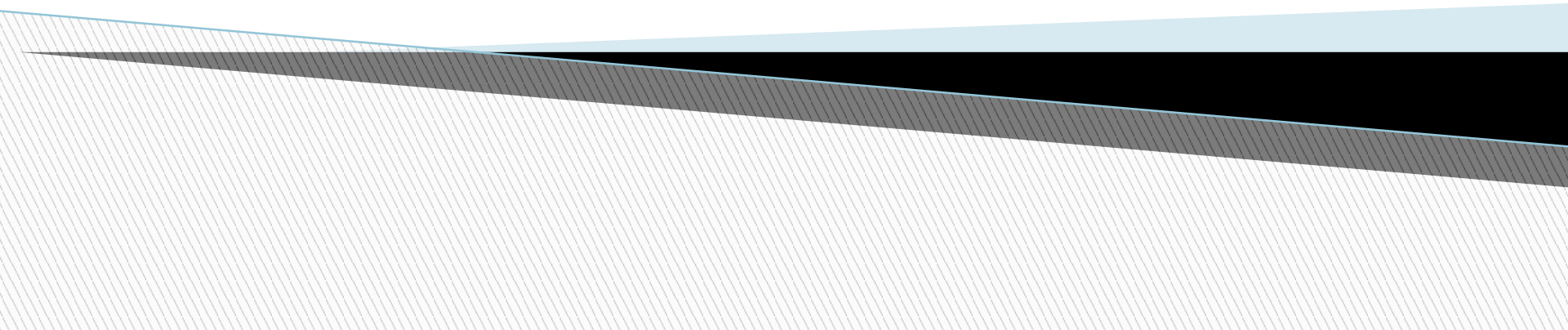


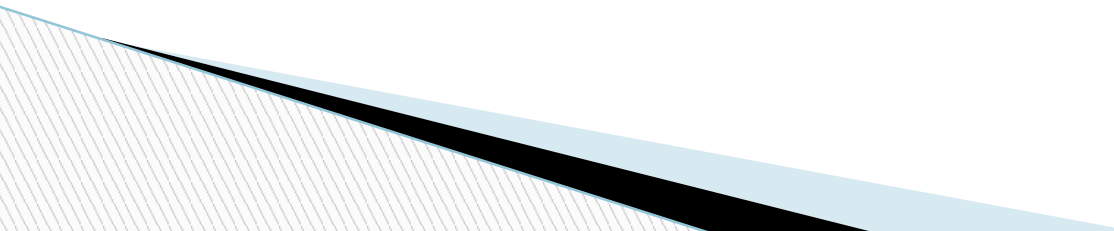
# Lecture 2

# Historical development of management

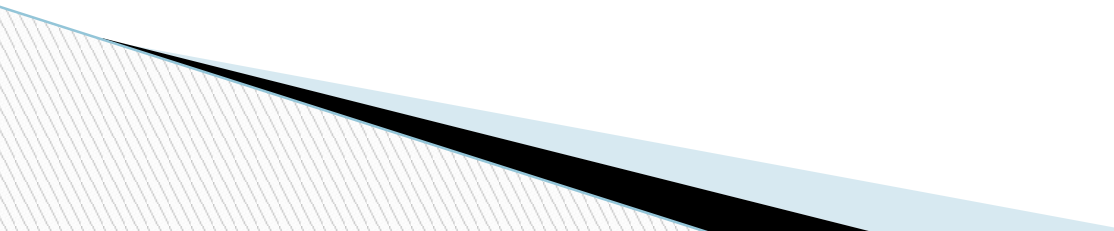


Management as practice appeared because of the understanding that:

**to achieve the goals** of the company the organizational **executive functions** should be given (transferred) **to** the professional specialists **(managers)**



**Adam Smith** pointed that the natural **desire to increase wealth** is the main power for any person, **to overcome all obstacles** which **leads to** general *wealth of the company*.



# The formation of management as a science

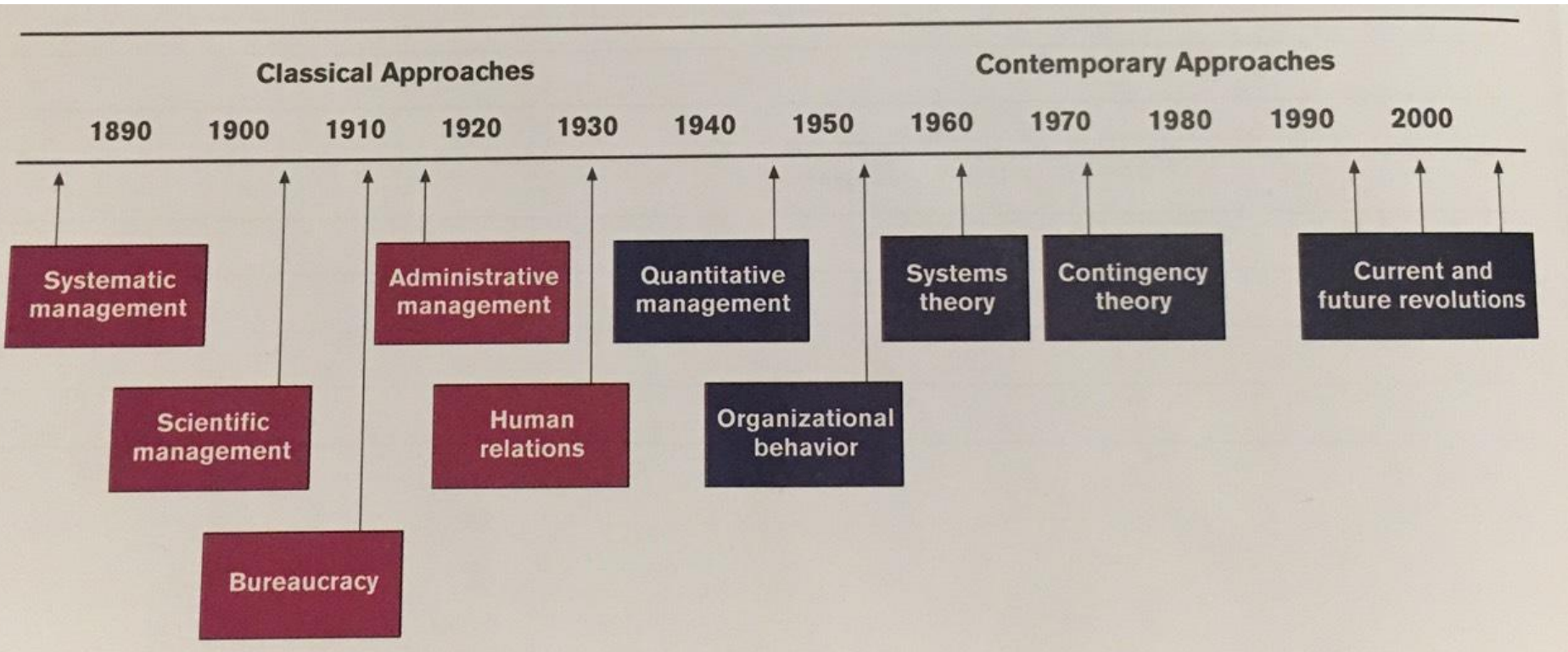
is determined by

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needs and demands of  
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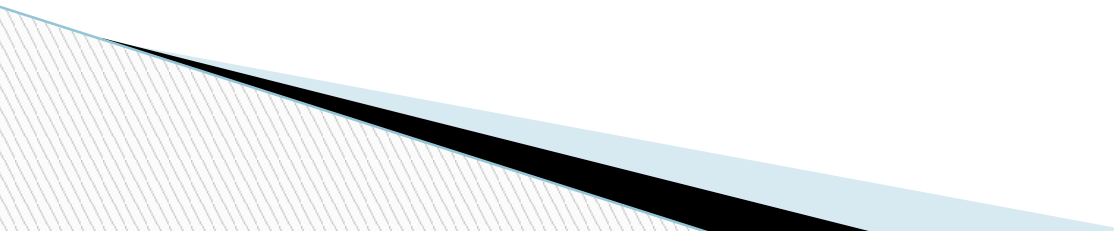
# The evaluation of management thought



## Scientists (founders of management):

- Frederick Taylor (1856-1915);
- Harrington Emerson (1853-1931);
- Henri Fayol (1841-1925)

## **Classical approaches:**

- Systematic
  - Scientific
  - Bureaucracy
  - Administrative
  - Human relations
- 

*Systematic* approach tried to build specific procedures and process into operations to ensure coordination of effort.

It emphasized economical operations, adequate staffing, maintenance of inventories to meet consumer demand, and organizational control

It was done through:

- Careful definition of duties and responsibilities
- Standardized techniques for performing the duties
- Specific means of gathering, handling, transmitting and analyzing information



## Key concepts

Systematized manufacturing operations.

Coordination of procedures and processes built into internal operations.

Emphasis on economical operations, inventory management, and cost control.

## Contributions

Beginning of formal management in the United States.

Promotion of efficient, uninterrupted production.

## Limitations

Ignored relationship between an organization and its environment.

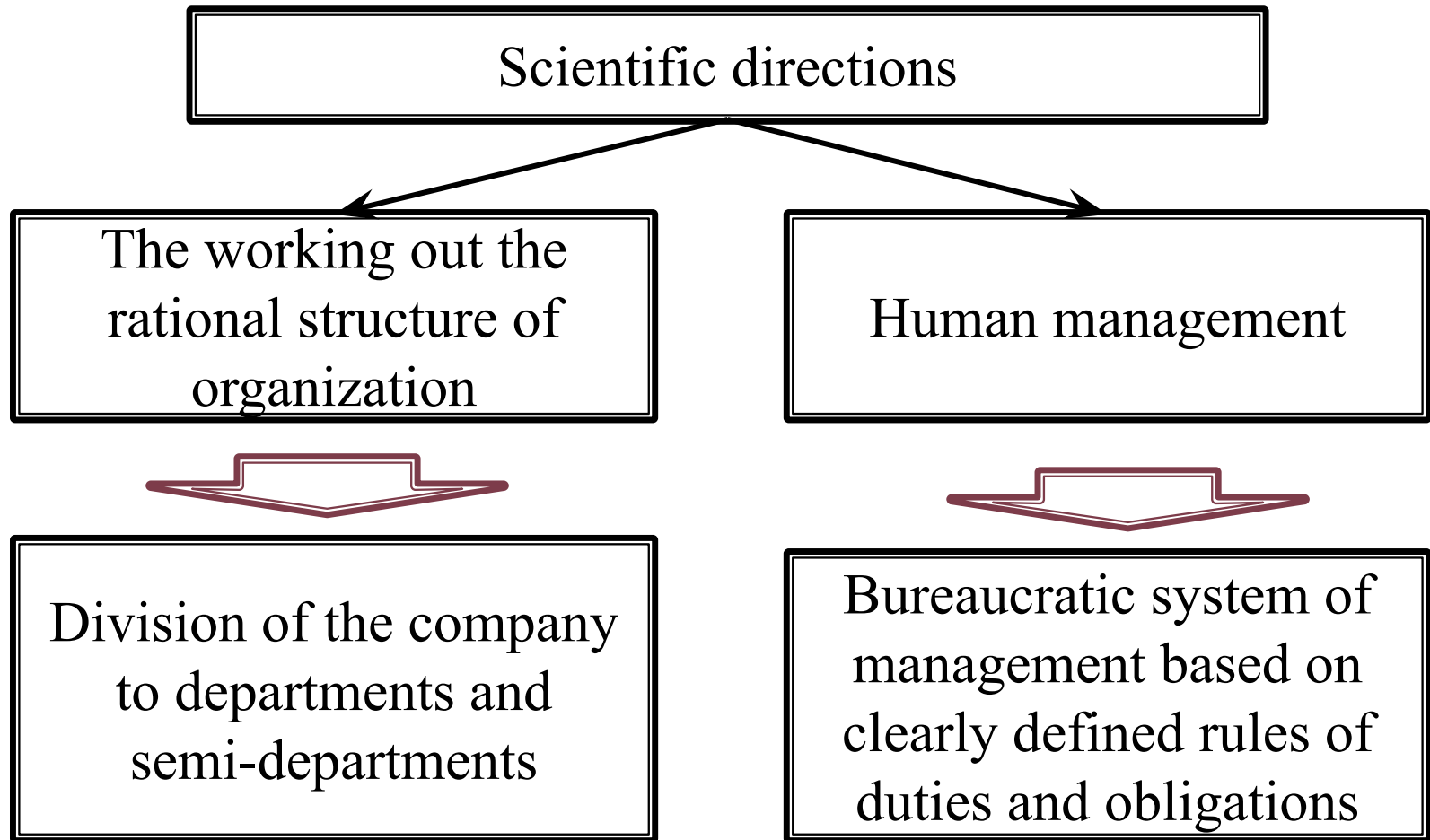
Ignored differences in managers' and workers' views.

# **Administrative -classical school of managers**

Henri Fayol (1841 - 1925) created a "theory of administration"

Followers:

H.Emerson, L.Guleek, A.Railly, Ch.Bernard  
worked on the creation of general (universal)  
principles of management



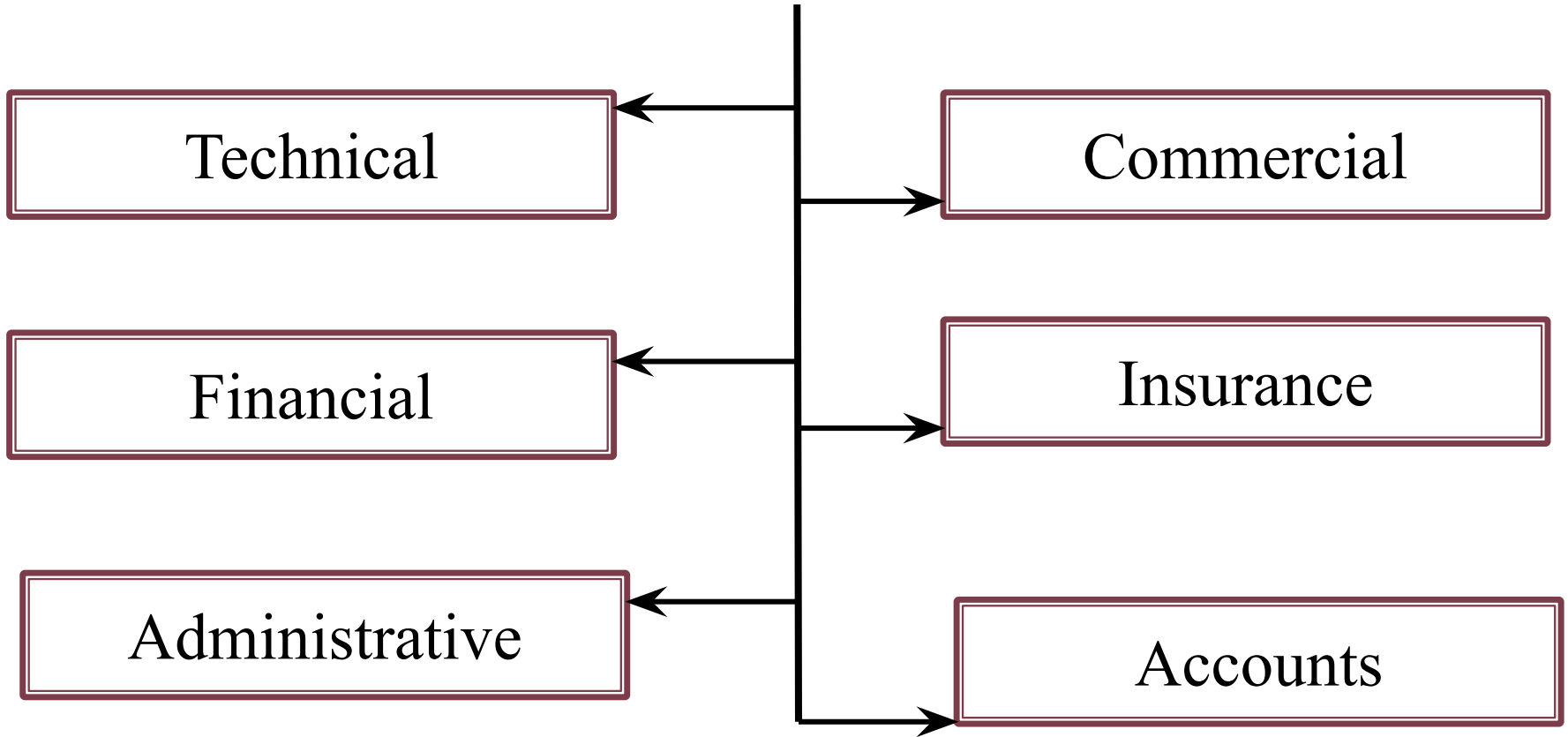
# 14 principles of administration:

1. *Division of work*—divide work into specialized tasks and assign responsibilities to specific individuals.
2. *Authority*—delegate authority along with responsibility.
3. *Discipline*—make expectations clear and punish violations.
4. *Unity of command*—each employee should be assigned to only one supervisor.
5. *Unity of direction*—employees' efforts should be focused on achieving organizational objectives.
6. *Subordination of individual interest to the general interest*—the general interest must predominate.
7. *Remuneration*—systematically reward efforts that support the organization's direction.
8. *Centralization*—determine the relative importance of superior and subordinate roles.
9. *Scalar chain*—keep communications within the chain of command.
10. *Order*—order jobs and material so they support the organization's direction.
11. *Equity*—fair discipline and order enhance employee commitment.
12. *Stability and tenure of personnel*—promote employee loyalty and longevity.
13. *Initiative*—encourage employees to act on their own in support of the organization's direction.
14. *Esprit de corps*—promote a unity of interests between employees and management.

# 14 principles of administration:

- 1 Division of work
- 2 Power and responsibility
- 3 Discipline
- 4 Unity of orders
- 5 Unity of leadership
- 6 Submission of private interests to company ones
- 7 Remuneration of staff
8. Centralization
- 9 Scalar objective
- 10 Procedure
- 11 Justice
- 12 Permanence, stability of staff
- 13 Initiative
- 14 Corporate spiritual union staff

# Henri Fayol points the operation groups in management:



**The contribution** of this school is that management is considered as a universal process that consists of several interrelated functions.

They formed the theory of management of the entire organization.

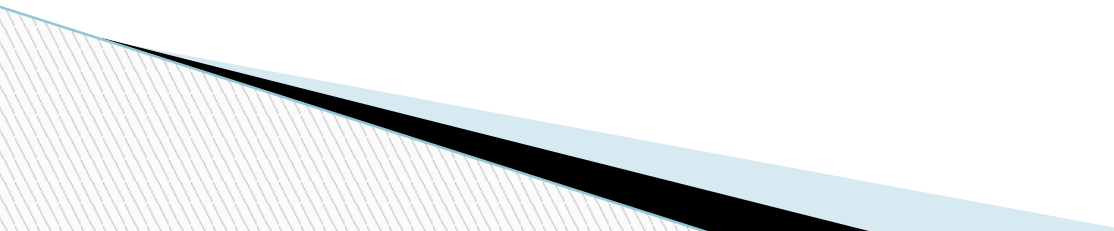
# School of Scientific management

F.Taylor is a founder of this school.

His contribution is the necessity of standard approach to fair daily output.

Fair daily output shouldn't depend on subjective evaluations of manager but it should be based on detailed scientific observation and inspection.

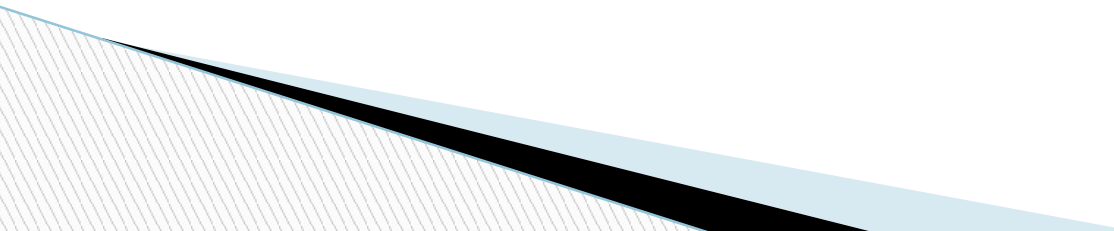
It leads to the appearing of scientific management.





Taylor's basic views presented in the books  
"Enterprise Management" (1903),  
"Principles of Scientific Management" (1911)

The basic ideas of the works:

- 1 role of managers
  - 2 motivation and rewards
  - 3 rationing of work
- 

## The merit of Taylor's works:


1 He proved the possibility to develop the implementation methods of production and labor operations on the basis of cost of time, movements and efforts.

2 Each manager must provide selection, choose the most suitable working places with maximum benefit, motivation and control of work.

3 He improved the system of remuneration.



The merit of Taylor's works for establishing the principles of scientific management:

4. The investigation of each individual activity
  5. The selection of works to perform certain operations and training
  6. Providing employees with the necessary resources
  7. Extracting planning as a separate process control
  8. Adoption of management as a separate activity
- 

**The main idea** is that based on observation, logic, analyses a plenty of operations can be improved

**The subject** of the research is the production process

**The object** – the employee

# **Fundamental principles of management (Emerson G):**

1. The main task of employee to exceed a chief
2. The main task of a chief to make the employee's work more effective
3. Qualified specialists are to form the tasks of the activity
4. Higher management level is to serve the lower one

# Human relations school

G. Münsterberg (1883-1916)

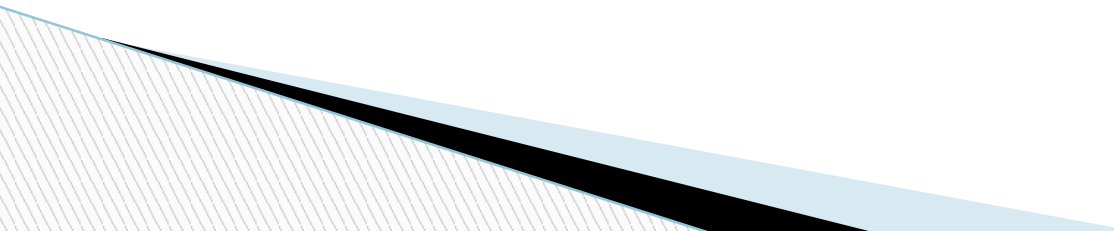
M L. Falletta (1868-1933)

Elton Mayo (1880-1945)

D. McGregor (1906-1964)

Neoclassical school – beginning of 20<sup>th</sup> century

The human factor as the main element of an effective enterprise



In management the main accent is paid not to fulfilling the task but to create the climate in a team

Relationship between people is the main distinguishing feature of the school of human relations

## **The essence of human relations school points the managerial precepts developed by this company:**

- 1 Pay attention to the opinions of others, even if it is not true.  
Please infinite patience.
- 2 Justice for subordinates.
- 3 Be polite, do not show irritation.
- 4 Being short.
- 5 Discuss the subordinate's mistakes privately .
- 6 Thank for the good work.



## Max Weber – The Theory of Social and Economic Organization

### Key concepts

Structured, formal network of relationships among specialized positions in an organization.

Rules and regulations standardize behavior.

Jobs staffed by trained specialists who follow rules.

Hierarchy defines the relationship among jobs.

### Contributions

Promotes efficient performance of routine organizational activities.

Eliminates subjective judgment by employees and management.

Emphasizes position rather than the person.

### Limitations

Limited organizational flexibility and slow decision making.

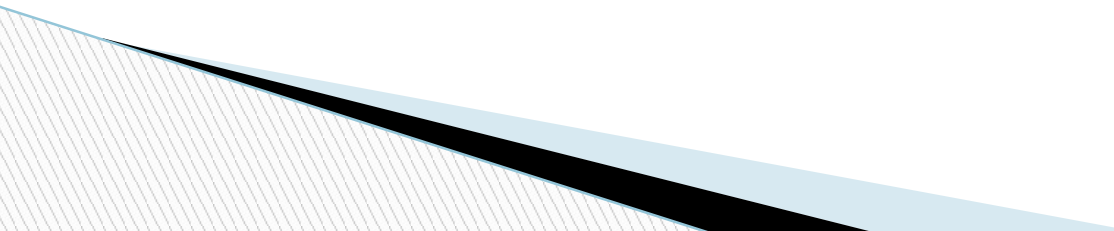
Ignores the importance of people and interpersonal relationships.

Accumulation of power can lead to authoritarian management.

Rules may become ends in themselves.

Difficult to dismantle once established.

**Contemporary approaches** include:

- Quantitative management
  - Organizational behavior
  - Systems theory
  - Contingency perspective
- 

## Key concept

Application of quantitative analysis to management decisions.

## Contributions

Developed specific mathematical methods of problem analysis.

Helped managers select the best alternative among a set.

## Limitations

Models neglect nonquantifiable factors.

Managers not trained in these techniques and may not trust or understand the techniques' outcomes.

Not suited for nonroutine or unpredictable management decisions.

# Organizational behavior

Promotes employee effectiveness through understanding of individual, group, and organizational processes.

Stresses relationships among employees, managers, and the work they perform for the organization.

Assumes employees want to work and can control themselves (Theory Y).

## Contributions

Increased participation, greater autonomy, individual challenge and initiative, and enriched jobs may increase performance.

Recognized the importance of developing human resources.

## Limitation

Some approaches ignored situational factors, such as the environment and the organization's technology.

# Contingency perspective

## Key concepts

Situational contingencies influence the strategies, structures, and processes that result in high performance.

There is more than one way to reach a goal.

Managers may adapt their organizations to the situation.

## Contributions

Identified major contingencies.

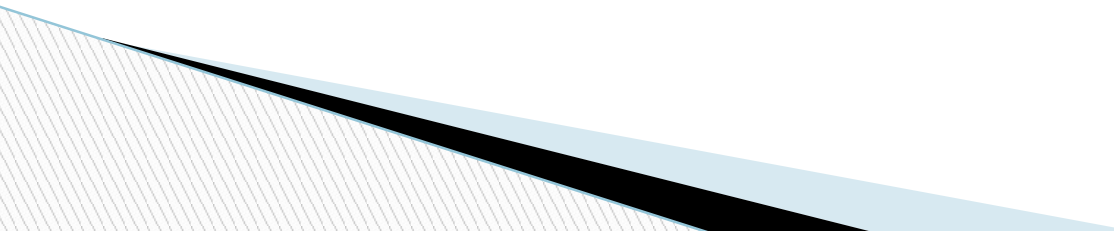
Argued against universal principles of management.

## Limitations

Not all important contingencies have been identified.

Theory may not be applicable to all managerial issues.

## DISCUSSION QUESTIONS:

1. How does modern business world compare with the one of 40 years ago? What is different today and what is not?
  1. What is scientific management? How might today's organizations use it?
  3. What are the advantages and disadvantages of a bureaucratic organization in the modern business world?
  4. In what situations are quantitative management concepts and tools applicable?
- 

5. Why did the contingency perspective become such an important approach to management? Generate a list of contingencies that might affect the decisions you made in your life

6. For each of the management approach give example. How effective or ineffective were they?

7. Are 14 principles of Fayol useful today? Why?

1. *Division of work*—divide work into specialized tasks and assign responsibilities to specific individuals.
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THANK YOU FOR YOUR ATTENTION

