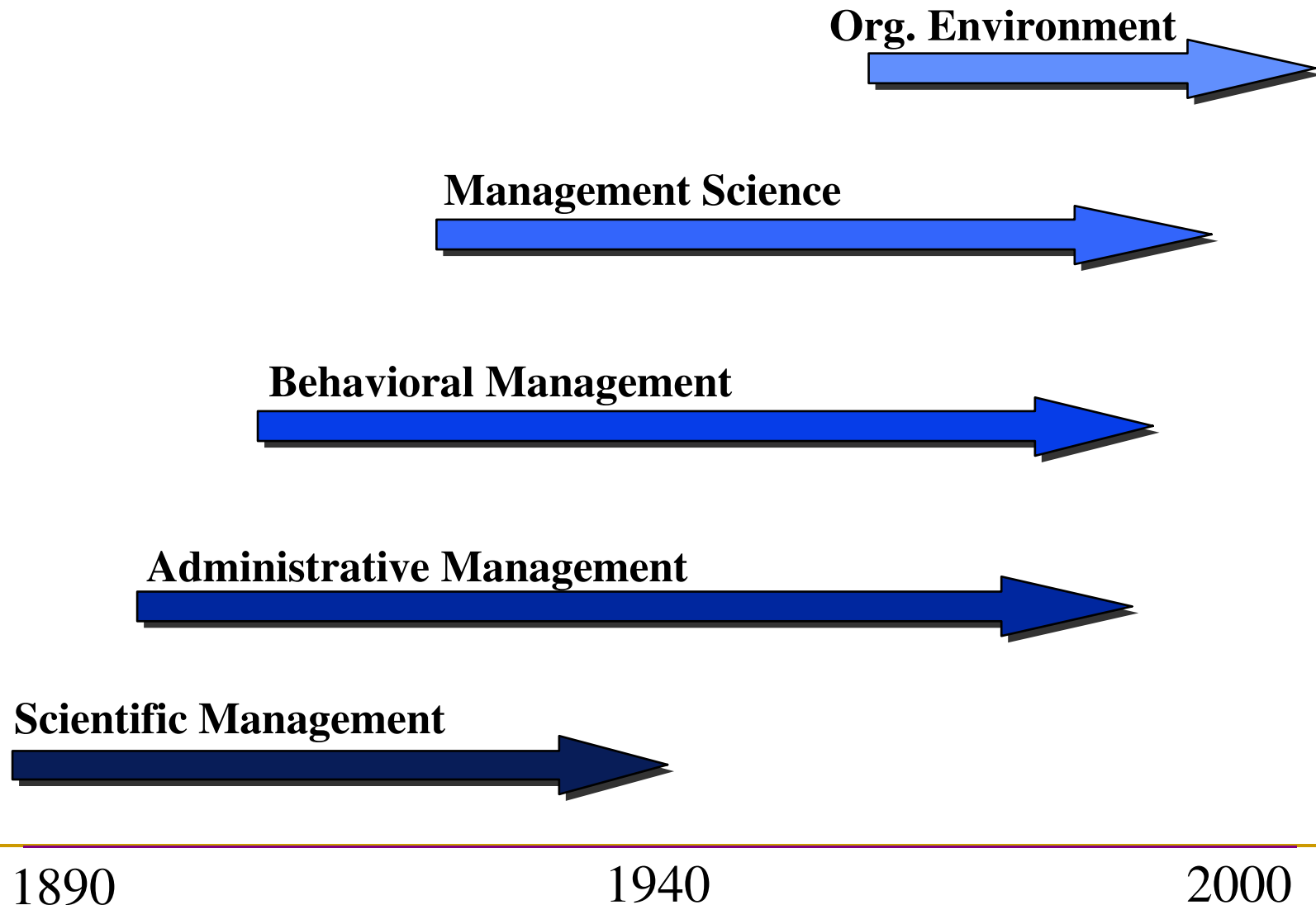
- **Modern management began in the late 19th century.**
    - Organizations were seeking ways to better satisfy customer needs.
    - Machinery was changing the way goods were produced.
    - Managers had to increase the efficiency of the worker-task mix.
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# Job specialization

- **Adam Smith, 18th century economist, found firms manufactured pins in two ways:**
    - **Craft** -- each worker did all steps.
    - **Factory** -- each worker specialized in one step.
  - **Smith found that the factory method had much higher productivity.**
    - Each worker became very skilled at one, specific task.
  - **Breaking down the total job allowed for the division of labor.**
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# Evolution of Management Theory



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# Scientific Management

- **Defined by Frederick Taylor, late 1800's.**
  - **The systematic study of the relationships between people and tasks to redesign the work for higher efficiency.**
    - Taylor sought to reduce the time a worker spent on each task by optimizing the way the task was done.
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# The 4 Principles

## ■ Four Principles to increase efficiency:

1. ***Study the way the job is performed*** now & determine new ways to do it.
    - Gather detailed, time and motion information.
    - Try different methods to see which is best.
  2. ***Codify the new method into rules.***
    - Teach to all workers.
  3. ***Select workers whose skills match*** the rules set in Step 2.
  4. ***Establish a fair level of performance*** and pay for higher performance.
    - Workers should benefit from higher output.
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# 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”**
  - **Management responded with increased use of machines.**
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# The Gilbreths

- Frank and Lillian ***Gilbreth*** refined Taylor's methods.
    - Made many improvements to time and motion studies.
  - Time and motion studies:
    - 1. ***Break down each action*** into components.
    - 2. ***Find better ways*** to perform it.
    - 3. ***Reorganize each action*** to be more efficient.
  - Gilbreths also studied fatigue problems, lighting, heating and other worker issues.
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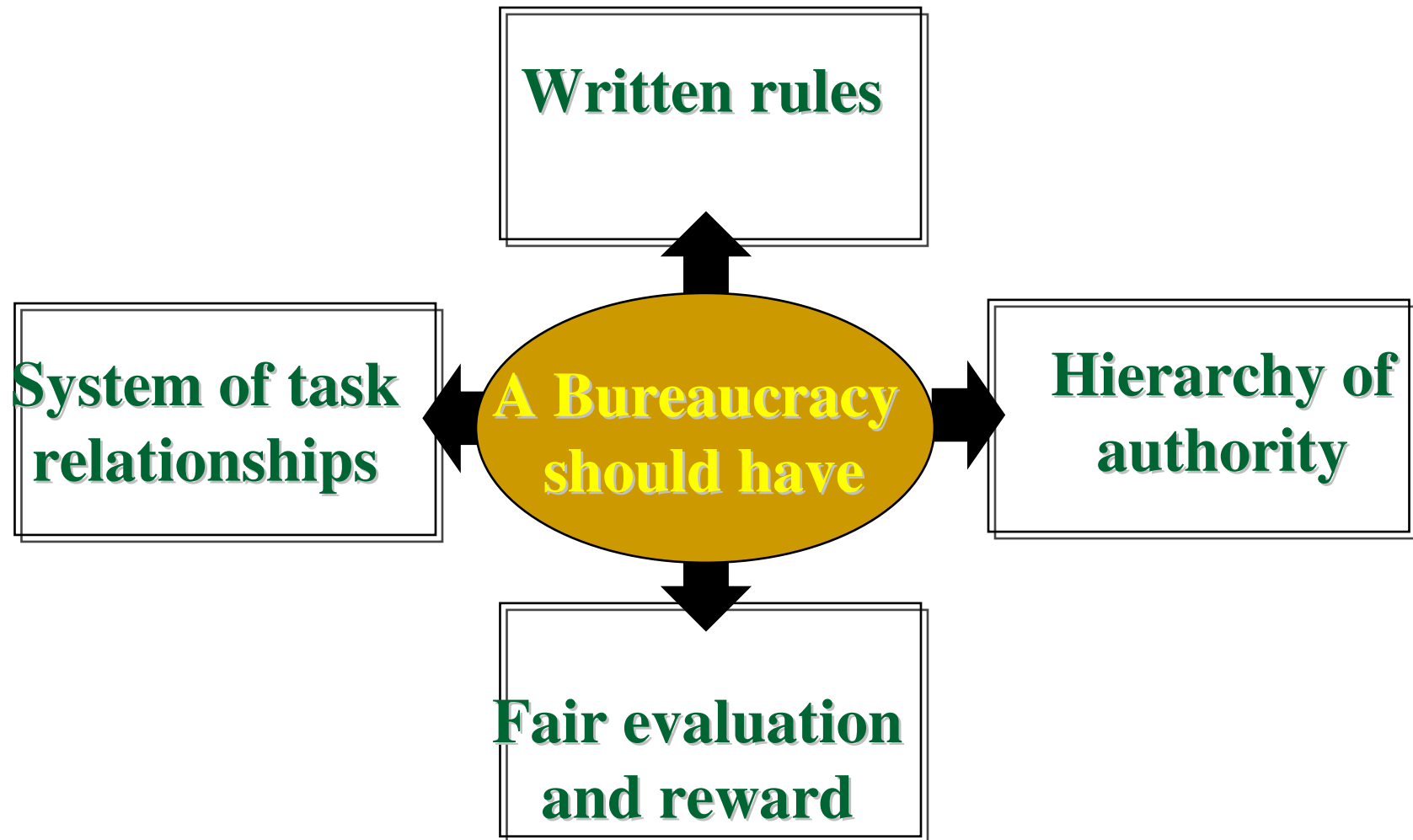
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# Administrative Management

- **Seeks to create an organization that leads to both efficiency and effectiveness.**
  - **Max Weber developed the concept of bureaucracy.**
    - A formal system of organization and administration to ensure effectiveness and efficiency.
    - Weber developed the Five principles shown in Figure 2.2.
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# Bureaucratic Principles



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# Key points of Bureaucracy

**Authority** is the power to hold people accountable for their actions. Positions in the firm should be held based on **performance** not social contacts.

**Position duties are clearly identified.** People should know what is expected of them.

**Lines of authority** should be clearly identified. Workers know who reports to who.

**Rules, Standard Operating Procedures (SOPs), & Norms** used to determine how the firm operates. Sometimes, these lead to “red-tape” and other problems.

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# 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:*** Managers have the right to give orders and the power to exhort subordinates for obedience.
  - 3. ***Unity of Command:*** Employees should have only one boss.
  - 4. ***Line of Authority:*** a clear chain from top to bottom of the firm.
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# Fayol's Principles

5. **Centralization:** the degree to which authority rests at the very top.
  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.
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# 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.
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# Behavioral Management

- **Focuses on the way a manager should personally manage to motivate employees.**
  - **Mary Parker Follett: an influential leader in early managerial theory.**
    - 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.
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# The Hawthorne Studies

- **Study of worker efficiency at the Hawthorne Works of the Western Electric Co. during 1924-1932.**
    - Worker **productivity was measured** at various levels of light illumination.
    - Researchers found that regardless of whether the light levels were raised or lowered, productivity rose.
  - **Actually, it appears that the workers enjoyed the attention they received as part of the study and were more productive.**
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# 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.
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# Theory X *vs.* Theory Y

## 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

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# Management Science

- **Uses rigorous quantitative techniques to maximize resources.**

***Quantitative management:*** utilizes linear programming, modeling, simulation systems.

***Operations management:*** techniques to analyze all aspects of the production system.

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

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

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# Organization-Environment Theory

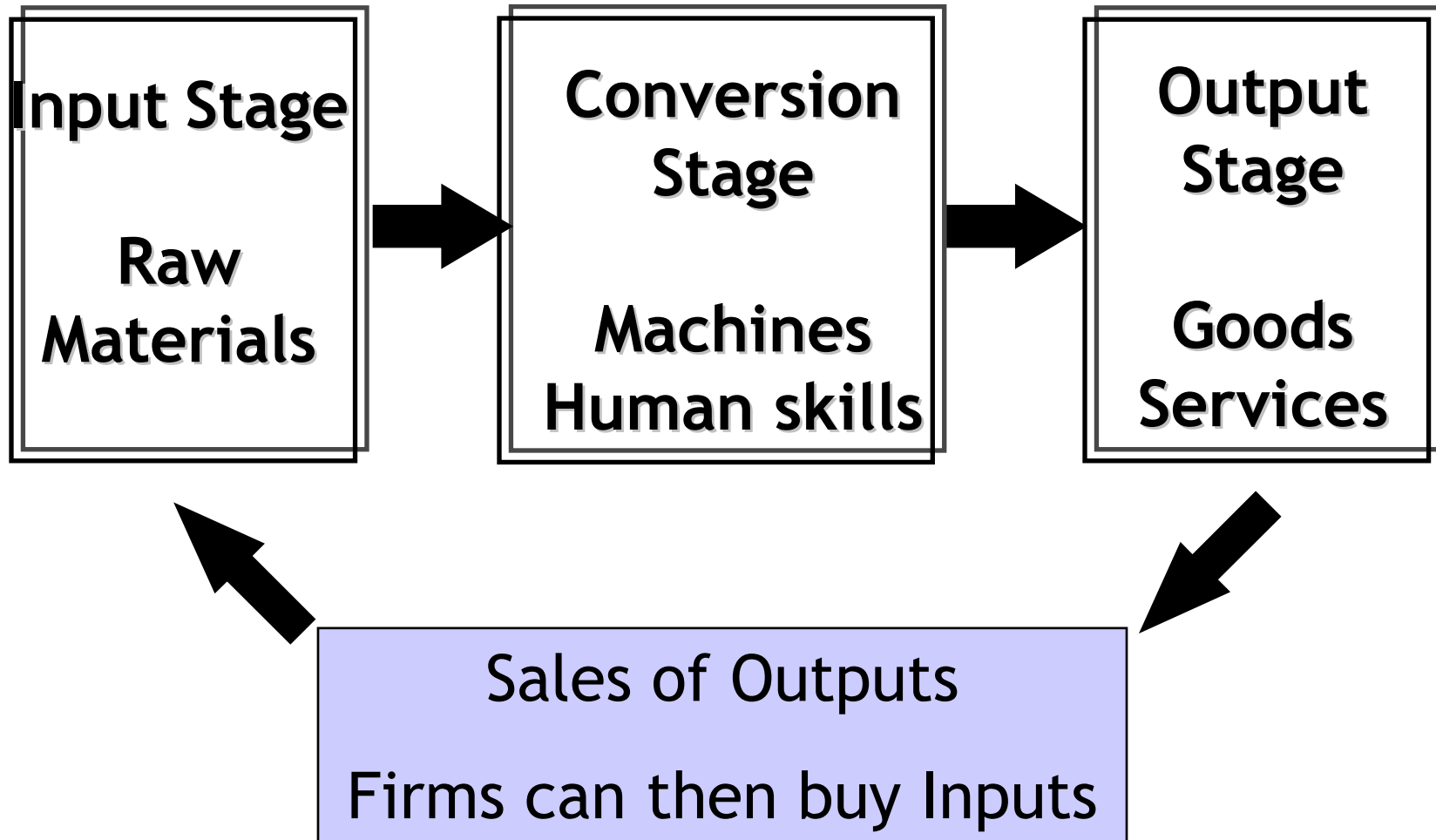
- **Considers relationships inside and outside the organization.**
    - The environment consists of forces, conditions, and influences outside the organization.
  - **Systems theory considers the impact of stages:**
    - Input:*** acquire external resources.
    - Conversion:*** inputs are processed into goods and services.
    - Output:*** finished goods are released into the environment.
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# Systems Considerations

- **An open system interacts with the environment. A closed system is self-contained.**
    - Closed systems often undergo entropy and lose the ability to control itself, and fails.
  - ***Synergy*: performance gains of the whole surpass the components.**
    - Synergy is only possible in a coordinated system.
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# The Organization as an Open System



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# 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.**
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# Definition of Management

The process of planning, organizing, leading and controlling the work of organization members and of using all available organizational resources to reach stated organizational goals!!

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# Definition of a Manager

- People responsible for directing the efforts aimed at helping organizations achieve their goals

## Definition of Managerial Performance

- The measure of how efficient and effective a manager is – How well he/she determines and achieves appropriate objectives
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# Efficiency and Effectiveness

- **Efficiency** is the ability to minimize the use of resources in achieving organizational objectives.
  - **Doing Things Right!!**
  - **Effectiveness** is the ability to determine the appropriate objectives.
  - **Doing the Right Thing!!**
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# Introduction to Management

- The management Process:
    - Planning
    - Organizing
    - Leading
    - Controlling
    - Decision making
    - Motivating
    - Communicating
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# Planning

- The process of establishing goals and a suitable course of action for achieving those goals
    - Establish Goals for organization
    - Establish goals for sub units, Dept.s
    - Establish programs to achieving goals in a systematic manner
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# Organizing

- The process of engaging two or more people in working together in a structured way to achieve a specific goal or a set of goals
    - Allocate resources
    - Allocate work authority
    - Allocate teams
    - Allocate deadlines and milestones
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# Leading

- The process of directing and influencing the task-related activities of group members of an entire organization
    - Establish proper atmosphere
    - Lead and persuade others to join
    - Help employees to do their best
    - Use power and authority appropriately
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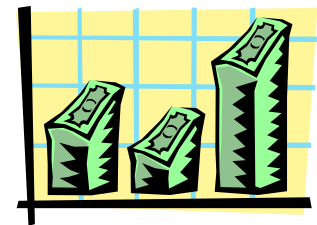
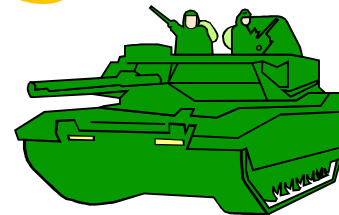
# What is Power?

- Is it Muscle?
- Is it Money?
- Is it Mind?



Or

- Is it Violence?
- Is it Wealth?
- Is it Knowledge?



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# Controlling

- The process of ensuring that actual activities confirm to planned activities
    - Establishing standards for performance
    - Measuring current performance
    - Comparing these with established standards
    - Taking corrective action if deviations are detected
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# Decision Making

- The process of identifying and selecting a course of action to solve a specific problem
    - Identifying problems
    - Identifying opportunities
    - Investigate the situation
    - Take decisions minimizing the risk
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# Motivating

- The process of using factors that cause, channel, and sustain an individuals behavior to get work done
    - Satisfying the hierarchy of needs
    - Performance, rewards and incentive schemes
    - Fairness
    - Working environment and culture
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# Communicating

- The process by which people share meaning via the transmission of messages
    - Dealing with trust, inconsistent verbal and non verbal communication in negotiations
    - Reacting to emotions & different perceptions
    - Vertical & Horizontal communication
    - Presentations, Business letters, email, web based systems
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# Why Study Management Theory?

What is theory?

- A coherent group of assumptions put forward to explain the relationship between two or more observable facts and to provide a sound basis for predicting future events!!



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# Why Study Management Theory?

- Theories provide a stable focus for understanding what we experience
  - Theories enable us to communicate efficiently and thus move in to more and more complex relationships with others
  - Theories make it possible to challenge us to keep learning about our world
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What were the well established schools of thought?

- Scientific Management School
- Classical Organizational Theory
- Behavioral School

Management Science:

- The Systems Approach
  - The contingency Approach
  - Dynamic Engagement Approach
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# Scientific Management School

- An approach formulated by **Frederic Taylor** and others between 1890 and 1930, that sought to determine scientifically the best methods for performing any task, and for selecting, training and motivating workers.
  - **Henry Gantt** invented the Gantt charts to record the worker's progress publicly.
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# Classical Organizational Theory

- An attempt pioneered by **Henri Fayol** to identify the principles and skills that underlie effective management
  - **Max Weber**
  - **Mary Follett**
  - **Chester Bernard**
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# Fayol's 14 Principles of Management

1. Division of Labour
  2. Authority
  3. Discipline
  4. Unity of Command
  5. Unity of Direction
  6. Subordination of individual interest to the common good
  7. Remuneration
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# Fayol's 14 Principles of Management

- 8. Centralization
  - 9. The Hierarchy
  - 10. Order
  - 11. Equity
  - 12. Stability of Staff
  - 13. Initiative
  - 14. Esprit de Corps
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# Behavioral School

- A group of management scholars trained in sociology, psychology, and related fields, who use their diverse knowledge to propose more effective ways to manage people in organizations
  - The Hawthorne experiment
  - Elton Mayo
  - Theory X and Theory Y
  - Maslow's needs
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# The Systems Approach

View of the organisation as a unified directed system of inter-related parts

Key Concepts:

- Subsystems
  - Synergy
  - Open and closed systems
  - System boundary
  - Flow
  - Feedback
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# The contingency Approach

- The view that the Management Techniques that best contributes to the attainment of goals might vary in different types of situations or circumstances
  - Job enrichment
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# Dynamic Engagement Approach

- The view that time and human relationships are forcing management to re-think traditional approaches in the face of constant rapid change

