

# **INTRODUCTION TO BUSINESS (ACC 103)**

## **Topic 1 - A review of management theories**

# Definitions

- ❖ **Organisational theory:** used interchangeably with *model or concept*, a *theory* represents a more complex phenomenon/marvel/wonder by identifying its major elements and the relationships/interactions within each element or between the elements constituting the phenomenon;
  
- ❖ Therefore, *Organisational theories* are concepts/thoughts/perceptions that allow us to comprehend several phenomena within organisations and the interactions that occur within the organisations.

# Theoretical approaches to studying organisations?

## Why study theoretical approaches?

❖ **In the context of management, studying theories is significant for the following reasons:**

- An understanding of these theories assist the manager in determining which theory or the combination of theories to deploy;
- No particular theory offers complete solution and different theories work for different organisations;
- Management theories assist the interpretation and sense making of situations for focused and effective decision making;

# Theoretical approaches

- ❖ **Classical school;**
- ❖ **Human relations school: Including the:**
  - Neo-human relations school;
- ❖ **Systems school;**
- ❖ **Contingency school;**

# The Classical theory

## ❖ **The Classical school: Include :**

- Scientific management school;
- Bureaucracy;
- Administrative school;

# Relevance of the classical theory to management:

- ❖ **It:**
  - Prompted the start of a more scientific view of management;
  - Drew attention to the importance of general guidelines for technical and structural efficiency;
  - Assisted the design of work organisations;
  - It provided the starting point for management principles some of which are common to all organisations;
  - Many of the management principles are still in use in today's businesses and other private and public organisations.

# Critique of the classical school

- Not taken sufficient account of personality factors of both employees and managers and their effects on the running of organisations;
- Creating an organisational structure which deprive people of sufficient control over their work environment;
- The idea of a '*set of principles*' for *classical organisations erroneously* presumes that such organisations are static in nature.
- In practice, the effectiveness of the principles have been called to question.

# *The scientific management:*

- ❖ Was developed to provide solutions to the problems encountered by manufacturing organisations in the 19<sup>th</sup> century;
- ❖ It attempted to create a science of production with the key aim of improving management to increase productivity;
- ❖ In order to achieve this, work *organisations were technically restructured and monetary incentives provided to individual workers as key motivator for higher output.*
  
- ❖ **KEY CONTRIBUTORS:** Frederick Winslow Taylor, Frank and Lillian Gilbreth (a husband and wife team) and Harrington Emerson.



# *Frederick W. Taylor (1856-1915)*

- ❖ was an American engineer who focused on the relationship between the worker and the machine-based production systems;
- ❖ Taylor's guiding principle/philosophy:
  - That **scientific analysis and fact** rather than guesswork should be the guiding principle for management.
- ❖ Taylor's Views were that:
  - Principal objective of management must be to secure *'maximum prosperity'* for the employer and each employee;
  - *Maximum prosperity* could make work more satisfying and profitable for all stakeholders

# *Frederick W. Taylor (1856-1915)*

❖ Taylor advocated four/five management principles to achieve efficiency:

- i. ***Developing a science of work:*** Using scientific methods to determine the *one-best-way* of performing a task rather than rely on the older 'rule of thumb' methods;
- ii. ***Scientifically selecting employees for specific tasks:*** Select the best person with the right physical and mental qualities;
- iii. ***Training and development of workers:*** Train, teach and develop the person *to follow the designed procedures precisely*;
- iv. ***Financial incentives for workers:*** Incentivise workers financially to ensure that the prescribed method was adhered to;
- v. ***Management and workers must specialise and collaborate closely:*** Move the planning and organising responsibilities from the worker to the manager.

# Relevance of scientific management school:

❖ **NB:** The significance of this school of thought is always associated with that of F.W. Taylor. They include:

- Giving major impetus to the development of management thinking;
- Proffering solutions to organisational challenges during the industrial era with particular focus on large and complex industrial organisations;
- Taylor was of the belief that scientific management methods **could lead to improved labour-management relations;**
- Focus was mainly on **improved industrial efficiency and prosperity for workers and management;**

# Relevance of scientific management school:

- Taylor adopted the view that human beings are motivated by monetary incentives to improve their output;
- Taylor **advocated the need to substitute industrial warfare with industrial harmony** through the following:
  - The idea of higher wages for increased output (**payment by result**);
  - The prevention of physical strain of workers from doing work the wrong way;
  - The **development of workers and the opportunities for them to perform the task they were capable of**;
- ***NB: That many of Taylor's ideas are still being applied by present-day organisations and managers particularly in industrialised economies.***

# *Critique of scientific management school*

- ❖ Workers were viewed as isolated individuals and treated more like units of production to be handled in the same manner as the machines;
- ❖ The scientific management is sometimes regarded **as the machine theory model**;
- ❖ Workers were controlled by managerial orders and disciplines;
- ❖ Employees had no say in how the work they engaged in was carried out;
- ❖ **Boredom and deskilling** of workers;
- ❖ High redundancies;
- ❖ **Inhumane treatment** led to high level of workers' and unions' resistance and resentment plus hostility towards management;
- ❖ **Production managers and management had dangerously high level of uncontrolled power over workers**;

# ***Bureaucracy:***

- ❖ Anchors mainly on **formal, clearly defined and hierarchical structure** brought about by the increasing size and complexity of organisations;
  
- ❖ In bureaucracy, **people are expected to follow precisely defined rules and laid down procedures** rather than adopt personal judgement on issues. This was believed to create higher efficiency.
  
- ❖ **MAJOR PROTAGONIST:** Marx Weber (1864-1920) - a German sociologist
  - He drew attention to the significance of large complex organisations and showed particular concern for what he labelled '*bureaucratic structures*' in such complex environment;
  - He saw the development of bureaucracies as a means of introducing order and rationality into social life and the workings of organisations

# Key Characteristics of bureaucracy/ guiding principles

- ❖ *Formal rules and regulations guiding employees' conduct;*
- ❖ *Division of labour;*
- ❖ *Specialisation;*
- ❖ *Impersonality:* Allocation of privileges and the exercise of authority should be in accordance with laid down rules and not arbitrary;
- ❖ *Hierarchical structure:* This created a sharp distinction between administrators and the administered or between management and workers;
- ❖ *Rationality:* Refers to the most efficient and scientific means of achieving objectives;
- ❖ Organisational tasks are allocated as official duties among various positions etc.

# *Relevance of bureaucracy to management*

- ❖ The demand for **uniformity in treating organisational stakeholders, regularity of procedures and accountability** for peoples' operations;
- ❖ There is sometimes the **need for strict adherence to specified rules and procedures** in certain organisations or units;
- ❖ The **adoption and adequate implementation of tried and tested rules and procedures** ensures that essential values, ethics and functions are adhered to on a consistent and fair basis;
- ❖ **Larger organisations with their attendant complexities would find it difficult to function effectively** without at least exhibiting some features of bureaucracy.



# *Critique of bureaucracy*

- ❖ Over-emphasis on rules and procedures;
- ❖ Management may become too reliant on bureaucratic structures, status and rules even when discretion is necessary;
- ❖ So, initiative may be subdued where flexibility and adaptation to changing circumstances is required;
- ❖ Impersonal relations could result;
- ❖ Bureaucracies sometimes provide a safe haven for managers to hide from their responsibilities, accountability and errors;
- ❖ Self-management by employees and organisational progress may be hindered.

# *Administrative school*

- ❖ This school shifted the emphasis of the classical school from **structures and formal organisations to social factors and behaviour of employees** in work organisations – this is sometimes referred to as **human relations**;
- ❖ The school evolved to redress the imbalance created by scientific management with its somewhat **fixed structures, bureaucratic style, inhumane treatment of workers and frequent resistance to orders and rules.**
- ❖ **MAIN GUIDING PRINCIPLE:** Are behavioural (i.e. workers) and ‘informality’ (i.e. structures) in nature.

- ❖ **Key advocates:** *Elton Mayo and Henri Fayol.*
- ❖ The contribution by Henri Fayol (1841-1925) who trained as an engineer is also significant within the administrative school.

# Henri Fayol

- ❖ Although Fayol's work echoes that of Taylor and Weber, Fayol's work applied to the whole organisation with particular focus on *administration and order* within the organisation rather than the production system as is the case with the Scientific management school;
- ❖ His approach anchored mainly on **methods adopted by managers** rather than the qualities managers' possess;
- ❖ He **advocated for training or management education of management members** to perform their functions in addition to employee discipline and increased output.

# Fayol's key functions for optimum performance

- ❖ Forecasting;
- ❖ *Planning;*
- ❖ *Organising;*
- ❖ *Commanding*
- ❖ *Coordinating;*
- ❖ *Controlling.*

***NB: Fayol's management ideas were presented as 14 principles***

# Fayol's 14 management principles

- ❖ ***Division of work and specialisation***
- ❖ ***Authority and responsibility***: This establishes the right to give orders and the power to exact obedience;
- ❖ ***Discipline***: The need for obedience.
- ❖ ***Unity of command***: Each employee must have a single boss to avoid conflicting instructions and potential confusion.
- ❖ ***Unity of direction***: One head and one mind should generate a single plan for a group of activities having the same objectives

# Fayol's 14 management principles

- ❖ ***Equity***: Management must treat employees fairly;
- ❖ ***Stability of personnel tenure***: Low turnover of employees is desirable;
- ❖ ***Initiative***: This involves the designing a plan and allowance for discretion from employees;
- ❖ ***Esprit de corps***: Harmony and cohesion among organisational members;

# *Relevance of administrative school to management*

- ❖ Fayol's administrative theory of management applies to the whole organisation rather than the productive system as was in scientific management;
- ❖ Many of the principles are still applicable in contemporary private and public sector organisations;
- ❖ The principles provides the starting point for organisational management;
- ❖ Fayol opined that his management principles allowed for flexibility and adaptability to changing circumstances;
- ❖ Fayol's work advocated management education for proper administration.



# *Critique of administrative school*

- ❖ **NB: Despite its relevance to modern-day organisations, the challenges of 21<sup>st</sup> century organisations necessitated the development of new sets of philosophies.**
- ❖ **Critics were of the opinion that:**
  - There cannot be universally valid management prescriptions;
  - General theories are no longer adequate (if they ever were) to meet the demands of changing organisational environment;
  - There was a paradigm shift from the search for rules towards an application of managerial judgement in specific

# Elton Mayo

- ❖ Elton Mayo (1880-1949) was linked to the Hawthorn study/ Hawthorn experiment at Western Electric company in America which became the central focus of the human relations school;
- ❖ *The emphasis of this approach was on:*
  - *Informal work group relations;*
  - *The importance of this informal group for sustaining the formal system, and*
  - *The need for the formal system to network with the informal system.*

# Elton Mayo

- ❖ Elton Mayo concluded from the Hawthorn experiment that:
  - **Group formation improves productivity particularly when a group realises that it is valued and is able to form social relations among its members.**
- ❖ **Mayo advocated for:**
  - The satisfaction of human needs within the informal system;
  - A focus on what motivates individuals and
  - The maximisation of such satisfaction and motivation.
- ❖ To achieve these, Mayo came up with the following principles:

# Mayo Principles for maximising motivation and satisfaction

- ❖ Work should be viewed as a group activity rather than an individual one;
- ❖ Work is a central life interest for most people;
- ❖ Most of the previous management theories were flawed due mainly to their lack of attention to human relationships;
- ❖ At work, people find a sense of belonging to a social group and seek recognition; this in turn could provide satisfaction, an essential ingredient for workers' productivity;

# Mayo Principles cont.

- ❖ Workers complaint may be a signal to more fundamental and psychological issues;
- ❖ Informal social work groups profoundly influence workers' outlook and well-being;
- ❖ Management can foster co-operation/partnership within informal groups to engender greater cohesion and unity;
- ❖ The workplace should be viewed as a social system made up of interdependent parts.

# Relevance of the human relations

- ❖ The school generated new ideas concerning the significance of work groups, leadership, communications, motivation, job design etc.
- ❖ **Personnel management** was emphasised;
- ❖ It provided an insight into **human behaviour at work** and enhanced the development of **management thinking**;
- ❖ The study has been recognised as a **significant foundation for the human relations approach to management** and;
- ❖ Informal groups influence on members' motivation is **recognised**;

# Critique of the human relations movement

- ❖ The assumptions generated from the Hawthorn studies were not necessarily supported by empirical evidence;
- ❖ School is tagged as *'excessively people centric'*;
- ❖ The contention that a satisfied worker is a productive worker is not always valid;
- ❖ Technically, researchers in the Hawthorn studies have been criticised for adopting rudimentary research design and faulty data analytical method;
- ❖ Managerial bias was another charge against the researchers;

# Emphasis of the human relations school

## ❖ The human relations' school emphasises:

- *Attention to social factors, groups, leadership;*
- *The informal organisation and*
- *Behaviour of people.*



# The Neo-human relations movement

- ❖ The criticism against the human relations school gave rise to the neo-human relations thought.
- ❖ **The school emphasises:**
  - Workers' social needs as the key to harmonious relations and improved performance;
  - Personal judgement of the individual within the work organisation;
  - Effects of group relationships and leadership styles;

# Proponents

- ❖ Abraham Maslow (with his idea of **self actualisation**);
- ❖ Douglas McGregor with his Theory X and Y;
- ❖ Herzberg two-factor theory *Hygiene/maintenance and Motivators/growth factors*
  
- ❖ Other contributors are Reinsis Likert and
- ❖ McClelland and his achievement theory and Chris Argyris