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Principles of Management

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Basic reading

The presentation has been prepared based on the book

www.prenhall.com/robbins
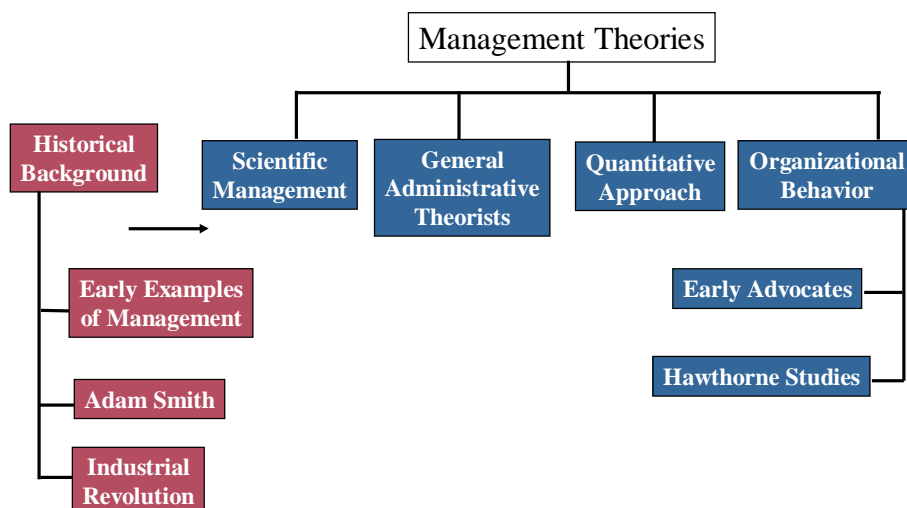
Management 7

STEPHEN P **ROBBINS**
MARY **COULTER**

Management's Connection To Other Fields

- Academic Disciplines that Affected Management
  - *Anthropology* - work on cultures and social environments
  - *Economics* - concern about the allocation and distribution of scarce resources
  - *Philosophy* - examines the nature of things
  - *Political science* - effect of political environment on individuals and groups
  - *Psychology* - seeks to measure, explain, and change human behavior
  - *Sociology* - studies people in relation to their fellow human beings

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Development Of Major Management Theories

Management Theories

| Historical Background | Scientific Management | General Administrative Theorists | Quantitative Approach | Organizational Behavior |

Early Examples of Management

Adam Smith

Industrial Revolution

Early Advocates

Hawthorne Studies

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Historical Background Of Management

- Organizations Have Existed for Thousands of Years
  - testifies to the existence of early management practice
    - ability to create the Pyramids, Great Wall of China
- Significant Pre-Twentieth-Century Events
  - *Wealth of Nations* - Adam Smith
    - *division of labor* - breakdown of jobs into narrow and repetitive tasks increased productivity
  - *Industrial Revolution*
    - substitution of machine power for human power
    - large organizations required formal management

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Scientific Management

- F.W. Taylor - Principles of Scientific Management
  - use of scientific methods to define the "one best way" for a job to be done
  - perspective of improving the productivity and efficiency of manual workers
  - applied the scientific method to shop floor jobs
- Frank and Lillian Gilbreth
  - use of motion pictures to study hand-and-body movements
  - *microchronometer*
  - *therbligs* - classification system for 17 basic hand motions

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EXHIBIT 2.2: TAYLOR'S FOUR PRINCIPLES OF MANAGEMENT

1. Develop a science for each element of an individual's work, which will replace the old rule-of-thumb method.

2. Scientifically select and train, teach, and develop the worker. (Previously, workers chose their own work and trained themselves as best they could.)

3. Heartily cooperate with the worker so as to ensure that all work is done in accordance with the principles of the science that has been developed.

4. Divide work and responsibility almost equally between management and workers. Management takes over all work for which it is better fitted than the workers. (Previously, almost all the work and the greater part of the responsibility were thrown on the workers.)

General Administrative Theorists

- Henri Fayol
  - concerned with making the overall organization more effective
  - developed theories of what constituted good management practice
    - proposed a universal set of management functions
    - published *principles of management*
      - fundamental, teachable rules of management

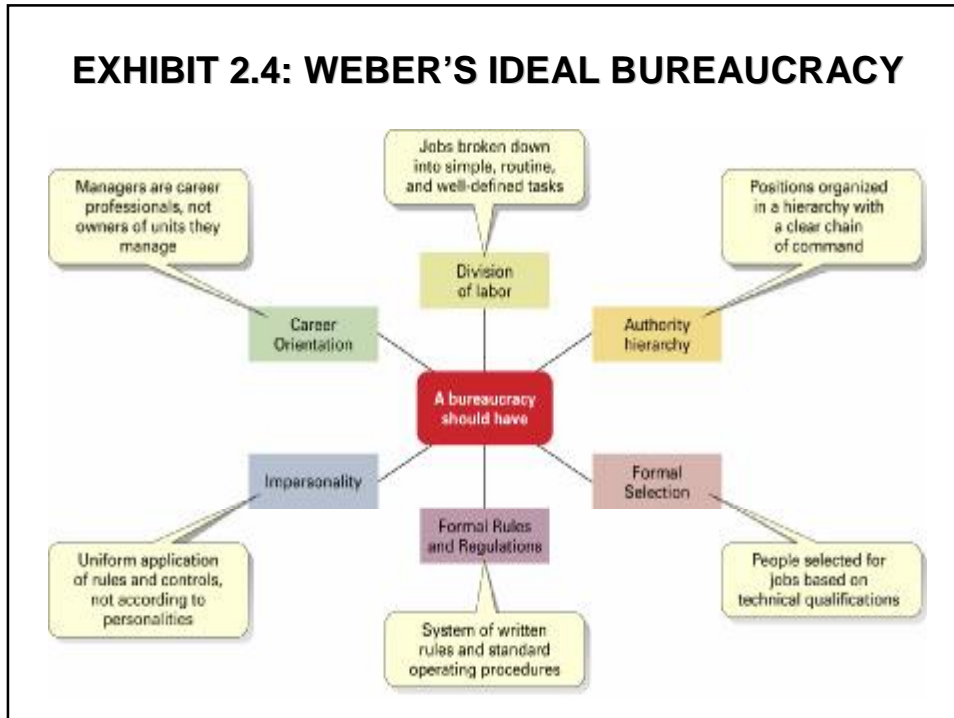**EXHIBIT 2.3: FAYOL'S 14 PRINCIPLES OF MANAGEMENT**

1. Division of work. Specialization increases output by making employees more efficient.
2. Authority. Managers must be able to give orders. Authority gives them this right. Along with authority, however, goes responsibility.
3. Discipline. Employees must obey and respect the rules that govern the organization.
4. Unity of command. Every employee should receive orders from only one superior.
5. Unity of direction. The organization should have a single plan of action to guide managers and workers.
6. Subordination of individual interests to the general interest. The interests of any one employee or group of employees should not take precedence over the interests of the organization as a whole.
7. Remuneration. Workers must be paid a fair wage for their services.
8. Centralization. This term refers to the degree to which subordinates are involved in decision making.
9. Scalar chain. The line of authority from top management to the lowest ranks is the scalar chain.
10. Order. People and materials should be in the right place at the right time.
11. Equity. Managers should be kind and fair to their subordinates.
12. Stability of tenure of personnel. Management should provide orderly personnel planning and ensure that replacements are available to fill vacancies.
13. Initiative. Employees who are allowed to originate and carry out plans will exert high levels of effort.
14. Esprit de corps. Promoting team spirit will build harmony and unity within the organization.

General Administrative Theorists (cont.)

- Max Weber
  - developed a theory of authority structures and relations
  - *Bureaucracy* - ideal type of organization
    - division of labor
    - clearly defined hierarchy
    - detailed rules and regulations
    - impersonal relationships

EXHIBIT 2.4: WEBER'S IDEAL BUREAUCRACY

Jobs broken down into simple, routine, and well-defined tasks

Positions organized in a hierarchy with a clear chain of command

Managers are career professionals, not owners of units they manage

Division of labor

Career Orientation

Authority hierarchy

A bureaucracy should have

Impersonality

Formal Selection

Formal Rules and Regulations

Uniform application of rules and controls, not according to personalities

People selected for jobs based on technical qualifications

System of written rules and standard operating procedures

Quantitative Approach To Management

- Operations Research (Management Science)
    - use of quantitative techniques to improve decision making
        - applications of statistics
        - optimization models
        - computer simulations of management activities
    - *Linear programming* - improves resource allocation decisions
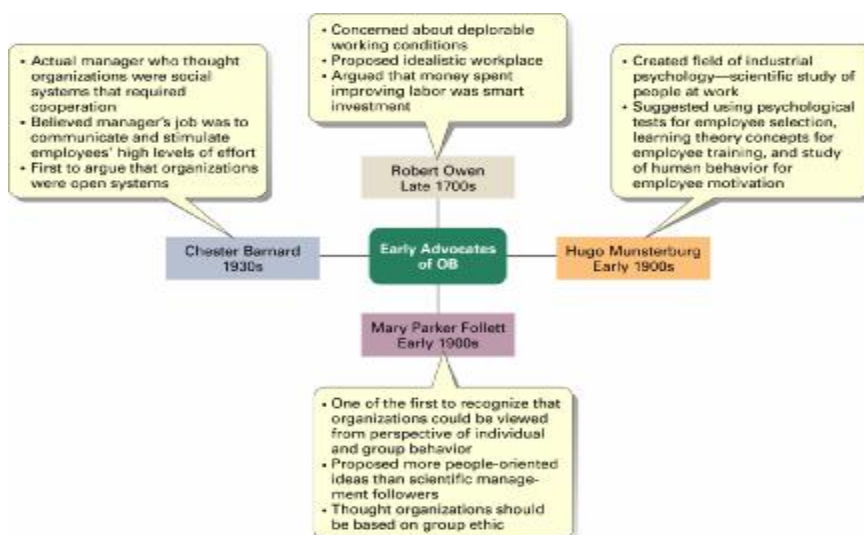   - *Critical-path scheduling analysis* - improves work scheduling

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Toward Understanding Organizational Behavior

- Organizational Behavior
  - study of the actions of people at work
  - early advocates
    - late 1800s and early 1900s
    - believed that people were the most important asset of the organization
    - ideas provided the basis for a variety of human resource management programs
      - employee selection
      - employee motivation

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EXHIBIT 2.5: EARLY ADVOCATES OF OB

- Actual manager who thought organizations were social systems that required cooperation
- Believed manager's job was to communicate and stimulate employees' high levels of effort
- First to argue that organizations were open systems

- Concerned about deplorable working conditions
- Proposed idealistic workplace
- Argued that money spent improving labor was smart investment

Robert Owen
Late 1700s

- Created field of industrial psychology—scientific study of people at work
- Suggested using psychological tests for employee selection, learning theory concepts for employee training, and study of human behavior for employee motivation

Chester Barnard
1930s

Early Advocates of OB

Hugo Munsterburg
Early 1900s

Mary Parker Follett
Early 1900s

- One of the first to recognize that organizations could be viewed from perspective of individual and group behavior
- Proposed more people-oriented ideas than scientific management followers
- Thought organizations should be based on group ethic

Organizational Behavior (cont.)

- Hawthorne Studies
  - started in 1924 at Western Electric Company
    - began with illumination studies
    - intensity of illumination not related to productivity
  - *Elton Mayo* - studies of job design
    - revealed the importance of social norms as determinants of individual work behavior
  - changed the dominant view that employees were no different from any other machines

  - X
  - Y

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Current Trends And Issues

- Globalization
  - all organizations are faced with the opportunities and challenges of operating in a global market
    - no longer constrained by national borders
- Workforce Diversity
  - heterogeneous workforce in terms of gender, race, ethnicity, and age
    - workforce is getting older
    - Asians and Hispanics are an increasingly large percentage of workforce
  - *"melting pot" approach* versus *celebration of differences*

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Impacting issues, facts, trends on Management

- Globalization
- New technologies
- Energy, environment
- Labour force
- Communication
- Higher standards
- Ecology

Current Trends And Issues (cont.)

- Entrepreneurship
  - three important themes
    - *pursuit of opportunities* - capitalizing on environmental change to create value
    - *innovation* - introducing new approaches to satisfy unfulfilled market needs
    - *growth* - not content to remain small
  - will continue to be important in all societies
  - will influence profit and not-for-profit organizations

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Current Trends And Issues (cont.)

- Managing in an E-Business World
  - *E-commerce* - any form of business exchange or transaction in which parties interact electronically
  - *E-business* - comprehensive term describing the way an organization does its work by using electronic (Internet-based) linkages with key constituencies
    - may include e-commerce
    - three categories reflect different degrees of involvement in
      e-business
  - *intranet* - an internal organizational communication system that uses Internet technology and is accessible only by organizational employees

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Current Trends And Issues (cont.)

- Need for Innovation and Flexibility
  - without a constant flow of new ideas, an organization is doomed to obsolescence or even worse
  - must be flexible to accommodate changing customers' needs, appearance of new competitors, and shifting employees from project to project
- Quality Management
  - *Total Quality Management (TQM)* - philosophy of management based on continual improvement and responding to customer needs and expectations
  - *customer* - refers to internal and external entities that interact with the organization's product or service

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EXHIBIT 2.8: WHAT IS TQM?

1. Intense focus on the customer. The customer includes not only outsiders who buys the organization's products or services but also internal customers (such as shipping or accounts payable personnel) who interact with and serve others in the organization.
2. Concern for continual improvement. TQM is a commitment to never being satisfied. "Very good" is not good enough. Quality can always be improved.
3. Process-focused. TQM focuses on work processes as the quality of goods and services is continually improved.
4. Improvement in the quality of everything the organization does. TQM uses a very broad definition of quality. It relates not only to the final product but also to how the organization handles deliveries, how rapidly it responds to complaints, how politely the phones are answered, and the like.
5. Accurate measurement. TQM uses statistical techniques to measure every critical variable in the organization's operations. These are compared against standards or benchmarks to identify problems, trace them to their roots, and eliminate their causes.
6. Empowerment of employees. TQM involves the people on the line in the improvement process. Teams are widely used in TQM programs as empowerment vehicles for finding and solving problems.

Current Trends And Issues (cont.)

- **Learning Organizations and Knowledge Management**
  - *learning organization* - one that has developed the capacity to continuously learn, adapt, and change
  - create learning capabilities throughout the organization
    - understanding that knowledge is an important resource
  - *knowledge management* - involves cultivating a learning culture where organizational members systematically gather knowledge and share it with others in the organization so as to achieve better performance
  - managers must transform themselves from bosses to team leaders
    - learn to listen, motivate, coach, and nurture

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EXHIBIT 2.9: LEARNING ORGANIZATION VERSUS TRADITIONAL ORGANIZATION

	Traditional Organization	Learning Organization
Attitude toward change	If it's working, don't change it.	If you aren't changing, it won't be working for long.
Attitude toward new ideas	If it wasn't invented here, reject it.	If it was invented or reinvented here, reject it.
Who's responsible for innovation?	Traditional areas such as R and D.	Everyone in organization
Main Fear	Making mistakes	Not learning; not adapting
Competitive advantage	Products and service	Ability to learn, knowledge and expertise
Manager's job	Control others	Enable others

Homework

- How Henry Ford contributed to the development of management concepts/theory, and why his ideas are a bit „old-fashioned" today?