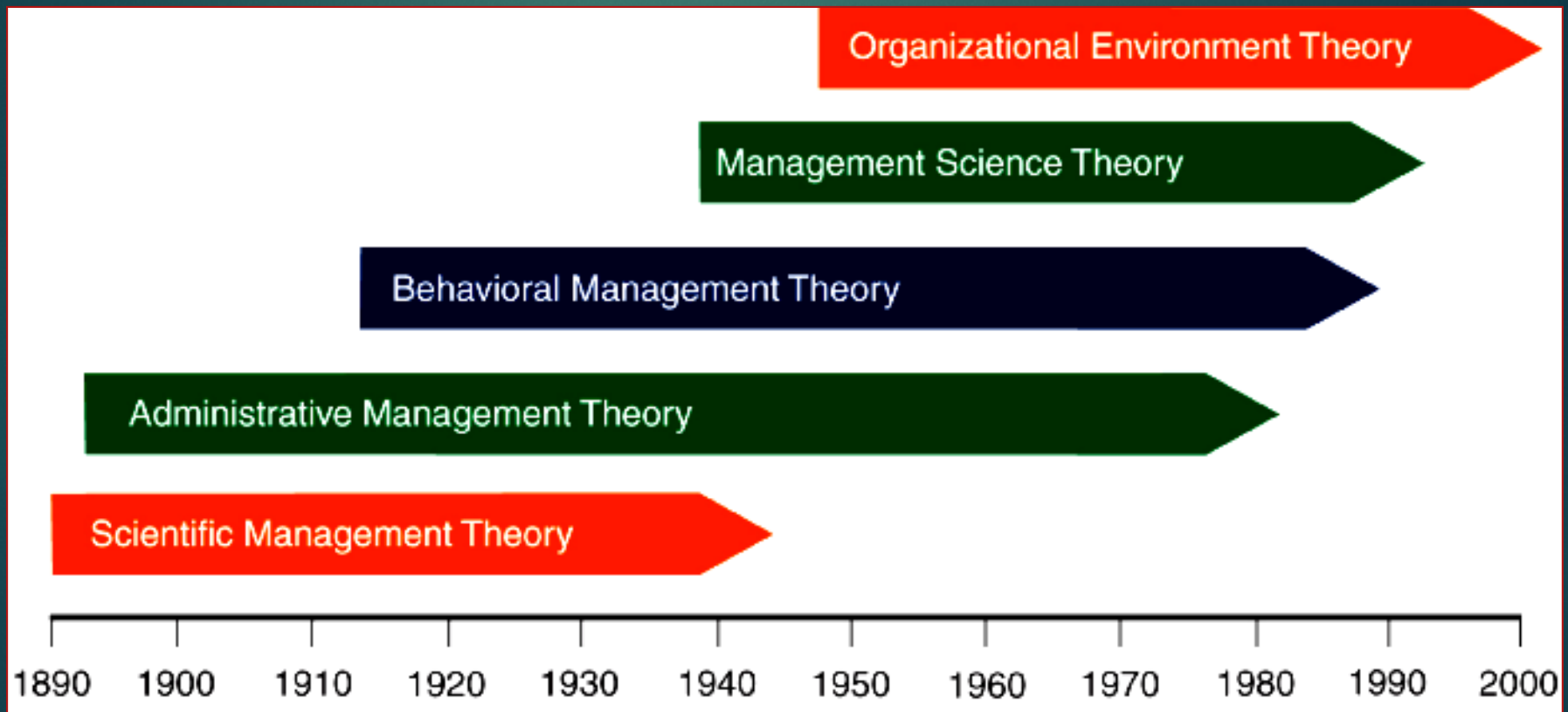




The Evolution of Management Theory

The Evolution of Management Theory



Job Specialization and the Division of Labor

Adam Smith (18th century economist)

Observed that firms manufactured pins in one of two different ways:

- Craft-style—each worker did all steps.
- Production—each worker specialized in one step.

Job Specialization and the Division of Labor

Adam Smith (18th century economist)

Realized that job specialization resulted in much higher efficiency and productivity

Breaking down the total job allowed for the division of labor in which workers became very skilled at their specific tasks.

F.W. Taylor and Scientific Management

Scientific Management

The systematic study of the

relationships between people and tasks for the purpose of redesigning the work process for higher effectiveness.



Scientific Management



- ▶ Defined by Frederick Taylor in the late 1800's
- ▶ Wanted to replace “rule of thumb”
- ▶ Sought to reduce the time a worker spent on each task by optimizing the way the task was done.



Four Principles of Scientific Management

- 1) Study the ways jobs are performed now and determine new ways to do them.
 - Gather detailed time and motion information.
 - Try different methods to see which is best.

Four Principles of Scientific Management

2) Codify the new methods into rules.

- ▶ Teach all workers the new method.



Four Principles of Scientific Management

- 3) Select workers whose skills match the rules.
- 4) Establish fair levels of performance and pay a premium for higher performance.

Workers should benefit from higher output

Frank and Lillian Gilbreth

- ▶ Studied fatigue caused by lighting, heating, and the design of tools and machines.
- ▶ Time and motion studies
 - ▶ Breaking up each job action into its components.
 - ▶ Finding better ways to perform the action.
 - ▶ Reorganizing each job action to be more efficient.



Administrative Management Theory

Administrative Management

- ▶ The study of how to create an organizational structure that leads to high efficiency and effectiveness.

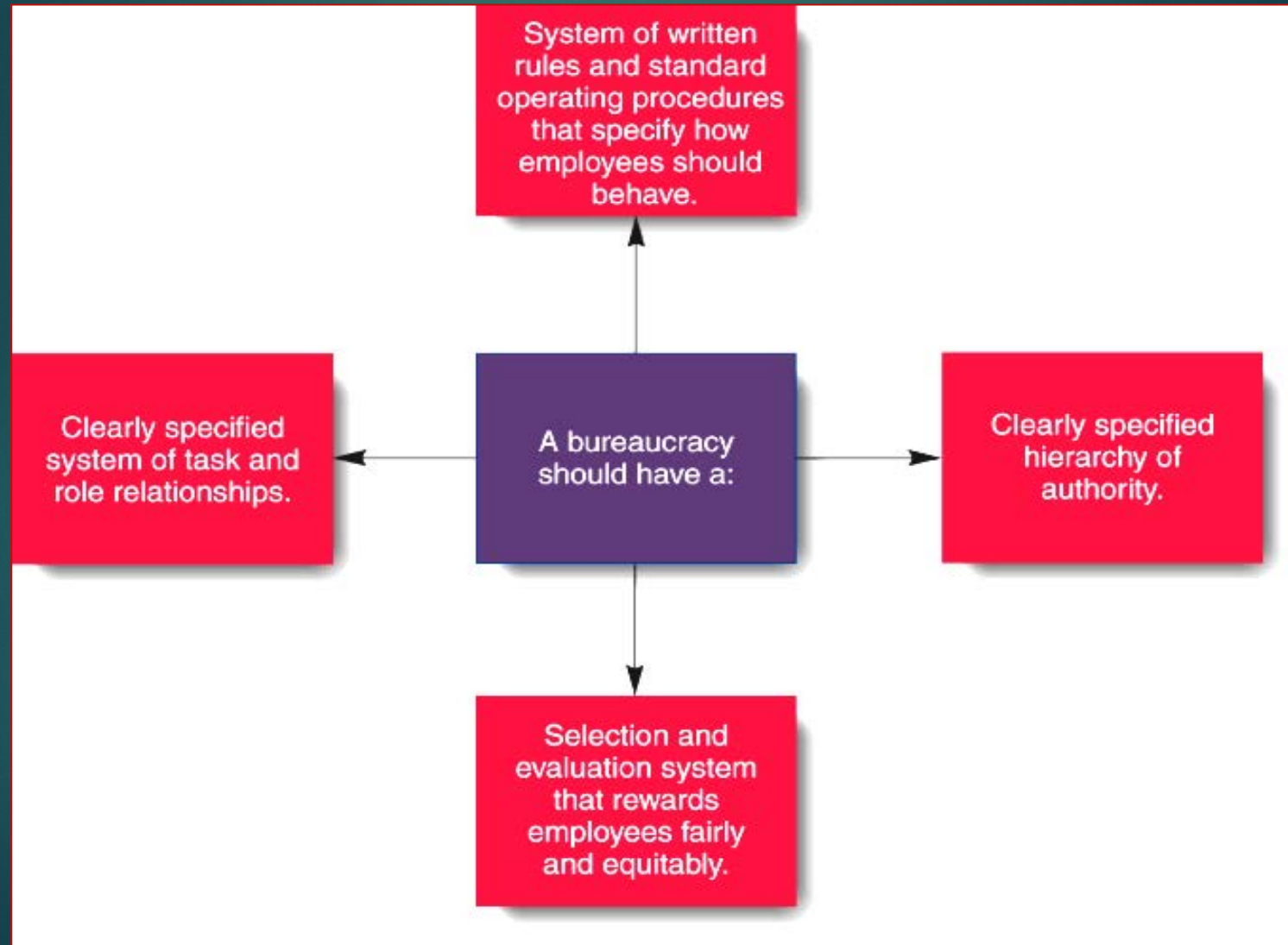


Administrative Management Theory

Max Weber

- ▶ Developed the concept of bureaucracy as a formal system of organization and administration designed to ensure efficiency and effectiveness.

Weber's Principles of Bureaucracy



Rules, SOPs and Norms

- ▶ **Rules** – formal written instructions that specify actions to be taken under different circumstances
- ▶ **Standard Operating Procedures (SOPs)** – specific sets of written instructions about how to perform a certain aspect of a task
- ▶ **Norms** – unwritten, informal codes of conduct that prescribe how people should act in particular situations

Fayol's Principles of Management

- ▶ **Division of Labor:** allows for job specialization.
 - ▶ jobs can have too much specialization leading to poor quality and worker dissatisfaction.
- ▶ **Authority and Responsibility**
 - ▶ both formal and informal authority resulting from special expertise.
- ▶ **Unity of Command**
 - ▶ Employees should have only one boss.

Fayol's Principles of Management

▶ **Line of Authority**

- ▶ A clear chain of command from top to bottom of the firm.

▶ **Centralization**

- ▶ The degree to which authority rests at the top of the organization.

▶ **Unity of Direction**

- ▶ A single plan of action to guide the organization.

Fayol's Principles of Management

- ▶ **Equity** - The provision of justice and the fair and impartial treatment of all employees.
- ▶ **Order** - The arrangement of employees where they will be of the most value to the organization and to provide career opportunities.
- ▶ **Initiative** - The fostering of creativity and innovation by encouraging employees to act on their own.

Fayol's Principles of Management

▶ **Discipline**

- ▶ Obedient, applied, respectful employees are necessary for the organization to function.

▶ **Remuneration of Personnel**

- ▶ An equitable uniform payment system that motivates contributes to organizational success.

Fayol's Principles of Management

► **Stability of Tenure of Personnel**

- Long-term employment is important for the development of skills that improve the organization's performance.

► **Subordination of Individual Interest to the Common Interest**

- The interest of the organization takes precedence over that of the individual employee.

Fayol's Principles of Management

Esprit de corps

- ▶ Comradeship, shared enthusiasm foster devotion to the common cause (organization).
- ▶ Team spirit

Behavioral Management Theory



Behavioral Management

- ▶ The study of how managers should behave to motivate employees and encourage them to perform at high levels and be committed to the achievement of organizational goals.
- ▶ Focuses on the way a manager should personally manage to motivate employees.

Behavioral Management



Mary Parker Follett

- ▶ Concerned that Taylor ignored the human side of the organization
 - ▶ Suggested workers help in analyzing their jobs
 - ▶ If workers have relevant knowledge of the task, then they should control the task

The Hawthorne Studies

Studies of how characteristics of the work setting affected worker fatigue and performance at the Hawthorne Works of the Western Electric Company from 1924-1932.

The **Hawthorne effect** also referred to as the **observer effect** is a type of reactivity in which individuals modify or improve an aspect of their behavior in response to their awareness of being observed

The Hawthorne Studies

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

Theory X and Theory Y



Douglas McGregor proposed the two different sets of assumptions about workers.

- ▶ 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 X and Theory Y

- ▶ 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 workers greater latitude, and create an organization to stimulate the workers.

Management Science Theory

An approach to management that uses rigorous quantitative techniques to maximize the use of organizational resources.

Management Science Theory



- ▶ **Quantitative management** — utilizes linear programming, modeling, simulation systems and chaos theory.
- ▶ **Operations management** — techniques used to analyze all aspects of the production system.

Management Science Theory

- ▶ **Total Quality Management (TQM)** — focuses on analyzing input, conversion, and output activities to increase product quality.
- ▶ **Management Information Systems (MIS)** — provides information vital for effective decision making.

Organizational Environment Theory

Organizational Environment –

The set of forces and conditions that operate beyond an organization's boundaries but affect a manager's ability to acquire and utilize resources

The Open-Systems View

Open System

- ▶ A system that takes resources for its external environment and converts them into goods and services that are then sent back to that environment for purchase by customers.

Contingency Theory



- ▶ “There is no one best way to organize”
- ▶ The idea that the organizational structures and control systems manager choose depend on—are contingent on—characteristics of the external environment in which the organization operates.

Type of Structure



Mechanistic Structure

- ▶ Authority is centralized at the top. (Theory X)
- ▶ Employees are closely monitored and managed.
- ▶ Can be very efficient in a stable environment.

Type of Structure

Organic Structure

- ▶ Authority is decentralized throughout the organization. (Theory Y)
- ▶ Control is much looser
- ▶ Reliance on shared norms is greater
- ▶ Works best when environment is unstable and rapidly changing