Learning Outcomes

2.1 Historical Background Of Management.

- Explain why studying management history is important.
- Describe some early evidences of management practice.
- Describe two important historical events that are significant to the study of management.

2.2 Classical Approach.

- Describe the important contributions made by Frederick W. Taylor and Frank and Lillian Gilbreth.
- Discuss Fayol’s and Weber’s contributions to management theory.
- Explain how today’s managers use scientific management and general administrative theory.
Learning Outcomes

2.3 Quantitative Approach.

• Explain what the quantitative approach has contributed to the field of management.
• Describe total quality management.
• Discuss how today’s managers use the quantitative approach.

2.4 Behavioral approach.

• Describe the contributions of the early advocates of OB.
• Explain the contributions of the Hawthorne Studies to the field of management.
• Discuss how today’s managers use the behavioral approach.
Learning Outcomes

2.5 Contemporary Approach

• Describe an organization using the systems approach.
• Discuss how the systems approach helps us understand management.
• Explain how the contingency approach is appropriate for studying management.
Why Study Management Theory?

• **Theory**: Coherent group of assumptions put forth to explain the relationship between two or more observable facts and to provide, a sound basis for predicting, future events.

• **Importance of Theories**:
  - Theory provides stable focus for understanding what we experience.
  - Theory enable us to communicate efficiently and thus move in to more and more complex relationship with other people.
  - Theories help us to keep learning about our world.
Schools of Management

1) Scientific Management School
2) Classical Organization Theory School
3) Behavioral School
4) Management Science School

- In this Schools, later ideas have not replaced earlier ones. Each new school has tended to complement or coexist with previous ones.
- At same time, each school has continued to evolve and some have even merged with others.
Exhibit 2–1 Major Approaches to Management

- Historical Background
  - Early Examples of Management
    - Adam Smith
    - Industrial Revolution
  - Scientific Management
  - General Administrative

- Classical Approaches
  - Early Advocates

- Quantitative Approach
  - Hawthorne Studies
  - Organizational Behavior

- Behavioral Approach
  - Systems Approach
  - Contingency Approach
Historical Background of Management

• Ancient Management
  - Egypt (pyramids) and China (Great Wall)
  - Qutub Minar and Taj Mahal
    - Some one had to plan what was to be done, organize people and materials to do it.
    - Lead and direct the workers and impose some controls to ensure that everything was done as planned.
    - The another example of early management can be seen during the 1400s in the city of Venice, a major economic and trade center.
    - The Venetians developed an early form of business enterprise and engaged in many activities common to today’s organization.
Historical Background of Management

• Adam Smith
  ➢ Published *The Wealth of Nations* in 1776
    ❖ Advocated the division of labor (job specialization) to increase the productivity of workers
    ❖ Division of labor - Breakdown of jobs in narrow and repetitive tasks.
    ❖ Smith concluded that division of labor increased Productivity by increasing each workers skill and dexterity
    ❖ Saving time lost in changing tasks, and creating labor-saving inventions and machinery.
Historical Background of Management

• Industrial Revolution
  ❖ Starting in late eighteenth century when machine power was Substituted for human labor
  ❖ Created large organizations in need of management
  ❖ These large efficient factories needed someone to forecast, ensure that enough material was on hand to make products, assign tasks to people, direct daily activities and so forth.
  ❖ These “someone” was managers.
Major Approaches to Management

- Classical
- Quantitative
- Behavioral
- Contemporary
• **Classical Approach** –
  - The first study of Management which emphasize rationality and making organizations and workers as efficient as possible

• **Scientific Management** –
  - An approach that involves using scientific method to determine the “one best way” for a job to be done.
• Terms related to Scientific Management

• **Work Study** - defined as the systematic, objective and critical examination of all the factors governing the operational efficiency of any specified activity in order to effect improvement.

• Work Study Includes

• **Methods Study:**
  ➢ The management should try to ensure that the plant is laid out in the best manner and is equipped with the best tools and machinery.

• **Motion Study:**
  ➢ It is a study of the movement, of an operator in performing an operation with the purpose of eliminating useless motions.
• **Time Study (work measurement):**
  - The basic purpose of time study is to determine the proper time for performing the operation.
  - Both time study and motion study help in determining the best method of doing a job and the standard time allowed for it.

• **Fatigue Study:**
  - A standard task should be set after providing for measures to fatigue so that workers need not over strain themselves to attain it.

• **Rate-setting:**
  - Taylor recommended the differential piece wage system, under which workers performing the standard task within prescribed time are paid a much higher rate per unit than inefficient workers who are not able to come up to the standard set.
Scientific Management

• Fredrick Winslow Taylor

➢ The “father” of scientific management

➢ Published *Principles of Scientific Management* (1911)

❖ The theory of scientific management

  – Using scientific methods to define the “one best way” for a job to be done:

    • Putting the right person on the job with the correct tools and equipment.

    • Having a standardized method of doing the job.

    • Providing an economic incentive to the worker.
Exhibit 2–2  Taylor’s Scientific Management Principles

1. Develop a science for each element of an individual’s work, which will replace the old rule-of-thumb method.

2. Scientifically select and then train, teach, and develop the worker.

3. Heartily 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.

4. Divide work and responsibility almost equally between management and workers. Management takes over all work for which it is better fitted than the workers.
Scientific Management (cont’d)

• H L Gantt

- He developed Gantt chart to compare actual to planned performance.
- Gantt chart was a daily chart which graphically presented the process of work by showing machine operations, man hour performance, deliveries etc.
- This chart was intended to facilitate day-to-day production planning.
- Task-and-bonus plan for remunerating workers indicating a more humanitarian approach.
- This plan was aimed at providing extra wages for extra work besides guarantee of minimum wages.
Scientific Management (cont’d)

• H L Gantt
  - Gantt advocated for a policy of preaching and teaching workmen to do their work in the process evolved through pre thinking of management. He considered management as leadership function.

• Frank and Lillian Gilbreth
  - Focused on increasing worker productivity through the reduction of wasted motion
  - Developed the micro chronometer that recorded a worker’s motions and amount of time spent doing each motion.
  - Waste motion missed by naked eye could be identified and eliminated.
  - Therbligs – A classification scheme of labeling 17 basic hand motions.
Scientific Management (cont’d)

• How Do Today’s Managers Use Scientific Management?
  ➢ Use time and motion studies to increase productivity
  ➢ Hire the best qualified employees
  ➢ Design incentive systems based on output

• General Administrative theory — An approach to management that focus on describing what managers do and what constitute good management practice.

• Principal of Management — Fundamental rules of management that could be applied in all organizational situation and taught in schools.
General Administrative Theory

• Henri Fayol
  - Believed that the practice of management was distinct from other organizational functions
  - Developed principles of management that applied to all organizational situations

• Max Weber
  - Developed a theory of authority based on an ideal type of organization (bureaucracy)
    - Emphasized rationality, predictability, impersonality, technical competence, and authoritarianism
<table>
<thead>
<tr>
<th>Exhibit 2–3</th>
<th>Fayol’s 14 Principles of Management</th>
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</thead>
<tbody>
<tr>
<td>1. Division of work</td>
<td>7. Remuneration</td>
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<td>2. Authority</td>
<td>8. Centralization</td>
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<td>3. Discipline</td>
<td>9. Scalar chain</td>
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<td>4. Unity of command</td>
<td>10. Order</td>
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<td>5. Unity of direction</td>
<td>11. Equity</td>
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<tr>
<td>6. Subordination of individual interests to the general interest</td>
<td>12. Stability of tenure of personnel</td>
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<td>13. Initiative</td>
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<td>14. Esprit de corps</td>
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</tbody>
</table>
1. **Division of work** – as per the specialization and skills to achieve higher efficiency

2. **Authority** - managers must give orders so that they can get the things done.

3. **Discipline** – all members of the organization to respect rules and agreements

4. **Unity of command** – each employee must receive instructions from only one person to avoid conflicts

5. **Unity of direction** – operations that have the same objective should be directed by only one manager
6. **Subordination of individual interest to the common good** – interest of employee should not take precedence over the interests of the organization.

7. **Remuneration** – compensation for work done should be fair to both employees and employers

8. **Centralization** – decreasing the role of subordinates in decision making, i.e. decision making authority was kept with managers

9. **Scalar Chain** – line of authority in an organization runs from top mgt. to the lowest level of the organization.

10. **Order** – material & people should be in the right place at right time, people should be in the jobs for which they are most suitable one.

11. **Equity** – manager should be friendly and fair to their subordinates.
12. Stability of tenure of personnel – high employee turnover undermines the efficient functioning of the organization.

13. Initiative – subordinates should be given freedom to conceive and carry out their plans.

14. Esprit de Corps – promoting team spirit to have a sense of unity.

Bureaucracy – A form of organization characterized by division of labor, a clearly defined hierarchy, detailed rules and regulations, and impersonal relationships.

- Bureaucracy is a lot like scientific management in its ideology. Both emphasize rationality, predictability, impersonality, technical competence, and authoritarianism.
Exhibit 2–4  Weber’s Bureaucracy

- **Career Orientation**: Managers are career professionals, not owners of units they manage.
- **Impersonality**: Uniform application of rules and controls, not according to personalities.
- **Formal Rules and Regulations**: System of written rules and standard operating procedures.
- **Authority Hierarchy**: Positions organized in a hierarchy with a clear chain of command.
- **Formal Selection**: People selected for jobs based on technical qualifications.
- **Division of Labor**: Jobs broken down into simple, routine, and well-defined tasks.
• How Do Today’s Managers Use General Administrative Theories

➢ Many current management concepts are based on it.
   1. Managerial Authority
   2. Centralized decision making
   3. Reporting to only one boss etc..

➢ Even if Flexible organization of creative professionals some bureaucratic mechanisms are necessary to ensure that resources are used efficiently and effectively.
Quantitative Approach to Management

• Quantitative Approach
  - Also called *operations research* or *management science*
  - Evolved from mathematical and statistical methods developed to solve WWII military logistics and quality control problems
  - Focuses on improving managerial decision making by applying:
    - Statistics, optimization models, information models, and computer simulations
Exhibit 2–5  What Is Quality Management?

Intense focus on the *customer*

Concern for *continual improvement*

*Process-focused*

Improvement in the *quality of everything*

*Accurate measurement*

*Empowerment of employees*
• **Quantitative Approach or Management Science** -
  ➢ The use of quantitative techniques to improve decision making.

• **Total Quality Management** –
  ➢ A philosophy of management that is driven by continuous improvement and responsiveness to customer need and expectations.

• **Human relations** -
  ➢ How managers interact with other employees or recruits
Understanding Organizational Behavior

• Organizational Behavior (OB)
  ➢ The study of the actions of people at work; people are the most important asset of an organization

• Early OB Advocates
  ➢ Robert Owen
  ➢ Hugo Munsterberg
  ➢ Mary Parker Follett
  ➢ Chester Barnard
Exhibit 2–6 Early Advocates of OB

- **Robert Owen**
  - Late 1700s
  - Concerned about deplorable working conditions
  - Proposed idealistic workplace
  - Argued that money spent improving labor was smart investment
  - Pioneer in field of industrial psychology—scientific study of people at work
  - Suggested using psychological tests for employee selection, learning theory concepts for employee training, and study of human behavior for employee motivation

- **Chester Barnard**
  - 1930s
  - Actual manager who thought organizations were social systems that required cooperation
  - Believed manager’s job was to communicate and stimulate employees’ high levels of effort
  - First to argue that organizations were open systems

- **Mary Parker Follett**
  - Early 1900s
  - One of the first to recognize that organizations could be viewed from perspective of individual and group behavior
  - Proposed more people-oriented ideas than scientific management followers
  - Thought organizations should be based on group ethic

- **Hugo Munsterberg**
  - Early 1900s
The Hawthorne Studies

• A series of productivity experiments conducted at Western Electric from 1924 to 1932.

• Experimental findings
  ➢ Productivity unexpectedly increased under imposed adverse working conditions.
  ➢ The effect of incentive plans was less than expected.

• Research conclusion
  ➢ Social norms, group standards and attitudes more strongly influence individual output and work behavior than do monetary incentives.
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 and Y

<table>
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<th><strong>THEORY X</strong></th>
<th><strong>THEORY Y</strong></th>
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<td>The average employee is lazy, dislikes work, and will try to do as little as possible.</td>
<td>Employees are not inherently lazy. Given the chance, employees will do what is good for the organization.</td>
</tr>
<tr>
<td>To ensure that employees work hard, managers should closely supervise employees.</td>
<td>To allow employees to work in the organization's interest, managers must create a work setting that provides opportunities for workers to exercise initiative and self-direction.</td>
</tr>
<tr>
<td>Managers should create strict work rules and implement a well-defined system of rewards and punishments to control employees.</td>
<td>Managers should decentralize authority to employees and make sure employees have the resources necessary to achieve organizational goals.</td>
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Maslow's Hierarchy of Needs

- Physiological Needs
- Safety Needs
- Social Needs
- Esteem Needs
- Self-Actualization
Maslow’s Hierarchy of Needs

- **Physiological Needs**: oxygen, water, protein, salt, sugar, calcium and other minerals and vitamins and sleep etc.

- **Safety Needs**: security, stability, protection from physical and emotional harm

- **Social Needs**: affection, belonging, acceptance, friendship, community

- **Esteem Needs**: Internal ones are need for self-respect, confidence, autonomy, and achievement.
  - External ones are need for respect of others, status, fame, glory, recognition and attention.

- **Self-actualization**: doing that which maximizes one’s potential and fulfills one’s innate aspirations
The Systems Approach

• System Defined
  ➢ A set of interrelated and interdependent parts arranged in a manner that produces a unified whole.

• Basic Types of Systems
  ➢ Closed systems
    ✤ Are not influenced by and do not interact with their environment (all system input and output is internal).
  ➢ Open systems
    ✤ Dynamically interact to their environments by taking in inputs and transforming them into outputs that are distributed into their environments.
Exhibit 2–7  The Organization as an Open System

- **Inputs**
  - Raw Materials
  - Human Resources
  - Capital
  - Technology
  - Information

- **Transformation Process**
  - Employees’ Work Activities
  - Management Activities
  - Technology and Operations Methods

- **Outputs**
  - Products and Services
  - Financial Results
  - Information
  - Human Results

Environment

Feedback
Implications of the Systems Approach

• Coordination of the organization’s parts is essential for proper functioning of the entire organization.

• Decisions and actions taken in one area of the organization will have an effect in other areas of the organization.

• Organizations are not self-contained and, therefore, must adapt to changes in their external environment.
The Contingency Approach

- Contingency Approach Defined

- Also sometimes called the *situational approach*.

- There is no one universally applicable set of management principles (rules) by which to manage organizations.

- Organizations are *individually different*, face different situations (contingency variables), and require different ways of managing.
Exhibit 2–8  Popular Contingency Variables

• Organization size
  • As size increases, so do the problems of coordination.

• Routineness of task technology
  • Routine technologies require organizational structures, leadership styles, and control systems that differ from those required by customized or non-routine technologies.

• Environmental uncertainty
  • What works best in a stable and predictable environment may be totally inappropriate in a rapidly changing and unpredictable environment.

• Individual differences
  • Individuals differ in terms of their desire for growth, autonomy, tolerance of ambiguity, and expectations.
Terms to Know

- division of labor (or job specialization)
- Industrial Revolution
- scientific management
- therbligs
- general administrative theory
- principles of management
- bureaucracy
- quantitative approach
- organizational behavior (OB)
- Hawthorne Studies
- system
- closed systems
- open systems
- contingency approach