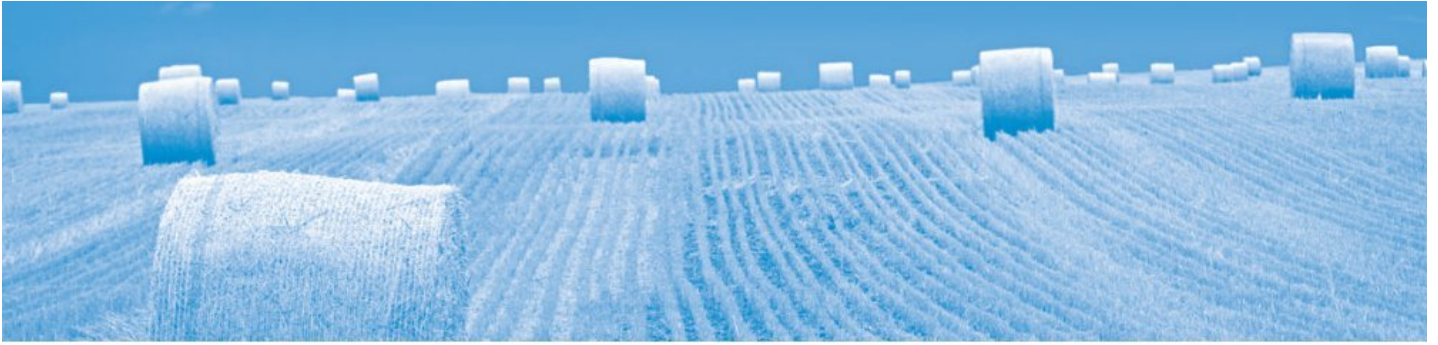




CHAPTER 1

DEVELOPMENTS IN MANAGEMENT THEORY 1910–2000

Key Concepts

- Bureaucracy
- Classical approach to management
- Systems theory

Learning Outcomes

Having read this chapter, you should be able to:

- recall the classical approach to management
- identify what is meant by the bureaucratic form of organization
- explain the fundamental idea behind the human relations approach to management
- discuss the application of systems theory to business
- discuss modern approaches to management in terms of effectiveness and efficiency

1.1 INTRODUCTION

1. Prior to discussing the ‘developments in management theory’ we ask, what is management theory? First, let us consider what is meant by the term a theory. A theory can be a well-substantiated explanation, accepted knowledge, a collection of concepts, an expectation of what should happen or should be, an acceptable general principle or body of principles explaining phenomena, a particular conception or view of something to be done or of the method of doing it and a system of rules or principles. Theories help us to understand causes and relationships. However, theory is generally speculation. This book is about theory and practice and we may draw a distinction between the two – the former is more about a proposed explanation – in some cases theory can be thought of as a model of reality – whilst the latter is more about action, translating an idea into action – engaging in an activity. Theories are analytical tools for understanding, explaining, and making predictions about a given subject matter. In our case, that subject matter is management within the context of organizations.

2. Briefly, and for now, we may think of management as the act of getting people and transformational resources together to accomplish desired goals and objectives – management comprises planning, organizing, resourcing (encompasses the deployment and manipulation of human, financial, technological, and natural resources), leading or directing, and controlling an organization; since organizations can be viewed as systems, management can also be defined in terms of design. A more thorough explanation of what is meant by the term management is developed in the next and subsequent chapters. For now we note that there are many management theories which will be outlined in this chapter and discussed further in the remaining Part One of this book. Management theories, or approaches to management, tend to be clustered and several major categories are recognized (see Figure 1.1). Collectively, each contributes to our overall understanding of management.

3. The earliest contributors to our understanding of management theory included practising managers as well as social scientists. More recent theorists have tended to be academics or management consultants. The early theorists can be divided into two main groups – the practising managers, such as Taylor and Fayol, and the social scientists, such as Mayo and McGregor.

4. The practising managers tended to reflect upon, and theorize about, their personal experiences of management with the object of producing a set of rational principles of management which could be applied universally in order to achieve organizational efficiency. The resultant ‘theories’ of management were concerned primarily with the structuring of work and organizations, rather than with human motivation or organizational culture, for example. The label generally ascribed to these theorists is ‘Classical’, or, in some cases, ‘Scientific Managers’. Their

FIGURE 1.1 Management theory – the building blocks



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approaches were generally prescriptive, i.e. they set out what managers ought to do in order to fulfil their leadership function within their organization.

5. The social scientists, by contrast, were academics, whose starting point was research into human behaviour in the workplace. At first most of their studies were also linked to concerns about efficiency, including the effects of physical working conditions on employees. Subsequent theorists were more interested in the human factor at work, and thus concentrated their attention on issues such as employee motivation, interpersonal communication and leadership style. Their focus was as much on individual satisfaction as on the efficient use of resources. Typical labels that have been assigned to these early social scientists include 'Human Relations Theorists' and 'Social Psychological School'. They were concerned primarily with social relationships and individual behaviour at work.

6. Another group of social scientists, whose work was grounded in the idea of organizations as social systems, produced a more comprehensive view of the behaviour of people at work, based on the interaction of a number of variables, such as structure, tasks, technology and the environment. Later theorists of this school were given the label 'Contingency Theorists', since their ideas were based on what was appropriate in given circumstances, i.e. Where the effect on people of one variable was contingent on its relationship with one or more others.

7. Towards the end of the 20th century, business management came to consist of branches, such as: human resource management, operations management or production management, strategic management, marketing management, financial management and information technology management – responsible for management information systems. Theorists of management, such as Mintzberg, Porter, Peters and Moss Kanter, adopted a strategic perspective, involving several key organizational factors. These have embraced such factors as organization mission, vision, culture and values, organizational structure, leadership, the external environment, and customer satisfaction (including both internal as well as external customers). Not surprisingly, these approaches build on the work that has gone before. They generally adopt a comprehensive view of organizations, and in many ways may be regarded as modern exponents of contingency theory. Their concern has been to predict which conditions are the most likely to produce organizations capable of meeting the competing demands of their various stake-holders. The contribution of the academics among them has been more objective than that of the management consultants (e.g. Peters), who are inclined to be prescriptive in their approach.

8. Complementing the work of Porter and others, who looked for means to attain competitive (and sustainable) advantages by focussing on the organizations' external environment – competitive positions/ positioning perspective – scholars such as Barney turned to the internal environment, developing a perspective on strategy that emphasizes the importance of capabilities (sometimes known as core competences) in determining sustainable competitive advantage.

9. In the 21st century scholars and practitioners find it increasingly difficult to subdivide management into functional categories. As an alternative, people think in terms of the various processes, tasks and objects subject to management.

1.2 CLASSICAL THEORIES

10. The **classical approach to management** was primarily concerned with the structure and activities of formal, or official organization. Issues such as the division of work, the establishment of a hierarchy of authority, and the span of control were seen to be of the utmost importance in the achievement of an effective organization. The two greatest exponents of classical theories were undoubtedly Henri Fayol (1841–1925) and F.W. Taylor (1856–1915). Between them these two practising managers laid the foundations of ideas about the organization of people at work and the organization of work itself. At first these ideas were developed

Classical approach to management The organization is thought of in terms of its purpose and formal structure and this approach aims to identify how methods of working can improve productivity. Emphasis is placed on the planning of work, the technical requirements of the organization, principles of management and the assumption of rational and logical behaviour