

# Chapter 2- The evolution of management theory

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- Historical background of management (**LO 2.1 Provide some examples of early management practice**)
  - **Smith**- 1776; job specialisation/division of labour (efficiency)
  - Industrial Revolution- late 18<sup>th</sup> century when machine power was substituted for human power, making it more economical to manufacture goods in factories than at home
  - **Explain why studying management theory is important:** By studying management theory it allows us to gain an understanding of the historical background of the current management strategies and influences. This results in giving us an understanding of how the management theories have been developed and the relevance in the contemporary society.
- Classical Approach (**Discuss the important contributions of scientific management within the classical approach**)
  - The first study of management which emphasised rationality and making organisations as efficient as possible
  - Scientific management
    - An approach that involves using scientific methods to define the 'one best way' for a job to be done
    - **Fredrick W. Taylor**
      - Determining the best way to perform a task
      - Using the right person and right tools/materials for the task > improve productivity
    - **F & L Gilbreth**
      - Using the proper tools and equipment to optimise work performance
      - Increase productivity, reduce fatigue
      - Therbligs- a classification for labelling basic hand movements
    - Implications- today's managers outsource/hire more skilled workers for jobs and design incentive systems to increase productivity (scientific approach)
  - General administrative theory (**LO 2.3 Explain the influences of general administrative theory within the classical approach**)
    - An approach to management that focuses on describing what managers do and what constituted good management practice.
    - **Henry Fayol**- stated that management was more than finances, production and other KBF
    - **Fayol's 14 principles of management (Discuss Fayol's 14 management principles)**
      1. Division of work – specialisation >> efficiency
      2. Authority
      3. Discipline
      4. Unity of command – every employee should only receive orders from 1 superior
      5. Unity of direction – organisation should have only 1 action plan
      6. Subordination of individual interests to general interests
      7. Remuneration
      8. Centralisation
      9. Scalar chain
      10. Order
      11. Equity
      12. Stability of tenure of personnel
      13. Initiative
      14. Esprit de corps – team spirit and harmony
    - **Max Weber** – saying ideal type of organisation was a bureaucracy (**Discuss Weber's contributions to the general administrative theory of management**)
      - Bureaucracy- a form of organisation characterised by division of labour, clearly defined hierarchy, detailed rules and regulations and impersonal relationships

- Emphasise
    - Rationality
    - Impersonality
    - Predictability
    - Technical competence
    - Authoritarianism
  - How do managers use general administrative theories (**Discuss how today's managers use general administrative theories of management**)
    - Modern management ideas can be traced back to GA theories (Weber, Fayol)
    - E.g. managerial authority, centralised decision making, reporting to only one boss
- Quantitative approach (**LO 2.4 Describe the quantitative approach**)
  - E.g. generating a process for which passengers board an aircraft so that it is more efficient and departure can occur as scheduled
  - The use of quantitative techniques to improve decision making E.g. data collection and mathematical manipulation of that data
  - Involves the application of statistics, optimisation and information models, and computer simulations to management activities
  - E.g. scheduling and sequencing; critical path analysis, resource allocation
  - Total quality management (TQM) a philosophy of management driven by continual improvement and responding to customer needs and expectations
    - Need accuracy
    - Statistical measurements are compared against standards to identify and correct problems
    - Intense focus on customer
    - Continual improvement
    - Process focused
    - Empowerment of employees
  - How do managers use the quantitative approach? (**Explain what the quantitative approach has contributed to the field of management. Discuss how today's managers use the quantitative approach**)
    - Contributes heavily to decision making
    - Budgeting, sequencing, scheduling, efficiency
- Organisational behaviour approach (**LO 2.5 Discuss the development and uses of the organisational behaviour approach**)
  - OB – a field of study concerned with the actions (behaviours) of people at work
  - Early advocates (**Describe the contributions of the early advocates of organisational behaviour**)- Owen (money spent on improving labour was a good investment), Munsterberg (using psychological tests for employee selection), Follett (organisations being based on group ethic), Barnard (managers responsible to communicate and stimulate employee effort)
  - The Hawthorne Studies (**Explain the contributions of the Hawthorne studies to the field of management**)
    - Study that provided new insights into individual and group behaviour
    - Researchers concluded that social norms or group standards are the key determinants of individual work behaviour
    - Group standards establish individual worker output
    - Money is less of a factor in determining output than are group standards, group attitudes and security
  - The human relations movement and behavioural science theorists (**Identify how the human relations and behavioural science theorists differ**)
    - Belief that a satisfied worker will be more productive
    - Maslow, McGregor (both relied on scientific model)
    - Behavioural science theorists- psychologists and sociologists who relied on scientific method for the study of OB
  - How do today's managers use the behavioural approach? (**Discuss how today's managers use the behavioural approach**)

- Job design
  - The way employees work together
  - Can see correlation of happier and healthier employees with higher productivity
- Contemporary approaches (**LO 2.6 Explain the systems and contingency theorise in the contemporary approach**)
  - 1960s+ started looking at external factors influencing management of organisation
  - Systems theory (**Describe an organisation using the system theory**)
    - A set of interrelated and interdependent parts arranged in a manner that produces a unified whole.
    - Closed systems – systems that are not influenced by and do not interact with their environment
    - Open systems – systems that interact with their environment
    - Organisations are open systems
    - The system approach and managers
      - Made up of independent factors including
        - Individuals
        - Groups
        - Attitudes
        - Motives
        - Formal structure
        - Interaction
        - Goals
        - Status
        - Authority
      - Management organises areas of the organisation in a way that work together to achieve the goals (**Discuss how the systems approach is appropriate for understanding judgement**)
      - E.g. the system theory recognises that, however efficient the production department may be, unless the marketing department can anticipate changes in the market; the overall performance of the organisation will suffer
      - Independence of areas in the organisation
  - Contingency theory
    - A management theory that says that organisations are different, face different situations (contingencies) and require different ways of managing.
    - Strategies that best suit the organisation rather than a blanket strategy (like Taylor, Fayol and Weber claimed) (**Explain how the contingency theory differs from the early theories of management**)
    - The contingency approach and managers (**Discuss how the contingency approach is appropriate for studying management**)
      - ‘Depends on the situation’ approach
      - Stresses the point that there are no simplistic or universal rules for management
      - Popular contingency variables
        - Size
        - Technology
        - Environmental uncertainty
        - Individual differences
- Current trends and issues (**LO 2.7 Provide examples of trends and issues that are influencing management today**) (**Explain why we need to look at current trends and issues facing managers**) (**Describe the current trends and issues facing managers**)
  - Globalisation
    - Increased cultural presence in organisations
    - Understand culture, geography, religion, values, attitudes, beliefs and adjust management style accordingly
    - Globalisation- hire, sell, source globally
    - Moving to countries with low cost labour E.g. call centres in India

- Management are always looking for a way to keep costs low, remain competitive
- Ethics
  - Bribes
  - Investments that are unlikely to be paid back – unethical
  - Dishonesty
- Workforce diversity
  - A workforce that is more heterogeneous in terms of gender, race, ethnicity, age and other characteristics that reflect differences
  - Women, immigrants, minority groups
  - Prepare for impact of the ageing population
  - A multigenerational workplace may cause significant challenges for managers
  - Brings broad view points and problem solving skills to the company
- Entrepreneurship
  - The process of using organised efforts and means to pursue opportunities to create value and grow by fulfilling wants and needs through innovation and uniqueness, no matter what resources are currently controlled
  - Starting new business
  - Pursuit of opportunity
  - Innovation
  - Pursue growth
  - The internet increased entrepreneurship sales
- Learning organisations and knowledge management
  - Learning organisations - organisations that have developed the capacity to learn, adapt and change continuously
  - Learn and respond quickly
  - Knowledge management – cultivating a learning culture where organisational members systematically gather knowledge and share it with others in the organisation so as to achieve better performance
  - Accumulating knowledge and wisdom from others
  - E.g. best practices and unusual activities being noted to learn from such issues
- Sustainability
  - The responsibility of all organisations to ensure that their operations use all forms of capital- human, natural and financial – in such a way that all stakeholders receive value and that the capital required by future generations is maintained
  - Before; performance was only measured by profitability
  - “Saving money to make money”
  - Reduce risk, enhance customer loyalty, enhance brand value
  - Innovation