

Topic 1

Study Unit 2: The Evolution of Management Theory

Why study Management Theory?

Business literature abounds with theories that contradict each other or that simply do not work. How then does a manager distinguish between a sound and a poor management theory?

To answer the previous question, one has to understand how a management theory is built.

Theories develop in stages:

- Gathering data regarding a phenomenon (e.g. what managers do)
- Organizing it into categories (e.g. planning, organizing, leading or controlling)
- Highlighting significant similarities and differences
- Making generalizations explaining what causes and under which circumstances

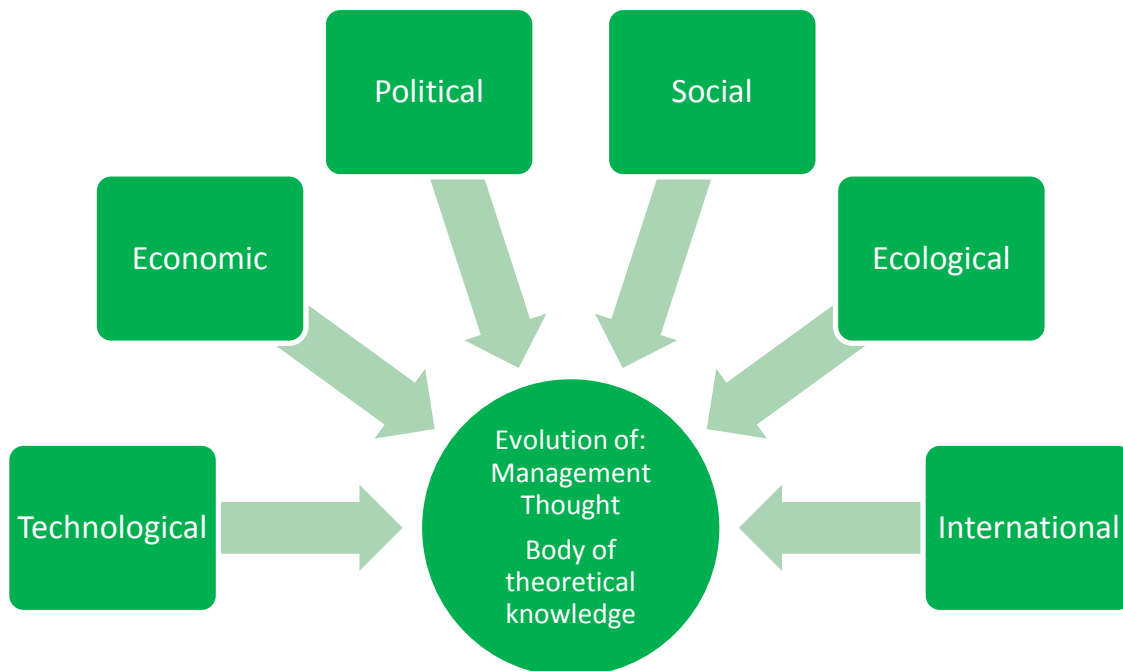
A sound management theory will also describe the circumstances under which it does and does not work. This allows the manager to predict his/her future actions with a degree of confidence.

Understanding the Theories of Management

Like in any science, environmental **influences** shape management. As these change, so theories of management adjust to the changing circumstances.

The environmental factors affecting management in practice are:

- Social
- Political
- Economic
- Technological
- International
- Ecological



Significant developments that have an effect on managers and organizations

Many changes that affected and will continue to affect the modern business organization.

Four of the most significant developments that have far-reaching and profound effects on managers and organizations are:

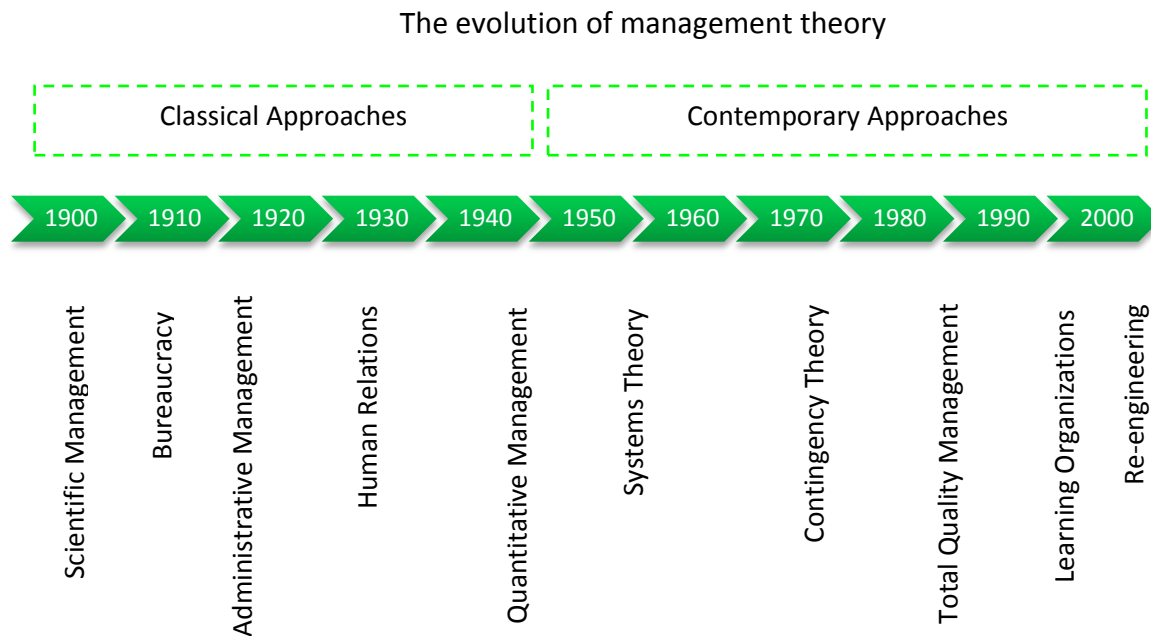
- Advances in information technology
 1. **The internet and other forms of globally connected networks**, which provide the ability to share information on a worldwide basis.
 2. **Electronic Commerce**, including electronic data (EDI) systems, which enable managers to reshape their business processes to improve response time and efficiency to reduce costs, both within and beyond their organizations
 3. **Mobile Computing**. This enables individuals to have access to information technology, irrespective of their physical location. The increasing availability of portable computing devices enables individuals to access information and communicate with others from remote sites around the globe and has a tremendous impact on both where and how people do their work.

- Globalization of the marketplace
 1. Organizations that are involved in the international business arena often face unique managerial challenges
 2. The global business environment is more complex than the domestic environment, and organizations operating in the international marketplace face a much broader set of environmental issues
 3. Capitalizing on today's global opportunities demand global leadership skills that were not required of managers in years gone by.

- Increasing predominance of entrepreneurial firms
 1. Entrepreneurial activities place pressure on large bureaucratic organizations to be more innovative and proactive
 2. Entrepreneurship provides opportunities for minorities and others who may face barriers in traditional corporate environments and provide many job opportunities for others
 3. Entrepreneurs and entrepreneurial organizations will continue to influence the business environment in the years ahead

- The growing importance of intellectual capital
 1. Intellectual capital has become the critical resource for the 21st century organization
 2. Fewer and fewer people will do physical work and more and more people will do knowledge-based work.
 3. Many employees will work in knowledge companies, and the value of their knowledge, as both input and output, will determine their value to the organization.

The theories of management



The Classical Approaches

1. Scientific Management School

#	Fact	Description
1	Founded by	Frederick W. Taylor
2	What he studied	Studied individual workers to see exactly how they performed their tasks
3	Premise	There is 1 best way to perform any task and measure everything that is measurable - known as time-motion-study
4	Problem he addressed	How to judge whether an employee had put in a fair day's work
5	Limitations	<ul style="list-style-type: none"> Workers cannot be viewed simply as parts of a smoothly running machine Money is not the only motivator of employees Creates the potential for exploitation of labor i.e. possible strikes by workers Can lead to ignorance of the relationship between the organization and its changing external environment as the focus remains on internal issues i.e. the workers and their productivity
6	Belief	Money motivates workers
7.	Other researchers who helped establish these principles of efficiency : <ul style="list-style-type: none"> - Frank & Lillian Gilbreth who focused on work simplification and - Henry L Gantt whose main concern was productivity on shop floor level 	

The 3 **fundamental** things he taught:

#	Fundamental Lesson
1	Find the best practice wherever it exists – today we call it “benchmarking”
2	Decompose the task into its constituent elements – we call it “business process redesign”
3	Get rid of things that don't add value

#	Summary
1	Summary: scientific management focused on the issue of managing work – not on managing people
2	Focus: ways to improve the individual worker

2. The Process or Administrative Approach

#	Fact	Description
1	Founded by	Henri Fayol
2	What he studied	Administrative side of operations
3	Premise	There are 5 basic functions of administration: planning, organizing, commanding, coordinating, and controlling
4	Limitation	Postulates that formal authority should be maintained by managers
5	Belief	Management is a skill – something that one can learn once its underlying principles are understood
6	Focus	Focuses on managing the total organization

3. The Bureaucratic Approach

#	Fact	Description
1	Founded by	Max Weber
2	What he studied	The fundamental issue of how organizations are structured
3	Premise	Any goal-oriented organization comprising thousands of individuals would require the carefully controlled regulation of its activities
4	Problem he addressed	He developed a theory of bureaucratic management that stressed the need for a strictly defined hierarchy, governed by clearly defined regulations and authority
5	Limitations	<ul style="list-style-type: none"> • Bureaucratic results in managers being compensated for doing what they are told to do – not for thinking • Managers are often rewarded for complying with old, outdated rules • Limited organizational flexibility and slow decision-making
6	Belief	<ul style="list-style-type: none"> • Weber's ideal bureaucracy is based on legal authority • Legal authority stems from rules and other controls that govern an organization in its pursuit of specific goals • Managers are given authority to enforce the rules by virtue of their position • Obedience is not owed to an individual person but to a specific position in the hierarchy of the organization

4. Human Relations Movement

- Grew out of a famous series of studies called the ‘Hawthorne Studies’.
- The studies following the ‘Hawthorne Effect’ concluded that group pressure, rather than management demands, had the strongest influence on worker productivity.
- In short, workers were more motivated by social needs than economic needs.

#	Fact	Description
1	Founded by	Mayo
2	What he studied	Hawthorne Studies (see above)
3	Premise	Management’s concern for the well-being of their subordinates and sympathetic supervision enhances workers’ performance
4	Problem he addressed	Viewed workers as human beings and not as machines
5	Limitations	<ul style="list-style-type: none"> • The belief that a happy worker is a productive worker is too simplistic • Economic aspects of work remain important to workers • The human aspect of work is even more complex than originally suggested by the results of the Hawthorne Studies • Many factors play a role in the productivity of workers: their values, attitudes, perceptions, learning, motivation
6	Belief	The importance of paying attention to people to improve their productivity.

5. The Quantitative Management Theory

#	Fact	Description
1	Founded by	Not any
2	What he studied	Management science or operations research
3	Premise	Management is primarily about crunching the numbers
4	Problem he addressed	The greatest contribution of the techniques (linear programming, PERT/CPM, regression analysis) are in planning and control activities
5	Limitations	Many aspects of management decisions cannot be quantified and expressed by means of mathematical symbols and formulae
6	Belief	Not addressed in text book
7	Focus	Deals with mathematical models, statistics, and other models, and their use in management decision-making

CONTEMPORARY APPROACHES

1. The Systems Approach

#	Fact	Description
1	Founded by	Ludwig von Bertalanffy
2	What he studied	Not any
3	Premise	<p>He noted characteristics common to all sciences:</p> <ul style="list-style-type: none"> • The study of a whole, or organism • The tendency of a system to strive for a steady state of equilibrium • An organism is affected by and affects its environment and can thus be seen as an open system
4	Problem he addressed	Viewed an organization as a group of interrelated parts with a single purpose: to remain in balance (equilibrium)
5	Limitations	
6	Belief	From a systems point-of-view, management should maintain a balance between the various parts of the organization, as well as between the organization and its environment
7	Focus	<p>The open system perspective of an organization is a system that comprises 4 elements:</p> <ul style="list-style-type: none"> • Input – resources • Transformation processes – managerial processes, systems etc. • Outputs – products or services • Feedback – reaction from the environment

2. The Contingency Approach

Based on the systems approach to management:

#	Fact	Description
1	Founded by	Not listed in text book
2	What he studied	Using the right management approach for the situation in which managers find themselves.
3	Premise	<ul style="list-style-type: none"> • The application of management principles depends on the particular situation that management faces at a given point in time • Emphasizes a situational approach (dependent on a specific situation) but not all management situations are unique, so; • The characteristics of a situation are called 'contingencies': <ul style="list-style-type: none"> ○ The organization's external environment - its rate of change and degree of complexity ○ The organization's own capabilities – its strengths and weaknesses ○ Managers and workers – their values, goals, skills, and attitudes ○ The technology used by the organization
4	Problem he addressed	<ul style="list-style-type: none"> • Recognizes that every organization, even every department or unit within an organization is unique • Every organization exists in a unique environment with unique employees and unique goals
5	Limitations	Not listed in text book
6	Belief	<ul style="list-style-type: none"> • There is no single best way to manage • Management has to decide whether to use principles of the: scientific, bureaucratic, administrative, behavioral, or quantitative approaches or a combination of these
7	Focus	<ul style="list-style-type: none"> • Tries to direct the available techniques and principles of the various approaches to management towards a specific situation in order to realize the goals of the organization as productively as possible • The manager must learn multiple ways to compete, innovate, and lead

3. Total Quality Management

#	Fact	Description
1	Founded by	W. Edwards Deming
2	What he studied	Total: quality involves everyone and all activities in the organization; Quality: meeting customers' agreed requirements, formal and informal, at the lowest cost, first time every time; Management: quality must be managed
3	Premise	<ul style="list-style-type: none"> • A well-organized organization was one in which statistical control reduced variability and resulted in uniform quality and a predictable quantity of output • It is a philosophy of management that is driven by competition and customer needs and expectations • Customer: everyone who interacts with the organization's products or services, internally or externally i.e. employees, suppliers and the people who buy the products or services
4	Problem he addressed	<ul style="list-style-type: none"> • Countered the belief that low costs were the only way to increase productivity
5	Limitations	<ul style="list-style-type: none"> • Should not be confused with quality control: quality control identifies mistakes that may already have occurred where; • TQM emphasizes actions to prevent mistakes
6	Belief	<ul style="list-style-type: none"> • A profound knowledge, including an understanding of a system, statistics, and psychology, is required for the achievement of quality
7	Focus	<ul style="list-style-type: none"> • Create an organization that is committed to continuous improvement

It was inspired by a small group of quality experts, the most prominent of them being W Edwards Deming.

Total: Quality involves everyone and all activities in the organization

Quality: Meeting customers' agreed requirements, formal and informal, at the lowest cost, first time every time.

Management: Quality must be managed.

TQM encompasses employees and suppliers, as well as the people who buy the organization's products or services. The goal is to create an organization committed to continuous improvement.

TQM emphasizes actions to prevent mistakes; quality control consists of identifying mistakes that may already have occurred.

4. Six Sigma

#	Fact	Description
1	Founded by	Motorola in the 1980s
2	What he studied	
3	Premise	<ul style="list-style-type: none"> • Six Sigma is a quality initiative that focuses on defects per million • The difference between potential and actual quality is waste
4	Problem he addressed	Designed to improve manufacturing processes
5	Limitations	
6	Belief	<p>Defined at 3 different levels at Motorola University:</p> <ul style="list-style-type: none"> • As a metric – 3.4 defects per million opportunities (DPMO) • As a methodology – business improvement methodology that focuses on: <ul style="list-style-type: none"> ○ Understanding and managing customer requirements ○ Aligning key business processes to achieve those requirements ○ Utilizing rigorous data analysis to minimize variation in those processes ○ Driving rapid and sustainable improvement to business processes • As a management system
7	Focus	<ul style="list-style-type: none"> • Focus on improving quality (reducing waste) by helping organization to produce products and services better, faster and more cheaply • Focuses on defect prevention, cycle-time reduction, and cost savings • Identifies and eliminates costs that provide no value to customers i.e. wasted costs

Learn: the South African excellence model

Six Sigma is a high performance system for implementing business strategy. It is a top-down solution to help organizations to:

#	Description
1	Align their business strategy to critical improvement efforts
2	Mobilize teams to attack high-impact projects
3	Accelerate improved business results
4	Govern efforts to ensure improvements are sustained

DMAIC:

#	Legend	Description
D	Define	Define the goals of the improvement activity
M	Measure	Measure the existing system
A	Analyze	Analyze the system to identify ways to eliminate the gap between the current performance of the system or process and the desired goal. Statistical tools should be used.
I	Improve	Improve the system. Use statistical methods to validate the improvement
C	Control	Control the new system

Six Sigma Roles and Responsibilities:

#	Legend	Description
1	Champions	High-level individuals who understand Six Sigma and are committed to its success
2	Sponsors	Owners of processes and systems who help initiate and coordinate Six Sigma improvement activities in their areas of responsibility
3	Master Black Belt	Highest level of technical and organizational proficiency: provides the technical leadership of the Six Sigma programme
4	Black Belt	Technically oriented individuals held in high regard by their peers. Actively involved in the process of organizational change and development.
5	Green Belt	Six Sigma project leaders capable of forming and facilitating Six Sigma teams and managing Six Sigma projects from concept to completion

5. The Learning Organization

Senge's 7 Organizational Learning Disabilities:

#	Disability
1	The delusion of learning from experience
2	Generative learning cannot be sustained in an organization if employees' thinking is dominated by short-term events. A short-term inclination prohibits creative learning
3	The myth of teamwork
4	"I am my position": when people in organizations focus only on their jobs, they have little understanding of and sense of responsibility towards the results produced when all jobs interact
5	The enemy is out there
6	The illusion of taking charge: often proactiveness is reactiveness in disguise. True proactiveness comes from seeing how we contribute to our own problems
7	The parable of the boiled frog

Senge's 5 disciplines that enable us to overcome these disabilities and create new futures for the organization:

A process that enables an organization to adapt to change and move forward by acquiring new knowledge, skills and behaviors and therefore transform itself.

#	Discipline
1	Becoming committed to lifelong learning
2	Challenging one's own assumptions and generalizations about the organization and the world around it: this is essential to becoming a learning individual and a learning organization
3	Sharing a vision for the organization
4	Encouraging active dialogue in the organization
5	Promoting systems thinking: it is vital that these disciplines develop as a unit

6. Re-engineering

#	Fact	Description
1	Founded by	Hammer and Champy
2	What he studied	
3	Premise	<ul style="list-style-type: none"> ● Re-engineering considers the entire organization, including its suppliers and customers ● It involves a significant reassessment of what a particular organization is all about ● It entails a fundamental reappraisal of the way that organizations operate
4	Problem he addressed	
5	Limitations	
6	Belief	<p>The following 6 conditions are vital for successful re-engineering:</p> <ol style="list-style-type: none"> 1. Powerful external forces for change should make change inevitable 2. Vigorous backing from top management 3. Focus on the process improvements that customers really care about and are willing to pay for 4. Thorough knowledge of the needs for customers is essential 5. All major departments effected by the process(es) should be represented on the team 6. Changes in HR programmes and IT should be closely coordinated with the re-engineering effort
7	Focus	<p>Re-engineering is constant and relentless in its focus on integrating 4 key drivers:</p> <ol style="list-style-type: none"> 1. People 2. Process 3. Technology 4. Infrastructure

CURRENT AND NEAR FUTURE MANAGEMENT REALITIES

- The new source of sustainable competitive advantage available to organizations has people at its centre- their knowledge, creativity, and talent
- Capital and technological advantages can be emulated by competitors, but the human asset is intangible and very difficult to imitate

The fact that the new competitive advantage lies in the human assets of organizations poses unprecedented challenges to the modern manager. Managing this source of competitive advantage requires that managers thoroughly grasp:

- How the current and near-future environments differ from previous ones
- How today's organizations differ from previous ones
- The impact of both of the above on management

Corruption is a major problem in Africa, it undermines development by:

- Raising transaction costs
- Increasing uncertainty
- Promoting bribery
- Often results in capital outflows as this money is forwarded to foreign bank accounts

The types of environments

#	Environment	Description
1	Evolutionary	<ul style="list-style-type: none"> • Predictable • Change gradually which makes it possible to predict trends
2	Revolutionary	<ul style="list-style-type: none"> • Unpredictable • Drastic change aka <i>discontinuous change</i> • Forecasting becomes impossible in these types of environments

Scenario development is the visualization of alternative futures.

Other types of management:

#	Type of Management	Description
1	Cross-boundary management	Managers need to be able to assess the implications of their decisions on different people, processes, systems, and so on that make up the organization
2	Interim management	<ul style="list-style-type: none"> • Ensuring that the best manager manages specific projects • This means that the workforce of organizations will be in constant flux (it is also known as transient or journey management)