

Lecture 3

Topic 2.

The Development of Management Theory (second part)



LEARNING OUTLINE (cont'd)

Follow this Learning Outline as you read and study this topic.

- **General Administrative Theory**

- Discuss Fayol's contributions to management theory.
- Describe Max Weber's contribution to management theory.
- Explain how today's managers use general administrative theory.

- **Quantitative Approach**

- Explain what the quantitative approach has contributed to the field of management.
- Discuss how today's managers use the quantitative approach.

LEARNING OUTLINE (cont'd)

Follow this Learning Outline as you read and study this topic.

- **Toward Understanding Organizational Behavior**

- 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.

- **The Systems Approach**

- Describe an organization using the systems approach.
- Discuss how the systems approach helps us management.

LEARNING OUTLINE (cont'd)

Follow this Learning Outline as you read and study this topic.

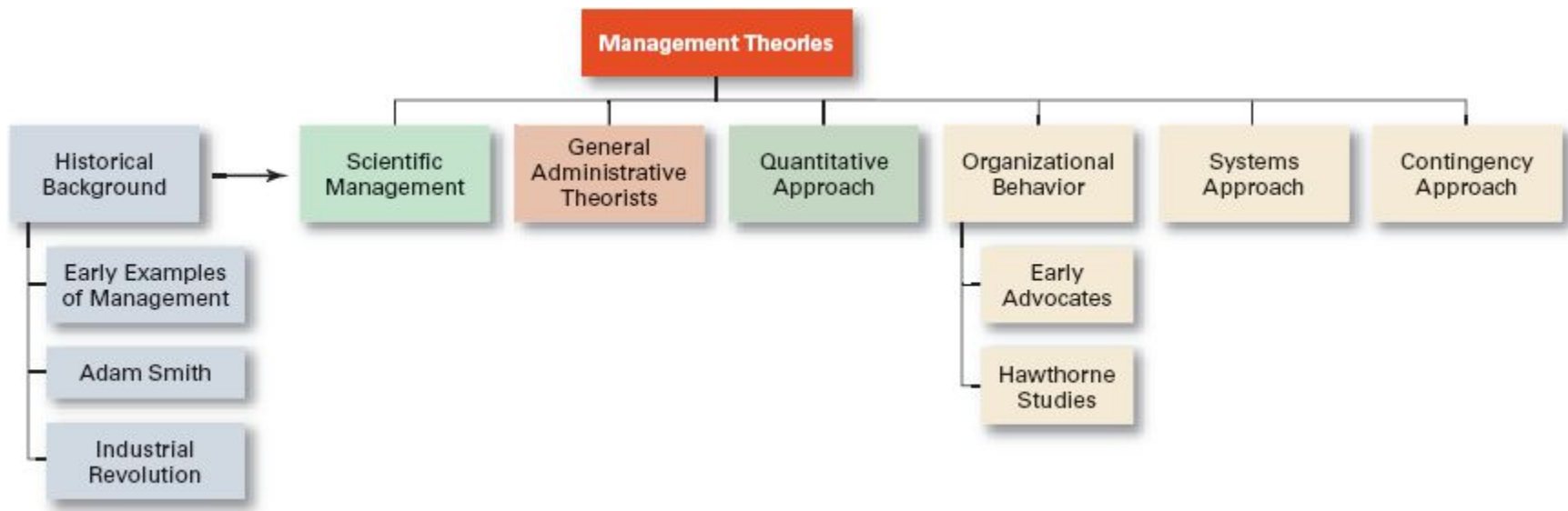
- **The Contingency Approach**

- Explain how the contingency approach differs from the early theories of management.
- Discuss how the contingency approach helps us understand management.

- **Current Issues and Trends**

- Explain why we need to look at the current trends and issues facing managers.
- Describe the current trends and issues facing managers.

Exhibit 2-1 Development of Major Management Theories



General Administrative Theory

- **Max Weber's contributions**

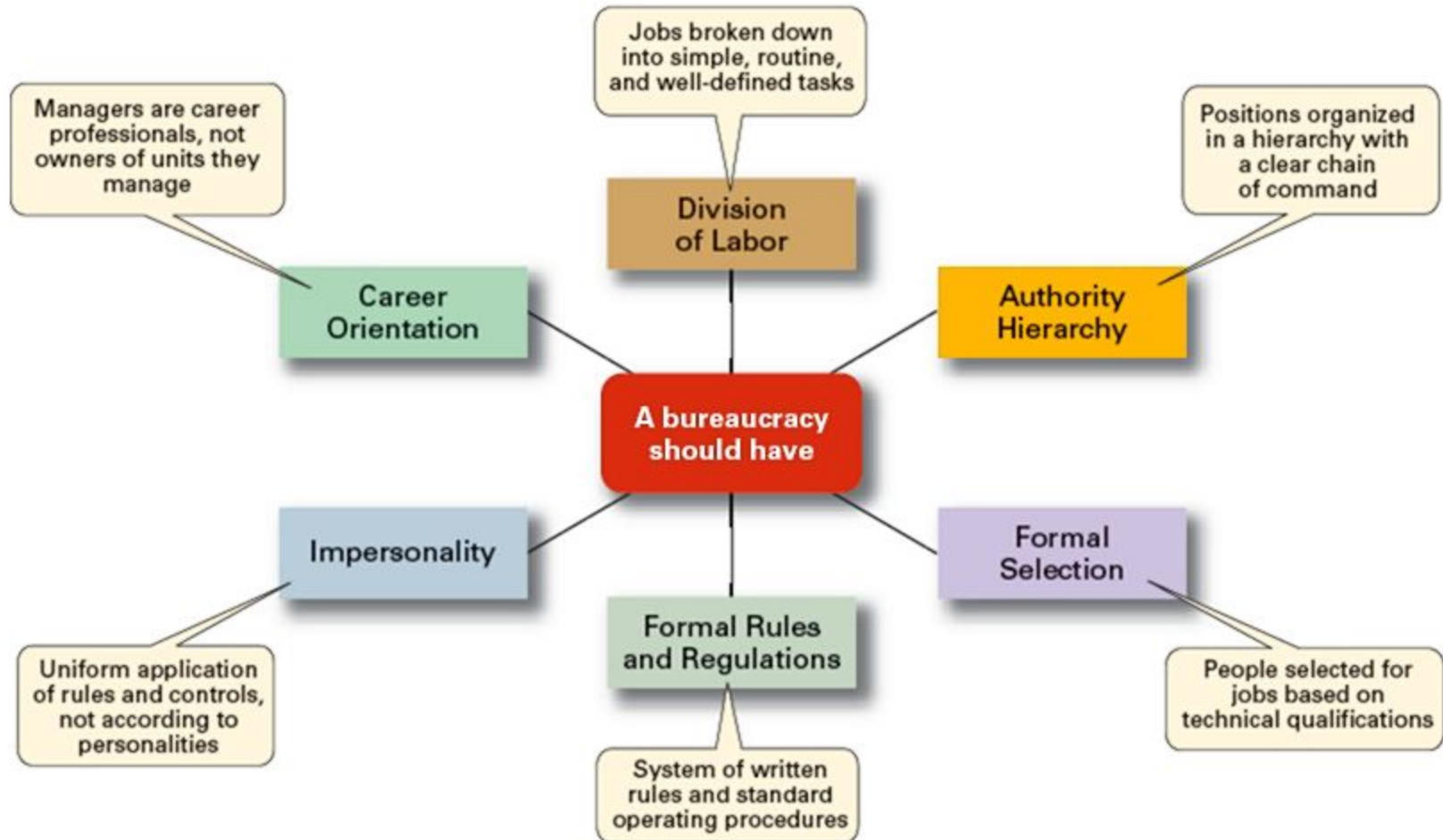
Developed a theory of authority based on an ideal type of organization (bureaucracy)

- Weber developed a theory of authority structures and described organizational activity on the basis of authority relations. He described an ideal type of organization that he called a **bureaucracy**, characterized by division of labor, a clearly defined hierarchy, detailed rules and regulations, and impersonal relationships.

- ❖ Emphasized rationality, predictability, impersonality, technical competence, and authoritarianism



Exhibit 2-4 Weber's Ideal Bureaucracy



Weber's Ideal Bureaucracy

“Ideal-type“ Bureaucracy:

–How Bureaucracy Functions

- Impersonal or dehumanizing, Formalistic, Rule-bound, Highly disciplined

–Consequences

- Highly efficient, Powerful, Ever-expanding

–**Individual is standardized**

Criticisms

–Reality is different

–**specialized expertise is inherently at odds with formal hierarchical authority**

–“Bounded rationality”

–Limited utility: cultural differences

Common Criticisms of Classical Organizational Theory

Classical principles of formal organization may lead to a work environment in which:

- Employees have minimal power over their jobs and working conditions
- Subordination, passivity and dependence are expected work to a short term perspective
- Employees are lead to mediocrity
- Did not appreciate social context of work and higher needs of workers.
- Tended to regard workers as uninformed and ignored their ideas

The Quantitative Approach

What are quantitative approaches?

The quantitative approach to management, sometimes referred to as operations research (OR) or management science. It includes applications of statistics, optimization models, information models, and computer simulations, linear programming, and so on, which can be used to solve management problems.

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

The Quantitative Approach

- How have they contributed to current management practice?

In general, the quantitative approaches have contributed directly to management decision making, particularly to planning and control decisions.

TOWARD UNDERSTANDING ORGANIZATIONAL BEHAVIOUR

- Organizational Behavior

- The study of the actions of people at work; people are the most important asset of an organization

- Hawthorne Studies

- Started in 1924 at Western Electric Company
- *Elton Mayo* - studies of job design
- Changed the dominant view that employees were no different from any other machines

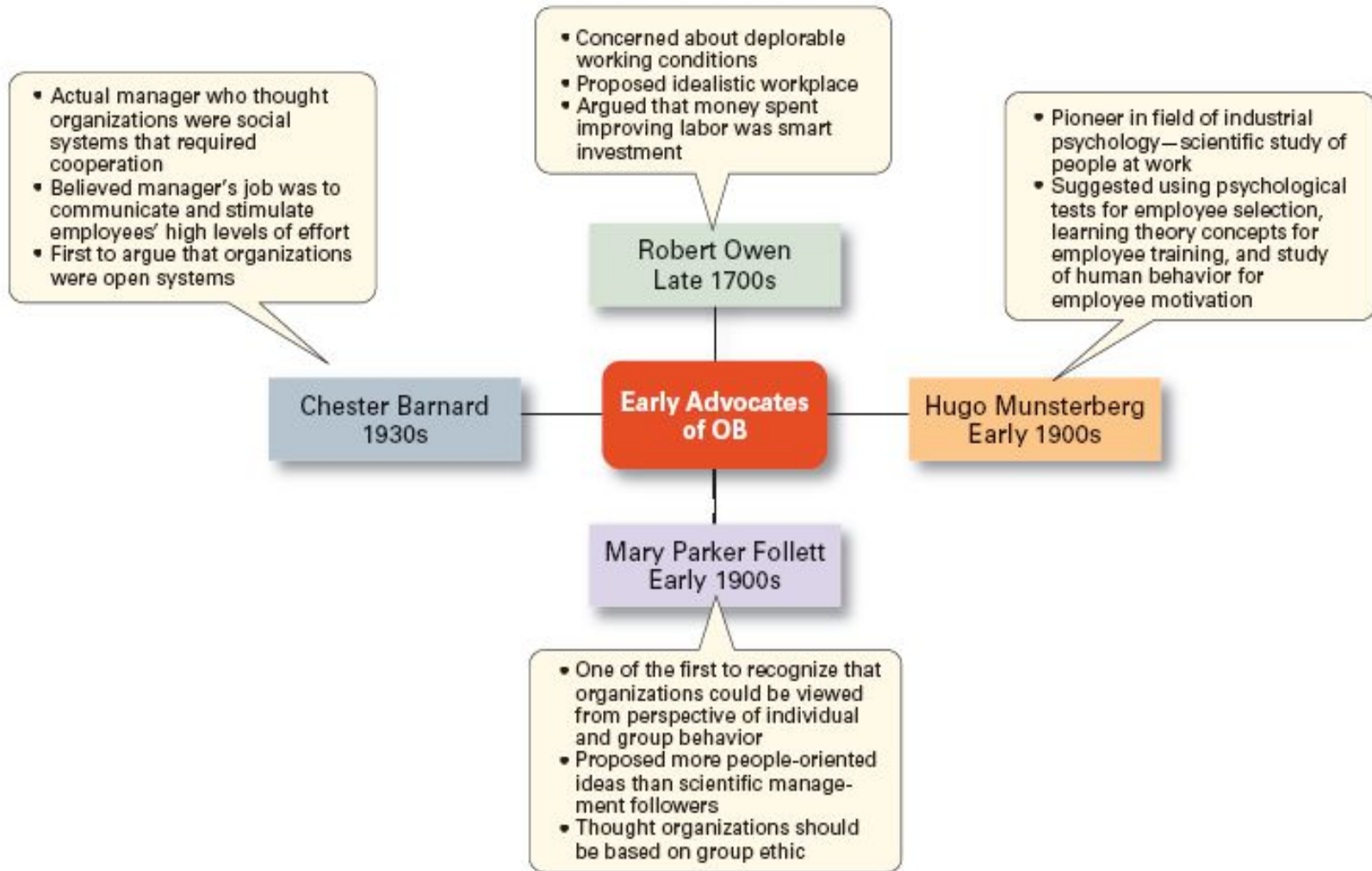
Understanding Organizational Behavior

- Early OB Advocates

- Robert Owen
- Hugo Munsterberg
- Mary Parker Follett
- Chester Barnard



Exhibit 2–5 Early Advocates of OB



What can be learned from classical management thinking?

□ Administrative principles (Mary Parker Follett)

□ Forward-looking management insights:

- ❖ Making every employee an owner creates a sense of collective responsibility (precursor of employee ownership, profit sharing, and gain-sharing)
- ❖ Business problems involve a variety of inter-related factors (precursor of systems thinking)
- ❖ Private profits relative to public good (precursor of managerial ethics and social responsibility)



The Hawthorne Studies

- A series of productivity experiments conducted at Western Electric from 1927 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.

Elton Mayo (1880-1949)

- The behavioral school emerged partly because the classical approach did not achieve sufficient production efficiency and workplace harmony. To manager's frustration, people did not always follow predicted or expected patterns of behavior. Thus there was increased interest in helping manager's deal more effectively with the "people side" of their organizations. Several theorists tried to strengthen classical organization theory with the insights of sociology and psychology.



Elton Mayo (1880-1949)

- He started out by trying to identify the relationship between productivity and working conditions. Mayo played around with lighting in the work place to see if changing the lighting conditions impacted productivity. To his surprise, both more and less light created higher productivity levels.
- Mayo realized that the workers chosen for the experiment were accorded higher status by their co-workers. The increased performance was due to their increased motivation. Productivity was related to social effects, not the level of lighting. Mayo called such social behaviour the 'Hawthorne Effect'.
- Mayo concluded that the workplace was above all, a social system of interdependent actors in which workers are influenced more by the social demands of the work place, by their need for recognition, security and a sense of belonging, than by their physical working environment

What insights come from the behavioral management approaches?

□ Hawthorne studies

- Initial study examined how economic incentives and physical conditions affected worker output.
- No consistent relationship found.
- “Psychological factors” influenced results.

What insights come from the behavioral management approaches?

□ Hawthorne studies (cont.)

□ Relay assembly test-room studies

- ❖ Manipulated physical work conditions to assess impact on output.
- ❖ Designed to minimize the “psychological factors” of previous experiment.
- ❖ Factors that accounted for increased productivity:
 - Group atmosphere
 - Participative supervision

What insights come from the behavioral management approaches?

□ Hawthorne studies (cont.)

- Employee attitudes, interpersonal relations and group processes.
 - ❖ Some things satisfied some workers but not others.
 - ❖ People restricted output to adhere to group norms.
- Lessons from the Hawthorne Studies:
 - ❖ Social and human concerns are keys to productivity.
 - ❖ Hawthorne effect — people who are singled out for special attention perform as expected.

Conclusion from Mayo's work

- Work is a group activity
- Workers react as member of groups rather than individuals.
- These groups are informal groups.
- It follow, therefore that level of work are not set by physical abilities, but by group attitudes.
- job satisfaction leads to higher job productivity;
- pay alone is a relatively low motivator;
- management is only one factor affecting behavior;
- The informal group exerts a strong influence on motivation.

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

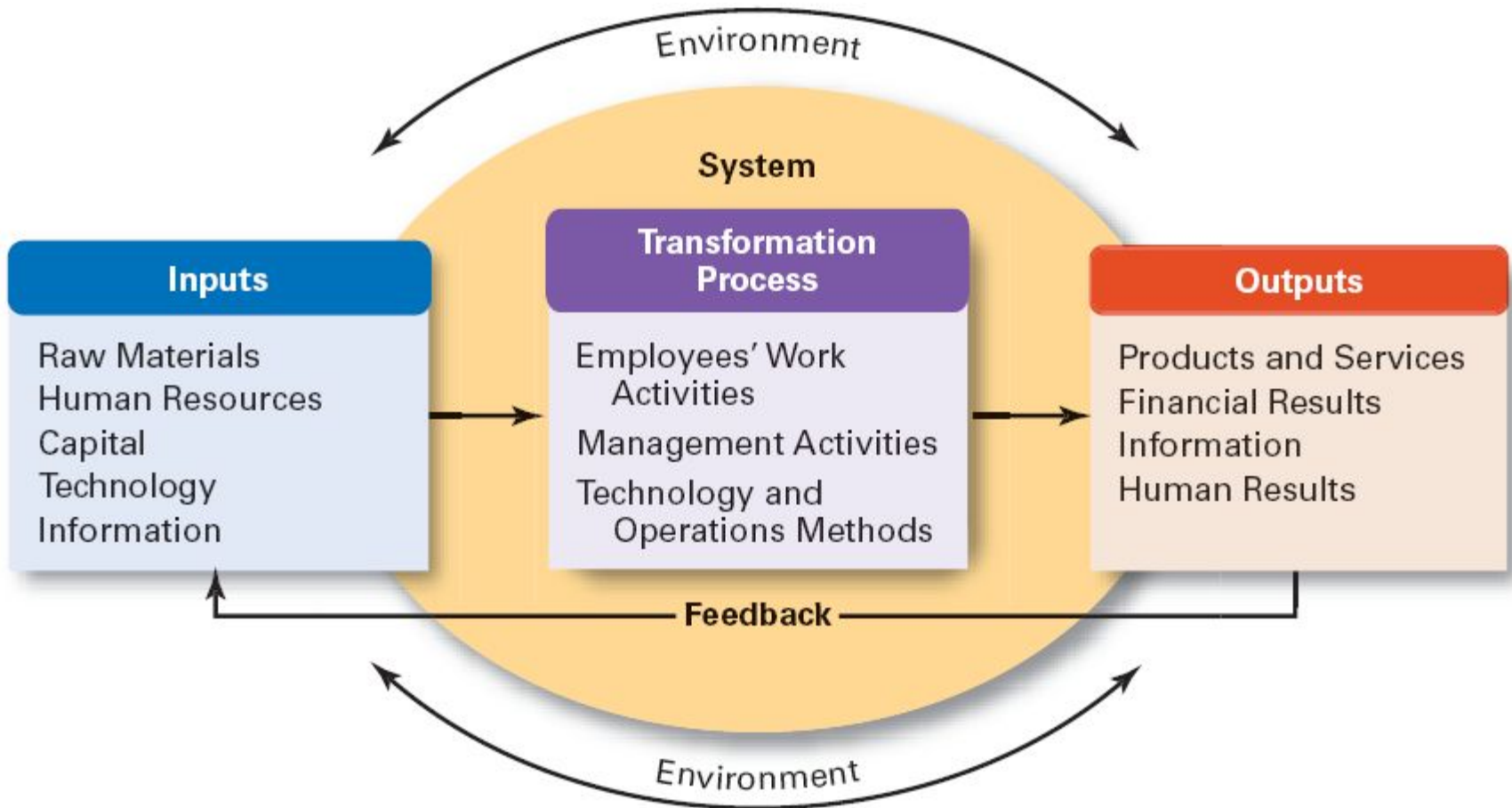
- Closed systems

- ❖ 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 2–6 The Organization as an Open System



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 2–7 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 nonroutine 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.

Current Trends and Issues

- Globalization
- Ethics
- Workforce Diversity
- Entrepreneurship
- E-business
- Knowledge Management
- Learning Organizations
- Quality Management



Current Trends and Issues (cont'd)

- Globalization

- Management in international organizations
- Political and cultural challenges of operating in a global market
 - ❖ Working with people from different cultures
 - ❖ Movement of jobs to countries with low-cost labor

- Ethics

- Increased emphasis on ethics education in college curriculums
- Increased creation and use of codes of ethics by businesses

Exhibit 2–8 A Process for Addressing Ethical Dilemmas

Step 1: What is the **ethical dilemma**?

Step 2: Who are the **affected stakeholders**?

Step 3: What **personal, organizational, and external factors** are important to my decision?

Step 4: What are **possible alternatives**?

Step 5: Make a **decision** and act on it.

Current Trends and Issues (cont'd)

- Workforce Diversity

- Increasing heterogeneity in the workforce

- ❖ More gender, minority, ethnic, and other forms of diversity in employees

- Aging workforce

- ❖ Older employees who work longer and do not retire
 - ❖ The increased costs of public and private benefits for older workers
 - ❖ An increasing demand for products and services related to aging.

Current Trends and Issues (cont'd)

- Entrepreneurship Defined

- The process of starting new businesses, generally in response to opportunities.

- Entrepreneurship process

- Pursuit of opportunities
- Innovation in products, services, or business methods
- Desire for continual growth of the organization

Current Trends and Issues (cont'd)

- E-Business (Electronic Business) may be defined as the application of information and communication technologies (ICT) in support of all the activities of business
 - The work performed by an organization using electronic linkages to its key constituencies
 - E-commerce: the sales and marketing aspect of an e-business

Current Trends and Issues (cont'd)

- Learning Organization

- An organization that has developed the capacity to continuously learn, adapt, and change.

- Knowledge Management

- The cultivation of a learning culture where organizational members systematically gather and share knowledge with others in order to achieve better performance.

Exhibit 2–10 Learning Organization versus Traditional Organization

	Traditional Organization	Learning Organization
Attitude toward change	If it's working, don't change it.	If you aren't changing, it won't be working for long.
Attitude toward new ideas	If it wasn't invented here, reject it.	If it was invented or reinvented here, reject it.
Who's responsible for innovation?	Traditional areas such as R & D	Everyone in organization
Main fear	Making mistakes	Not learning; not adapting
Competitive advantage	Products and service	Ability to learn, knowledge and expertise
Manager's job	Control others	Enable others

Current Trends and Issues (cont'd)

- Quality Management

- A philosophy of management driven by continual improvement in the quality of work processes and responding to customer needs and expectations
- Inspired by the total quality management (TQM) ideas of Deming and Juran
- Quality is not directly related to cost
- Poor quality results in lower productivity

Exhibit 2–11 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.

Terms to Know

- division of labor (or job specialization)
- Industrial Revolution
- scientific management
- general administrative theory
- principles of management
- bureaucracy
- quantitative approach
- organizational behavior (OB)
- Hawthorne Studies
- system
- closed systems
- open systems
- contingency approach
- workforce diversity
- entrepreneurship
- e-business (electronic business)
- e-commerce (electronic commerce)
- intranet
- learning organization
- knowledge management
- quality management