

MGC1010: Introduction to Management

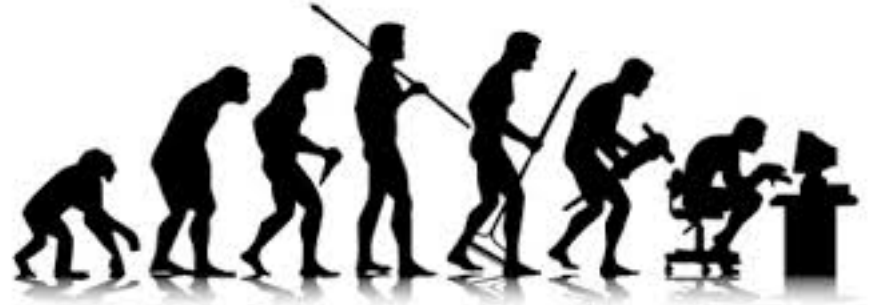
Week 2 : Blast from the past! *Theories of management*

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OVERVIEW OF TODAY'S LECTURE

- Historical evolutions in management
 - Scientific Management
 - Bureaucratic and Administrative Management
 - Contributions of the Hawthorne
- Implications for contemporary management...



SUMMARY OF LAST WEEK

- Unit overview
- Why study management
- Changing context of management



HISTORICAL EVOLUTIONS OF MANAGEMENT

- Why study history?
 - Looking back helps us to see forward
 - Enabling us to stand on the shoulders of giants.

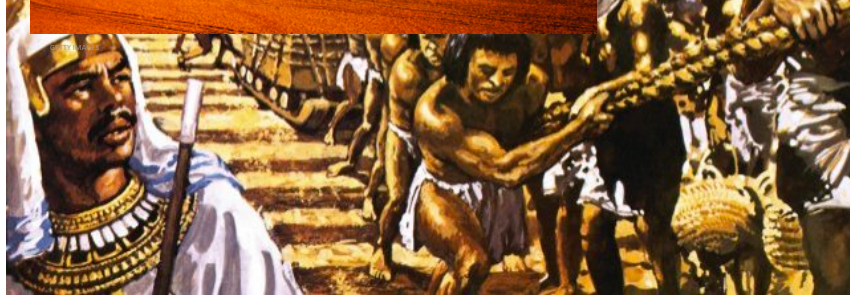


HISTORICAL BACKGROUND (pre-20th Century)

- Evidence of management in prehistoric times and in ancient civilizations
- Large administrative empires existed over thousands of years
- Evidence of complex, planned, large-scale construction



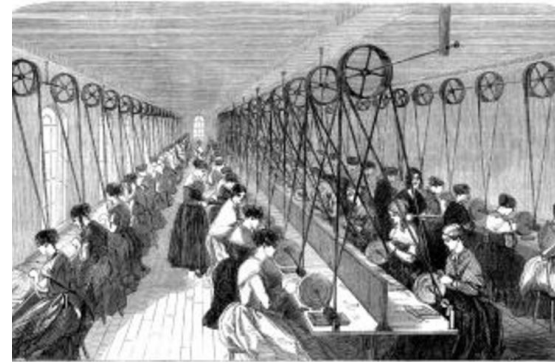
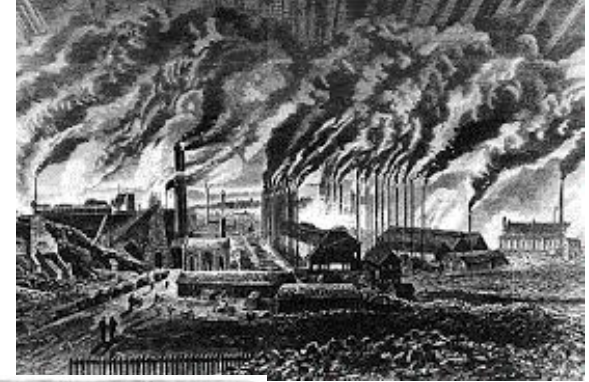
HISTORICAL EVOLUTIONS OF MANAGEMENT



HISTORICAL EVOLUTION OF MANAGEMENT

■ Industrial Revolution

- Started in the mid 1700s in Great Britain
- Transition from hand production method to machineries
- Changed the nature of work; increased the standard of living for the general population!



HISTORICAL EVOLUTIONS OF MANAGEMENT

■ Pre, and Early 20th Century

- Britain and Europe were major industrialized economies in the late 1800s
- America was also catching up post-civil war (1865)
- Without a class system Americans did not face limitations to growth as the British.



- Wealthy became factory owners
- They became more educated, and wanted to look for ways to increase their profits...
- Modern management was “born”

CLASSICAL APPROACHES: SCIENTIFIC MANAGEMENT



- Frederick Winston Taylor (1856 – 1915)
- Known as the “father” of scientific management
 - *Identifying the best, most efficient way to complete a job*
- Worked at Midvale Steel Company
 - Promoted from worker to chief engineer
 - Affected by his workers *soldiering*, restricting output to 1/3rd of what they could
 - New workers, new machines, and role-modeling did not work
 - Workers began breaking their machines, even threatened to shoot Taylor.

CLASSICAL APPROACHES: SCIENTIFIC MANAGEMENT



- Studied the work habits of labourers
 - Observing labourers loading iron ore onto railroad trucks
 - Determining that there is **one best way** to load these iron
 - Developed four principles of scientific management

Develop a science for each element of work, includes rules of motion, standardized work processes and proper working conditions.

Carefully select workers with the right abilities for the job

Carefully train workers to do the job and give proper incentives to cooperate.

Support workers by planning their work and by smoothing their way as they go about their job.

CLASSICAL APPROACH: SCIENTIFIC MANAGEMENT



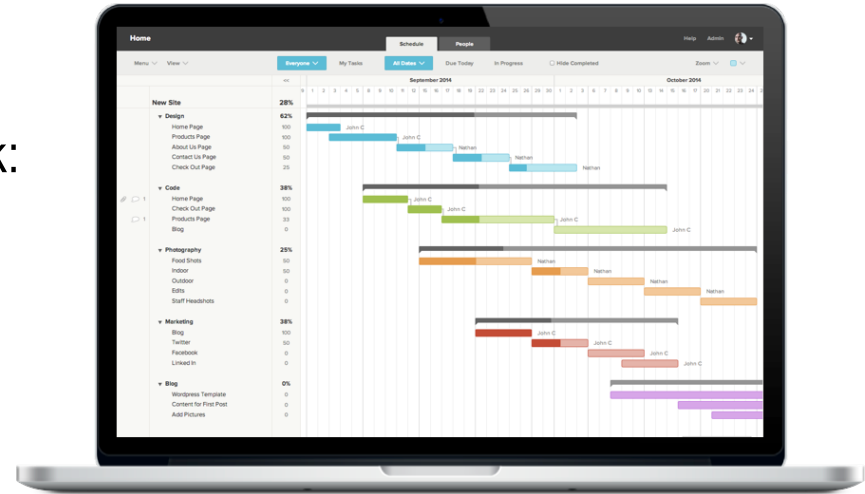
- Frank and Lilian Gilbreths: (1868-1924; 1878-1972)
 - Before being admitted to MIT, Frank was a bricklayer.
 - Together with Lilian, they studied bricklayers and eliminated unnecessary motions.
 - Increased productivity from 120 to 350 bricks per hour; 1,000 bricks to 2,700 bricks per day!
- Motion study:
 - Breaking each task or job into its separate motions and then eliminating those that are unnecessary or repetitive
- Time study (Taylor)
 - Timing how long it took for good workers to complete each part of their jobs.

CLASSICAL APPROACH: SCIENTIFIC MANAGEMENT



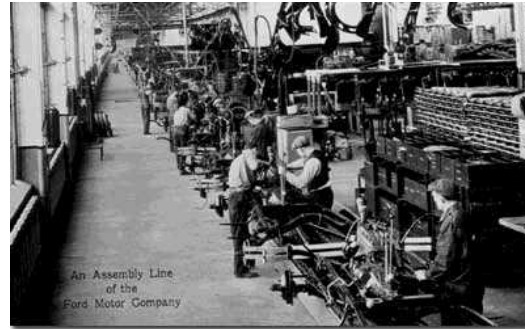
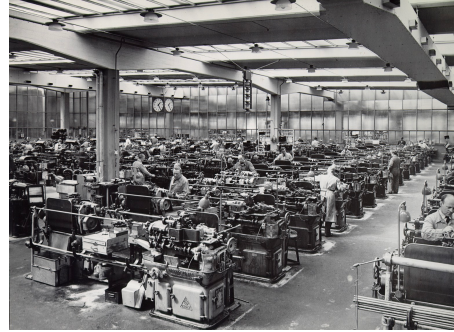
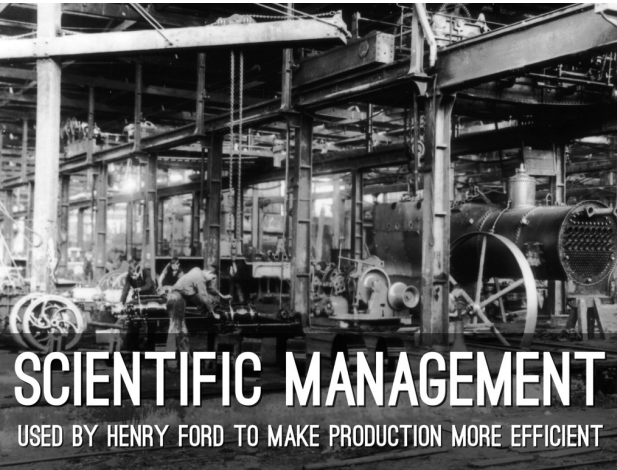
■ Henry Gantt (1861-1919)

- Taylor's protégé and subsequently associate.
- Introduced the idea of scheduling work: producing time charts and planning activities.
- Providing managers with detailed planning information
- Pay for performance (doubling productivity), as well as rewarding training



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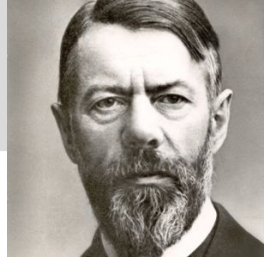
APPLICATION: SCIENTIFIC MANAGEMENT



APPLICATION: SCIENTIFIC MANAGEMENT



CLASSICAL APPROACH: BUREAUCRATIC MANAGEMENT

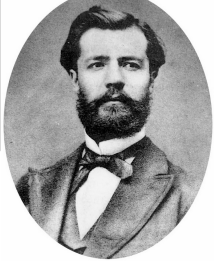


■ Max Weber (1864-1920):

- Monarchies and patriarchies were the context in 1800s Europe.
- Promotions and leadership were achieved by virtue of birth, associations (who you know), or traditions.

■ Bureaucracy

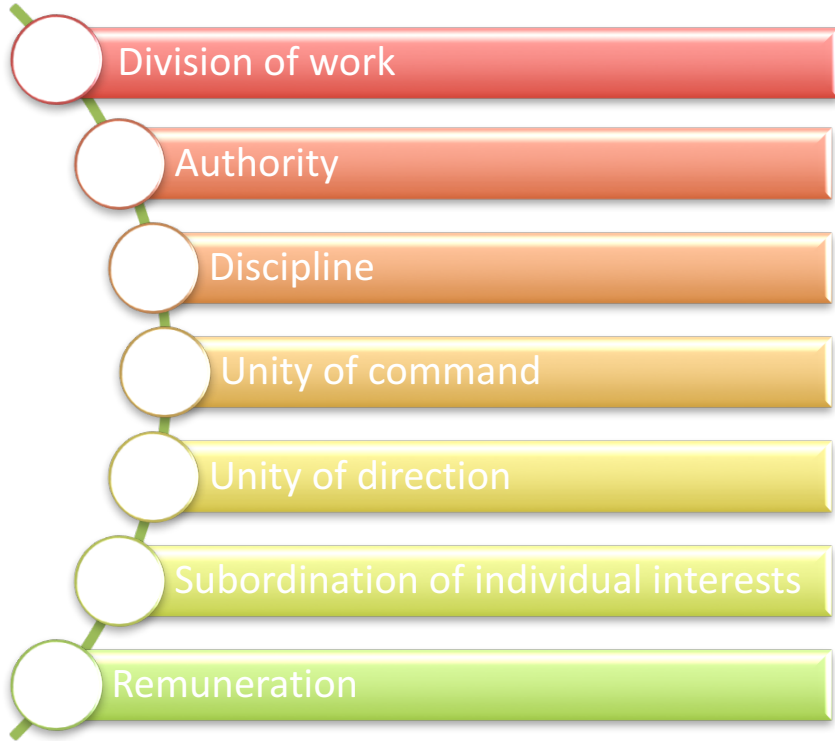
- **Exercise of control on the basis of knowledge, expertise, or experience.**
- Qualification-based hiring, merit-based promotions
- Impartial application of rules and procedures
- Managers separate from owners
- Maintaining records in writing



- **Henri Fayol (1841-1925)**
 - French mining engineer and executive
 - Developed fourteen principles of management from his experience as a managing director of mining firm.
 - Top-down approach vs Taylor's bottom-up perspective

The success of an enterprise generally depends much more on the administrative ability of its leaders than on their technical ability

FAYOL'S 14 PRINCIPLES





■ Mary Parker Follet (1868-1933)

- Social worker turned management consultant
- Developed an understanding of groups in the workplace
- Manager's job is to help people cooperate with one another
- Pioneered constructive conflict

Unity, not uniformity, must be our aim. We attain unity only through variety. Differences must be integrated, not annihilated, not absorbed.

— *Mary Parker Follett* —

BEHAVIOURAL APPROACH

- Elton Mayo (1880-1940) 
 - Best known for contribution to the Hawthorne Studies between 1924-1932
 - Research started to investigate how physical characteristics of the work setting affect worker fatigue and performance 
- Researchers theorized: the better the work conditions, the better the output.
- Findings were inconclusive, and they invited Elton, a psychologist at Harvard University, to join.
- Discovered the “Hawthorne effect”, among others which led to the human relations movement.

HAWTHORNE STUDIES: IMPLICATIONS

- **Illumination Study (1924)**
 - The mere practice of observing people's behavior tends to alter their behavior (Hawthorne Effect)
- **Relay Assembly Test Room Study (1927-1932)**
 - Relationships between workers and their supervisors are powerful
 - Human interrelationships increase the amount and quality of worker participation in decision making
- **Interviewing Program (1928-1930)**
 - Demonstrated powerful influence of upward communication
 - Workers were asked for opinions, told they mattered, and positive attitudes toward company increased
- **Bank Wiring Room Observation Study (1931-1932)**
 - Led future theorists to account for the existence of informal communication

BEHAVIOURAL APPROACH

- Human relations movement:
 - Supervisors should receive behavioral training to manage subordinates that will elicit cooperation and increase productivity
- The Hawthorne studies show:
 - people's feelings,
 - relationships with co-workers, and
 - with the 'work group

are important to management

BEHAVIOURAL APPROACH

- Douglas McGregor (1906-1964)

- Proposed that two sets of assumptions about work attitudes and behaviours

- Theory X

- Workers are lazy, must be supervised, and directed
- Carrot or stick works

- Theory Y

- Workers exercise self-control when they are committed to organisational goals
- Manager's role is not to control employees, but rather to provide support and advice

■ Management science

- Describes the application of mathematical techniques to analyse and solve management problems
 - Forecasting
 - Linear programming
 - Network models
 - Simulation
- Economic decision making criteria
 - Costs, revenue, and return on investments
- Focus on the use of mathematical models that follow sophisticated rules and formulas

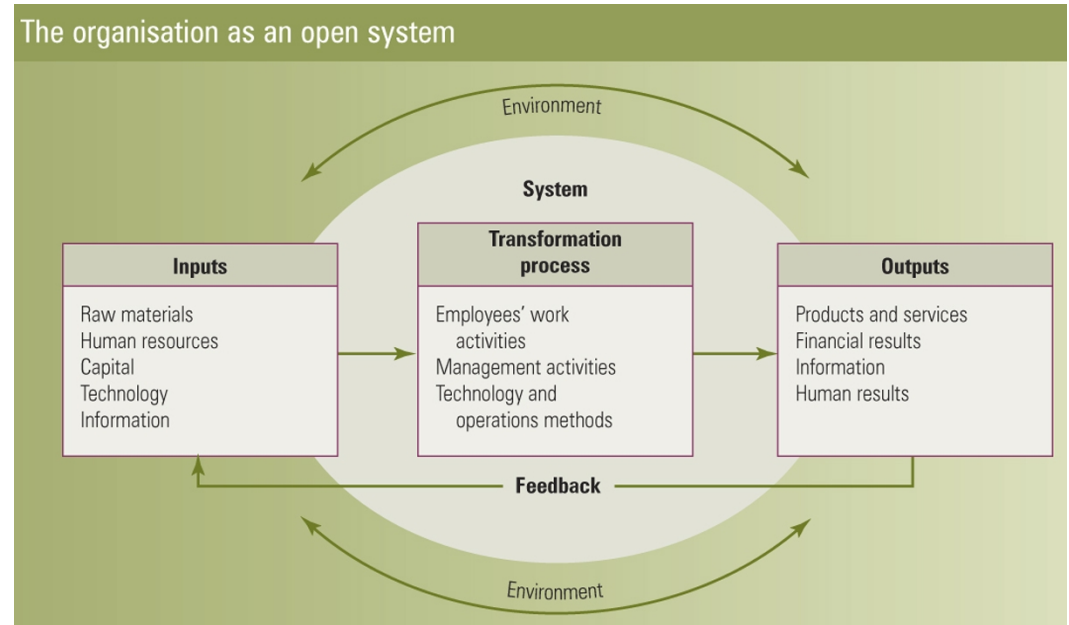
MODERN APPROACHES

- Believe that no one model or theory applies universally in all situations to the exclusion of others
- People are complex and variable, and managers should respond to individual differences



MODERN APPROACHES: SYSTEMS THINKING

- A theory which sees an organisation as a set of interrelated and interdependent parts



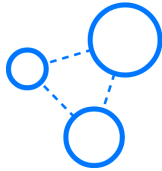
MODERN APPROACHES: CONTINGENCY APPROACH

- Tries to match managerial responses with the problems and opportunities specific to different settings, particularly those posed by individual and environmental differences.
- Recognizes that what is a good structure for one organisation may not work well for another, and what works well at one time may not work as well in the future as circumstances change.



THE NEXT APPROACH?

- Holacracy: a complete system for self-organisation
- Replaces the traditional management hierarchy with a new peer-to-peer operating system that increases transparency, accountability, and agility



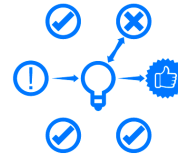
Agile organizational
structure



Efficient meeting
formats



More autonomy to
teams and individuals



Unique decision-
making process

THE NEXT APPROACH?

In Traditional Companies	With Holacracy
Job descriptions Each person has exactly one job. Job descriptions are imprecise, rarely updated, and often irrelevant.	Roles Roles are defined around the work, not people, and are updated regularly. People fill several roles.
Delegated Authority Managers loosely delegate authority. Ultimately, their decision always trumps others.	Distributed Authority Authority is truly distributed to teams and roles. Decisions are made locally.
Big Re-Orgs The org structure is rarely revisited, mandated from the top.	Rapid Iterations The org structure is regularly updated via small iterations. Every team self-organizes.
Office Politics Implicit rules slow down change and favor people "in the know".	Transparent Rules Everyone is bound by the same rules, CEO included. Rules are visible to all.

REFLECTION POINT

- What does history teach us?
- Can we build on the past contributions of our forefathers and mothers?
- What do you think the future will be like for organisations?
- Do you think holacracy works?



SUMMARY

- Scientific management
 - Taylor's Four Principles; Gilbreth's motion studies; Gantt's
- Bureaucracy and administrative management
 - Fayol's 14 principles; Weber's bureaucracy
- Behavioural approaches
 - Hawthorne studies; Follet's constructive conflict; theory X and Y
- Modern approaches
 - Systems, contingency...what's next?



Next week: Navigating through the waters – *managing in and beyond corporations*