Principles of Management
Dyck / Neubert

Chapter 2
A Short History of Management Theory and Practice

Roadmap

The Emphasis on Individualism and Materialism

• Principles of Early Economic Systems
  – Reciprocity
    • Neighboringness, trading with one another
  – Redistribution
    • Ensuring that everyone has enough
  – Householing
    • Being a good steward of resources for the sake of the family or larger community
The Emphasis on Individualism and Materialism (cont’d)

• Individualism
  – God calls individuals to specific work.
• Materialism
  – Religion produces industry and frugality that lead to the accumulation of wealth, which is no longer a vice.
  – Pursuit of self-interested material wealth locks people into an iron cage and deprives them of their humanity.

What Do You Think?
Are We Still Enslaved in the Iron Cage?

• Have our lives really become dominated by materialism and individualism?
• Are we placing increasingly greater emphasis on other forms of well-being?
• Has the iron cage tightened?
• Are we becoming liberated from commercialization, consumerism and self-interested wealth-maximization?

The Increasing Dominance and Size of Corporations

• Early Large Organizations
  – Roman Catholic church
  – Guilds
  – Nation and city-states
  – Empires
• Early Small Organizations
  – Cottage industries
  – Family firms
The Increasing Dominance and Size of Corporations (cont'd)

- Factors Leading to Larger Organizations
  - Specialization of labor
  - Division of labor
    - Adam Smith’s pin factory example
    - Rationalization increased productivity
- Advent of Corporations
  - Corporations as legal citizens
  - Limited liability of shareholders

Figure 2.1: *Fortune 500 Companies Are Getting Bigger and Bigger*

Five Eras of Management Thought

- 1910-1930 Organizing: best structure
- 1930-1950 Leading: roles and styles
- 1950-1970 Planning: higher productivity
- 1970-1990 Controlling: orderly workplace
- 1990-? Reconsidering: paradigm shift
An Emphasis on Organizing: The “Classical” Era (1910 to 1930)

- Scientific Management (Micro Approach)
  - Focused on defining and maximizing the productivity of individual jobs.
    - Frederick W. Taylor (systematic work)
    - Henry Gantt (Gantt chart)
    - Frank B. Gilbreth (time and motion studies)

An Emphasis on Organizing: The “Classical” Era (cont’d)

- Bureaucracy (Macro Approach)
  - Focused on the structure and functions of management in order to maximize productivity of the overall organization.
  - Max Weber’s view of maturing organizations
  - Relies on:
    - Employee competences
    - Positional authority within a formal structure
    - Rules and procedures for efficient and productive structures

An Emphasis on Organizing: The “Classical” Era (cont’d)

- Henri Fayol (1841-1925)
  - Posited the four functions of management and other principles:
    - Unity of command
      - Each employee reports to only one superior.
    - Unity of direction
      - Managers and employees are guided by a single plan of action.
    - Scalar chain
      - A chain of authority extends from the top to the bottom of the organization hierarchy that includes every employee.
An Emphasis on Leading: The "Human" Era (1930-1950)

- Mary Parker Follett (1868-1933)
  - The "mother" of the leading era
  - Emphasized the human (behavioral) side of management.
    - Authority should go to the worker whose knowledge and experience makes them best able to serve the company.
    - Managers should facilitate the work of subordinates rather than control them.
    - Drew from sociology and psychology to help managers see people as a collection of beliefs and emotions.

- Lillian Gilbreth (1878-1972)
  - Focused on human resource management.
  - Studied ways to reduce job stress.
  - Advocated:
    - Standard work days
    - Child-labor laws
    - Protection of workers from unsafe working conditions.

An Emphasis on Leading: The "Human" Era (cont'd)

- Chester Bernard (1886-1961)
  - Focused on leadership and the informal organization:
    - Social groups and cliques form alongside the organization's formal structures.
    - Organizations should not be managed impersonally.
    - Employees have a "zone of indifference"—those activities that they will not rebel against doing.
An Emphasis on Leading: The "Human" Era (cont’d)

• The Hawthorne Effect
  – Research results:
    • Indicated workers’ productivity will increase whenever managers treat them with respect.
    • Suggested that relationships are important in understanding behavior in organizations.
    • Served as a turning point in the evolution of management thought, from the classical era to the human era.

The Human Relations Movement

• Human Relations Movement
  – Focused on managerial actions that would increase employee satisfaction in order to improve productivity.
  – Movement emphasized:
    • Managers using social skills to motivate employees.
    • Designing jobs that are more humane and less fatiguing.

The Human Relations Movement

• Theory X and Y
  – Douglas McGregor (1906-1964)
  – Theory X managers:
    • Assume people are lazy, dislike work, will avoid working hard, and prefer to be directed.
    • Design structures and systems that ensure people will work hard:
      – Control systems
      – Assembly lines
      – Piece-rate pay systems
      – Threats of layoff
The Human Relations Movement

• Theory X and Y (cont’d)
  – Theory Y managers assume:
    • Workers should be allowed to use their full selves.
    • Work is as natural as play.
    • People are inherently motivated to work.
    • People will feel unfulfilled without the opportunity to work
      and contribute to society.
    • Workers prefer control over their work.
    • People will take responsibility for their work.
  – Management is challenged to provide the support necessary to
    allow people to excel at their work.

An Emphasis on Planning:
The “Calculating” Era (cont’d)

• Management Science
  – Operations research
    • Emphasizes mathematical model building.
  – Operations management
    • Uses quantitative techniques to make decisions to produce
      goods and services more efficiently:
      – Break-even analysis
      – Forecasting
      – Inventory modeling
      – Linear programming

An Emphasis on Planning:
The “Calculating” Era (cont’d)

• Systems Theory
  – Considers the complexity of managing organizations.
    • Closed system
      – A self-contained and self-sufficient unit that is subject to failure
      due to entropy.
    • Open system
      – An organization that gains synergy in interacting with other
        entities in its larger environment.
An Emphasis on Planning: The "Calculating" Era (cont’d)

• The Contingency View
  – Bounded Rationality (Herbert Simon)
    • The management decision-making process is limited by a lack of complete information and limited cognitive ability when processing information.
  – Burns and Stalker
    • Mechanistic structures in stable environments
    • Organic structures in dynamic environments

An Emphasis on Planning: The "Calculating" Era (cont’d)

• The Contingency View (cont’d)
  – Strategic Choice Theory (John Child)
    • Key decisions of the dominant coalition:
      – What will constitute "effective" organizational performance.
      – In which external "domain" (open system) will the organization choose to compete.
      – What forms will the organization’s internal structures and systems will take and how will they be integrated.

Figure 2.2: Simplified Overview of Relative Emphases in Management Research
An Emphasis on Controlling: The "Values and Beliefs" Era (1970 - 1990)

- Institutionalization
  - Occurs when practices or rules have become "valued" in and of themselves, even though they may no longer be useful.
  - Why it happens:
    - Dysfunctional social or cultural "scripts"
    - Irrational social norms
    - Peer pressure
    - Simple inertia

- The Social Construction Of Reality
  - What we experience as "real" has actually been socially-constructed.
  - Once acted upon, socially-constructed facts of life become true for ourselves and others.
  - "Symbolic" management roles and leadership create "meaning" for others.

What Do You Think?
Spirituality And Management

- Should an introductory course in management deal with issues like the meaning and purpose of life, and how these related to management?
- Should there be discussion of about the place of spirituality in management? Why or why not? What are the pros and cons of doing so?