

Chapter 1 (con't):
THE MANAGEMENT THEORIES

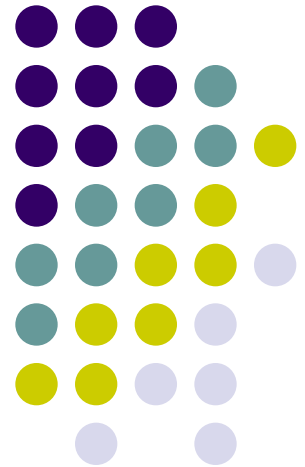
Week 26th July 2009

Introduction To Management

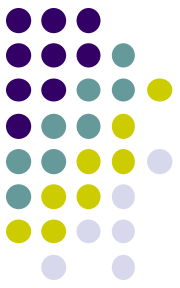
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Ms. Hj Rh Rozie Hj Ariff



Lecture Outline



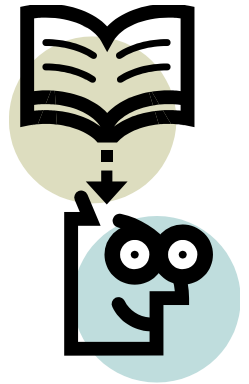
- Definition
- History within Principles of Management
- Classical Management
 - Business Activities
 - Classical Principles
 - Its Contribution & Limitation
- Scientific Management
 - Fundamental Principles
 - Its Contribution & Limitation
- Human Relation Management
 - Hawthorne Studies
 - Its Contribution & Limitation

DEFINITION

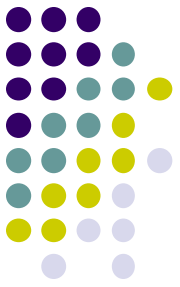


What is Principles of Management?

- A statement of general truth about organizations or management.
- They are regarded as the laws or fundamental rules of organization and management.
- Through the principles of management, the managers can use it as a guide for managerial actions and experience.



History within Principles of Management



Please refer to Figure 1



1) Classical Principles of Management



Henri Fayol (1841-1925) is one of the pioneers of management through and is acknowledged as the founder of the Classical Organization Theory. He defined management as:

“To manage is to forecast and plan, to organize, to command, to coordinate and to control”

He divided the **business activities** into six areas:

1. **Technical** – producing and manufacturing products.
2. **Commercial** – buying raw materials and selling manufactured goods.
3. **Financial** – getting the capital necessary for the business.
4. **Managerial functions** – planning, organizing, commanding, coordinating and controlling.
5. **Protecting the assets of the company**

Refer to Figure 2

Classical Principles of Management (con't)



Principles of Management:

- 1) *Division of work (specialization of work)*
 - It promotes efficiency through repeated exposure on limited activity.
 - It thus promotes efficiency of work with greater knowledge and skill as tasks are more familiar with the repeated exposure.
- 2) *Authority & Responsibility*
 - Through the assigned authority given, then comes responsibility.
 - It has to be balance between the right to give orders and the retaking responsibility for the action taken.
- 3) *Discipline*
 - It is in terms of obedience, application, energy and respect between the management and the employees towards the formation of good relationship between the two.
 - Penalties for poor performance and rewards for good performance will be the major factors in determining their performance through competent and fair supervision.

Classical Principles of Management (con't)



4) *Unity of Command*

- It states that every employee reports to only one superior.

5) *Unity of Direction*

- Each organization and objective should have only one mission statement and plan.

6) *Subordination of individual interest to the general interest*

- Individual objectives in organization should be in line with the general objectives of the organization where organization's interest should be given priority over individual interest.

7) *Remuneration*

- The pay should be fair to both the employee and the firm where both parties will benefited from it.

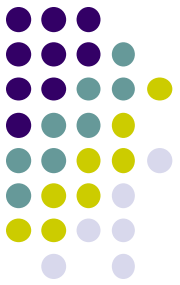
8) *Centralisation*

- The concentration of decision making must be centralised so chaos and confusion can be avoided among the same level of managers.

9) *Order*

- The organization should have an order and plan with the right person for the right job.

Classical Principles of Management (con't)



10) *Scalar Chain*

- It is an unbroken chain or scale which describes the flow of *authority*, but in many cases, *quick action is required* and this can be achieved by direct communication at lower level between the same levels of managers.
- Each can reach a decision by direct communication without going up and down the *chain of command*.

11) *Equity*

- Employees' attitude of kindness and justice can create loyalty and devotion from the employees.

12) *Stability to tenure*

- Every employee needs time to be settled in his/her job. A well settled and stable work force promotes efficiency in the organization.

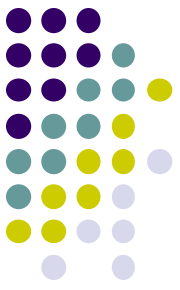
13) *Initiative*

- Plans should be formulated well before hand and every individual within his limited scope of authority and responsibility should be encouraged to participate in the organization's plans to ensure their successful realization.

14) *Esprit de Corps*

- Unity is strength in that the organization should function as a team and every team member should work to the best of his ability to achieve organization's objectives.
- Teamwork is essential for the achievement of organization's goals.

Classical Principles of Management (con't)



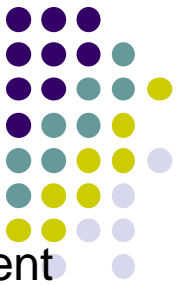
Contributions made by the classical school

- 1) The classical school has made planners aware that there are certain management principles that make for effective management not only in business but in order fields as well.
- 2) This school isolated some areas of practical concern to managers that are still relevant today, e.g., the division of labour and the use of managerial authority.

Limitations created by the classical school

- The main criticism has come from those who believe that the business environment is too dynamic for the theory. E.g, the manager's formal authority cannot be assumed with today's workforce who is better educated and less likely to respond to authoritarian leadership styles.
- The classical theory had been looked upon as being too general. E.g, employees may report to more than one manager and the theory does not explain which manager's wishes have precedence.

2) THE PRINCIPLES OF SCIENTIFIC MANAGEMENT



- Pioneering work in the field of scientific management was carried out by Fredrick W. Taylor.
- He who questioned and criticized the validity of tradition-bound management practice and, therefore, developed a more systematic and analytical approach in the application of scientific knowledge for understanding the whole complex process of coordinating technical, human and economic factors in management.
- His ideas took in the form of fundamental principles, which he termed the duties of management:
 - Replacement of opinion and rule-of-thumb with a scientific operation.
 - Scientifically determine the accurate time and method for each job.
 - Setting up a suitable organization to take all responsibility from the workers except that of actual job performance.
 - Selection and training of workers.
 - Cooperation with workers.
- According to Taylor, scientific management was the systematic and scientific investigation of all facts and elements connected with the work being managed.
- The aim of his work was to scientifically measure the worker's jobs and setting their pay rates accordingly.
- He carries out his studies using the principles of scientific management with the Bethlehem Steel Co. With the application of his principles, Taylor demonstrated the benefits of increased productivity and earning which he obtained at the Bethlehem experiment.

The Principles of Scientific Management (con't)



Contributions obtained from the application of Scientific Management

- 1) It was used as guideline towards making consistent production's targets through accurately measured viewed tasks and processes.
- 2) Increase in productivity due to improvement of working conditions and increased wages for the job done where these have benefits both the employees and the employers.
- 3) It stimulated the managers to adopt a more positive role as a leader.
- 4) It laid the foundations and act as a starting ground for other research work on which to improve the management system and other quantitative techniques.

Limited created from the application of Scientific Management

- 1) The work of an employee was transformed into the duty of methods and procedures. Therefore, the worker was looked upon as a human machine in order to maximized output.
- 2) The work was fragmented (division of labour) due to the emphasis on the analysis of doing individual tasks or operations in order to maximised output.
- 3) It generated a limited approach to the motivation of employees by enabling pay to be used as an incentive to increase output.
- 4) The management was fully responsible for the planning and control of work place activities
- 5) Every job performed was measured, timed and rated scientifically in order to determine the amount of pay to be received by workers, thus, ruled out bargaining about wage rates.

3) HUMAN RELATIONS THEORY



- One of the management thinkers in this field is ***Elton Mayo***.
- His contribution to the human relations theory came from the experiments at the Hawthorne plant of Western Electric Company in Chicago and these experiments are widely known as the *Hawthorne Studies*.
- The Hawthorne Studies focused on the workers' social relationships in work and it had demonstrated that the working conditions had no significant effect on productivity.
- It was the social process within the group that can affect the standards of their work performance.
- Mayo believes that the Human Relations Approach to management will create organization's harmony, higher employee satisfaction and greater operation's efficiency.
- The findings of the Hawthorne Studies revealed the importance of social relations at work and therefore, it concludes that;
 - The need for belonging to a group and have status within a group is more important than monetary incentives and better working conditions.
 - The social demand within a group at work affected the standards of work performances
 - No individual worker can be treated in isolation. He must be seen as a member as a group.

Human Relations Theory (con't)



Contributions obtained from the application of the Behavioral School

- 1) By creating the genuine concern for the individual worker leads to increased productivity. Mayo had balanced the classical approach which treated productivity as an Engineering problem executively and the scientific approach which looked upon the worker as a rational being.
- 2) Mayo's teachings put emphasis on the manager's style and drastically changed the training of managers. As a result, the teaching of people skills has become an important aspect of management training.

Limited created from the application of the Behavioral School

While the concept of a 'social man' did much to act as a counterweight to the overemphasis on organization and rationality, the experience on the factory floor did not show the drastic improvements in productivity which had been expected.