Principles of Management Prof. Usha Lenka Department of Management Studies Indian Institute of Technology, Roorkee

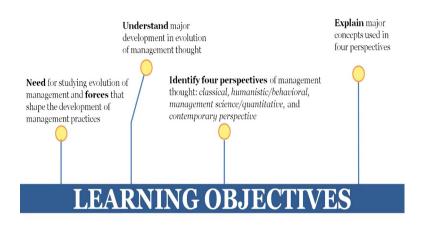
Lecture – 05 Evolution of Management – I

(Refer Slide Time: 00:28)

CONTENTS Learning objectives and outcomes Need for studying evolution of management Forces inducing change in management practices Four perspectives to study management history Classical perspective Behavioral/Humanistic perspective Quantitative/Management Science perspective Contemporary perspective

We will discuss today Evolution of Management. The learning objectives are: need for studying evolution of management, forces inducing change in management practices, perspectives to study management history— classical perspective, behavioral or humanistic perspective, quantitative or management science perspective, and contemporary perspective of management.

(Refer Slide Time: 00:46)



Learning Objectives are: Need for studying evolution of management and forces that shape the development of management practices. Understand major developments in evolution of management thought. Identify four perspectives of management thought: classical, humanistic, behavioral, management science or quantitative, and contemporary perspectives. Explain major concepts used in four perspectives.

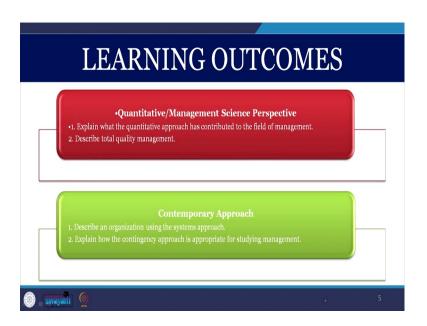
(Refer Slide Time: 01:14)



The learning outcomes are: historical background of management. Explain why studying management history is important. Describe some early evidences of management

practice. Classical approaches: describe important contributions made by Frederick Winslow Taylor and Henry Fayol. Discuss Mary Parker Follett's and Weber's contribution to management theory. Behavioral or humanistic perspective: describe the contributions of early advocates of humanistic approach. Explain contributions of Hawthorne studies in the field of management.

(Refer Slide Time: 01:51)



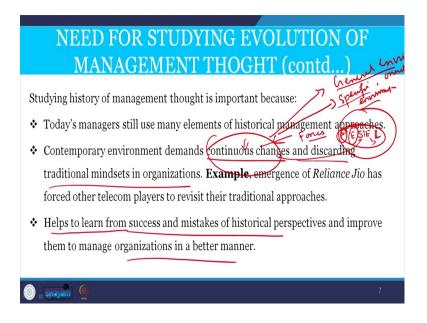
Quantitative or management science perspective: Explain how quantitative approach has contributed to the field of management. Describe total quality management. Contemporary approach emphasizes on describing organizations as a system. Explain how contingency approach is appropriate for studying management.

(Refer Slide Time: 02:15)

NEED FOR STUDYING EVOLUTION OF MANAGEMENT Studying history of management thought is important because: Assess current business activities in perspectives of history of management. Provides broader way of thinking, a way of searching for patterns of similarities and difference in management theory across time period. Evaluating new new management techniques. To know the relationship of evolution of management perspectives with contextual factors.

So, the need for studying evolution of management. Studying history of management thought is important. Assessing current business activities in perspectives of history of management provides broader way of thinking, a way of searching for patterns and similarities and differences in management theory across time period, evaluating new management techniques, to know the relationship of evolution of management perspectives with contextual factors.

(Refer Slide Time: 02:43)



Today's manager still uses many elements of historical management approaches. Contemporary business environment demands continuous changes. The business environment has changed; however, the management practices are still carried forward. Some practices continue and some practices are discarded.

So, as we learnt in the fundamentals of management, management is a process of creating a conducive environment for attaining goals. So, the focus is on attaining goals—qualitative as well as quantitative goals. The focus of management is efficiency and effectiveness. Efficiency is optimum utilization of resources; effectiveness is attainment of goals on time.

However, the fundamental definition remains the same. There are several additions to the management concept over a period of time. So, in this chapter, we will be learning what is the relevance of the history of management in building the new management concepts.

Contemporary environment demands continuous change. The changes in the business environment are because of external factors. The forces in the business environment are due to political, economic, legal, socio-technical forces, legal forces, environmental forces, and so on.

So, technological forces have influenced business organizations and the business organizations are evolving over a period of time. As a result of the forces which have created an internal urge for change in the internal organizational environment and discarding traditional mindset in organizations.

For example, there are several companies which have traversed over a period of time and their goals have changed with the crisis created in the external environment due to the PESTEL forces, PESTEL factors in the general environment and the competitiveness in the internal competitiveness, in the specific environment of the business.

So, there are two factors which influence organizations. One is the factors in general environment; the factors in general environment and forces in specific environment. What is a general environment? A general environment consists of political factors, economic factors, socio-demographic factors or social factors, technological factors, economic factors, environmental factors, and legal factors.

These forces have influenced the business environment. The political factors, because there are several examples of the political inferences: there is a shift in the goal of business organization. There are several factors like the social factors which have also influenced the business organizations to adopt a different business model.

So, discarding traditional, which have resulted in a shift from the traditional mindsets towards a new business model. So, it helps to learn from the success and mistakes of historical perspectives and improve them to manage organizations in a better manner.

So, if the organizations have learnt lessons from the past, then they can carry forward the transitions which have happened in the organization, in the strategy, in the structure, and the entire system of organization and they can adapt to the new business environment.

The specific factors in the business environment: in a particular industry, there are several forces which directly influence the business organization like the nature of competition. The changing preferences of customers, the threat from substitute products, and intense rivalry within the industry. These forces have also influenced the nature of organization the business model of organizations.

So, these are factors which have led us to understand why there is a need to relate to the traditional business models to need to know about the evolution of management thought.

(Refer Slide Time: 07:30)



Studying history does not mean arranging events in chronological order. That means, we are not just trying to know what is the chronological event or chronological order in which these theories have evolved over a period of time, it means, developing understanding of the impact of external forces on organizations.

So, conclusively what we can say is that understanding the evolution of management is important, as it will help us to evaluate the current practices which have been adopted in the organization as well as develop an understanding of the impact of external forces on organizations in the past.

Daniel Wren in 1979 examined social, political and economic forces which have influenced organizations and the practice of management: social forces, political forces, and economic forces.

(Refer Slide Time: 08:32)



Let us understand each of them in more details. What is a social force? Social force refers to those aspects of a culture that guides and influence relationship among people. What is the definition of a culture? It is a shared value, belief, norms, which guide behaviour and action of individuals in a particular community.

So, these factors influence relationship among people, and as we know, the very definition of organization is a group of people working towards a common goal in a well defined structure. So, the social relationship in the workplace influences their

performance, the output of the organization. The overall performance depends on the social relationship.

So, social factors have an influence on shaping the relationship between people. It leads to social contract. Social contract is basically the unwritten common rules and perceptions about relationship among people and between employees and management.

So, when we are discussing about a group of people working in the organization, it is not necessarily the people in the organization in the same level or same managerial level. Relationship within organization could be between the management and the employees, between the workers and the management, and amongst employees themselves.

So, there are different hierarchical positions which managers hold. In these different positions, there is an interdependence of roles. So, at times, there are various conflict within employees. There could be issues of ego or personality clashes. So, in order to maintain harmonious relationship, there is need to give emphasis on social contract.

So, social forces refer to those aspects of a culture that guide and influence relationship among people. Example is the changing attitude, ideas and values of Generation X and Generation Y employees. In traditional organizations the people were having a different set of values

In the modern organizations there is a different set of values which people exhibit. Norms are completely different which guides their behavior. The reason is there has been an evolution with some changes in external forces.

If we can categorize the demographics, the workforce demographics people can be categorized in different generations. Every 5 years there is a generation. So, the overall categorization if you can form is baby boomers, Generation X, veterans, Generation Y, and Generation Z.

So, they are categorized as centennials, millennials and so on. Each generation has a different need to satisfy themselves. Each generation has a different value system. They have a different ideology. So, no generation is similar.

So, generational cohort is a social factor which influences the way management is defined. So, Generation Y employees are called millennials are not hesitant to question

their superiors and challenge the organizational status quo. There is a contextual factor behind how the generations have been shaped.

The veterans were people who were self satisfied. They were satisfied with what has been given by organization, what provided by organization. They did not seek for monetary rewards. So, they had a different set of relationship between the management and the employees who were working at that point of time.

After that there was a, say, veterans, baby boomers. The baby boomers had a different sets of value systems; and then came the Generation X, Generation Y, Generation Z and so on.

(Refer Slide Time: 13:28)



Political factors refer to influence of political and legal institutions on people and organizations. There are several examples of impact of political forces or legal institutions on how management or how organizations have behaved. The political forces include basic assumptions underlying the political system such as desirability of self government, property rights, contract rights and definition of justice.

Let us take an example of the shift of the TATAs Singur plant from West Bengal to Gujarat. Legal institutions mandatory employment of say 3 percent reservation, there is a legal factor behind our political and legal issues which bind organizations to give

employment to people with disability, employment to people from certain sections of society so, which has to be mandatory on organizations to incorporate.

Example, the spread of indigenous production globally, Make in India, has dramatically altered the business landscape. Indigenization or adoption of indigenous production globally or Make in India has also dramatically altered the business landscape.

(Refer Slide Time: 14:56)

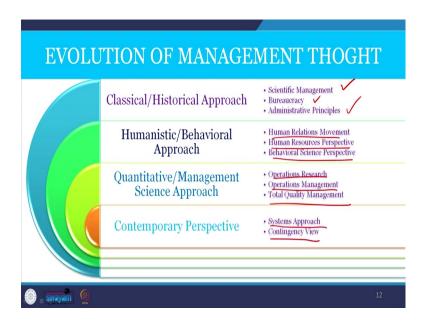


Economic factors: Economic forces refer to production and distribution of resources in society. Contemporary economy is based on much of the intangible assets like ideas, information and knowledge, as it is on tangible or material resources. Earlier the definition of the organizations emphasized on creating surplus through profit maximization by optimally utilizing the inputs or optimally utilizing resources.

Resources were land, capital, machinery and labour. However, the definition has changed over a period of time. Now, it is an information era. Information and knowledge economy not only optimize the labour, but now the definition of labour is knowledge transformation of the business through knowledge power. Knowledge is the power; knowledge and information edge are the power of the business.

So, example; booming importance of small and midsized business including startups require changing traditional management practices meant for large companies.

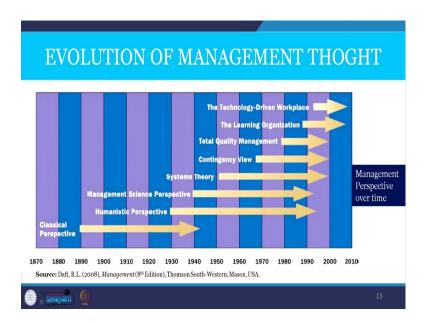
(Refer Slide Time: 16:24)



So, evolution of management thought: classical historical approach, there are three categorizations; scientific management given by Frederick Winslow Taylor, bureaucracy by Max Weber and administrative principles of management. Humanistic or behavioral approach: human relations movement, human resource perspectives, behavioral science perspectives.

Quantitative management emphasizes on Operations Research (OR). These are adopting scientific methods of optimizing performance, operations management, total quality management. Contemporary perspective focuses on systems and contingency view.

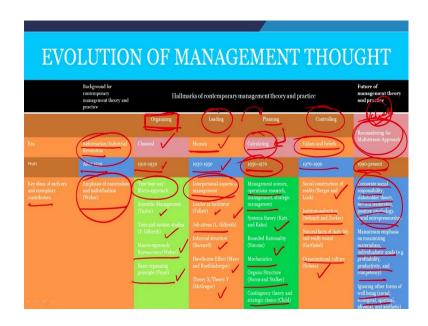
(Refer Slide Time: 17:07)



Let us look at how the management theory management thought have evolved over a period of time with an emphasis in each era. Year 1970s to 1940s was the era of classical perspectives of management. 1900s to year 1990 was of era of human perspective of management.

Then 1900s or little prior to that, management science perspectives till 1990, systems perspectives came into being from 1930s onwards, 1950s and so on. Contingency theory, total quality management, learning organization, and technology driven workplace.

(Refer Slide Time: 17:51)



If we relate it with the era, how these themes have evolved over a period of time? The hallmark of contemporary management theory and practice, we will relate it with the management functions; management functions of organizing, leading, planning, controlling.

So, relating the evolution from the background or from the contextual factor, how they have evolved over a period of time, the key idea of each era, and exemplary contributions of each era will be discussed. The concept of management started with Industrial Revolution. The classical theory of management was proposed in the year 1910 to 1930.

Then in the Industrial Revolution, after classical theory came, the human relations movement which persisted from 1930 to 1950 further the focus was on calculations or mathematical use in management or quantitative approach of management from 1950s to 1970s.

Then the focus was on values and beliefs and later on the entire concept of management has changed. Now, the focus has shifted from profit maximization to value creation, concern for equity, social justice, empowerment and ecological safety. So, value creation for stakeholders.

There is a shift from mainstream to multi stream approach. Mainstream approach emphasized on profit maximization. The key ideas of each era: Industrial Revolution after 1530s, the emphasis was on materialism and individualism; maximum individualism or materialistic approach.

In the year 1910 to 1930, there was focus on one best way or micro approach to management. Then focus shifted towards scientific management theory. Time and motion studies by Lillian Gilbreth, macro approach: bureaucracy by Max Weber, basic organizing principles by Henri Fayol human relations. So, all these theories by Taylor, Gilbreth, Weber, and Fayol were more or less focused on organizing tasks. Their focus was on how to organize tasks.

Then the focus shifted towards human relations movement. From 1930s to 1950s, interpersonal aspect of management was given emphasis. Leader was considered as a facilitator. This concept was given by Mary Parker Follett, Job Stress, Lillian Gilbreth,

informal structure by Chester Bernard, Hawthorne studies: Hawthorne effect was given emphasis by Elton Mayo and Berge, Theory X and Theory Y by McGregor.

So, the major focus of this human relations perspective was how to lead a group of employees. The people who are working in the organization has to be lead effectively through communication, motivation, reducing job stress, interaction and communication. So, emphasis on group dynamism motivation, motivating people to work through communication, rewarding them, recognizing their contribution was given emphasis.

The shift has moved towards planning stage where the emphasis was on use of quantitative approach or management science approach in management. Management science approach emphasizes on calculations. The emphasis is on a scientific method of management. 1950s to 1970s was the era of scientific management or the management science operations research, strategic management was given emphasis. Systems theory proposed by Katz and Kahn.

So, there is much emphasis on rational approach to management decisions; mechanistic approach to management, organic structure or contingency theory and strategic choice. The next movement is towards controlling or values and beliefs. 1970s to 1990s social construction of reality; the Social Construction of Reality Berger and Luck, institutionalization by Selznick and Zucker, natural factors, facts of daily life and organizational culture.

So, these values and beliefs are guiding management principles and thought. Future of management has moved towards 1990s and present. The reconsidering for multi stream approach; multi stream approach which emphasizes on human values or humanistic, human values, the concern for stakeholders or stakeholder engagement approach.

It is a win-win approach of all the people, of all stakeholders who are associated with the organization. 1990s to present is an era where the organization does not only focus on profit maximization, but has moved towards a winning or value creation for all the stakeholders as well as emphasis on profit.

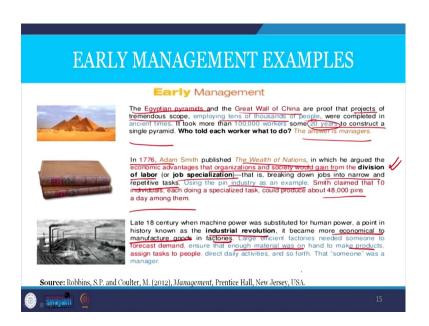
So, profit concern for planet and concern for human values, humanistic psychology or positive psychologist approach has started receiving more emphasis. Corporate social

responsibility, stakeholder theory, servant leadership, positive psychology, social entrepreneurship has been given much emphasis on.

Mainstream management focused on profit maximization or it emphasized on individualistic or materialistic approach. That means the prime concern of business organizations was to earn profit out of the optimum utilization of resources.

So, the organizations had adopted an individualistic approach with prime concern on profitability, productivity and competency. Productivity, profitability and competency, ignoring the other well beings of social, ecological, spiritual, physical and aesthetic.

(Refer Slide Time: 25:14)



Early management examples: if we look at Egyptian pyramid, what is a reason behind the evolution of management, why people have emphasized on learning about management principles and practices?

If we take some examples of Egyptian pyramid or some of the late 80s Industrial Revolution, if we just take examples Egyptian pyramids and the Great Wall of China are examples of the projects that took tremendous time, tremendous scope, employing tens of thousands of people, were completed in ancient times. It took almost 10000 workers or and some 20 years to construct a single pyramid.

So, who told each worker what to do? The answer is managers of course. So, there were some groups of people who were behind the completion of the projects, but there are a

large number of people involved and the time was two that there was they spent 20 years in completion of the projects.

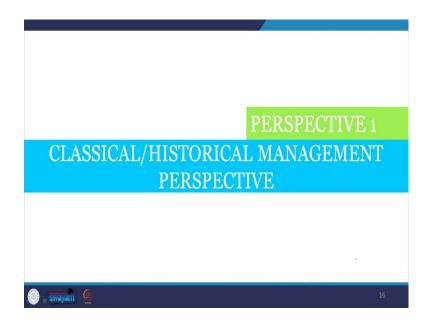
Today a large number of resources are used, but there is emphasis on optimum utilization of resources and there is also adoption of scientific principles of management. Scientific methods of management, mathematical methods of management. There is no intuition based management; however, there is a efficient and effective methods of management is being adopted.

In 1776, Adam Smith published *The Wealth of Nations* in which he argued the economic advantages that organizations and society would gain from the division of labor. Adam Smith adopted job specialization. He emphasized on division of labor that is breaking down the jobs into narrow and repetitive tasks.

Using the pin industry as an example, Smith claimed that individuals each doing a specialized task could produce about 48000 pins a day among them. Late in 18th century, machine power was substituted for human power. A point of history called as Industrial Revolution, became more economical to manufacture goods in factories.

Large efficient factories needed someone to forecast demand, ensure enough materials was on hand to make products, assign tasks to people direct, daily activities and so forth that someone was a manager.

(Refer Slide Time: 27:51)



Perspective 1, classical historical management.

(Refer Slide Time: 27:59)



So, the early study of management began with what is now called the classical perspective or historical perspective of management. Classical perspective emerged during the 19th and early 20th century. A management perspective emphasized on rational scientific approach to the study of management and sought to make organizations efficient operating machines.

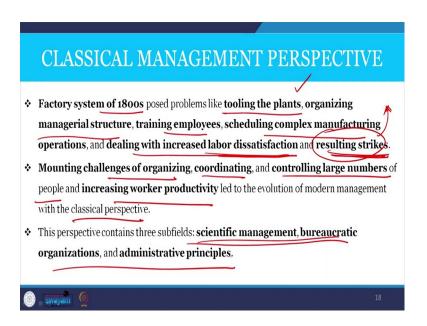
This perspective contains three sub fields: scientific management, bureaucratic organizations and administrative principles. There are three things which are emphasized in the scientific management. One is rational approach. Use of a logical approach rather than intuition-based management. Rational or judicious approach to optimally utilize resources.

If a construction is being done how many people would be used for construction; how many people would be used in a particular project; what would be the amount of investment made in the project; optimally utilize the resources man, machine, manpower to attain the objectives on time.

Scientific methods of selection of people based on their competency, allocation of roles and responsibilities as per efficiency or their capability. The management it efficient operating machines selection of operating machines selection of techniques tools which are in synchronous or the efficient operating machines which would be used for a particular operation for a particular task.

The perspectives of scientific management, bureaucratic management and administrative principles are the major contributions of classical management perspective.

(Refer Slide Time: 30:18)



Factory systems of 1800s posed problems like tooling the plants, organizing managerial structure, training employees, scheduling complex manufacturing operations, dealing with increased labor dissatisfaction and resulting strikes.

The reason behind this classical management perspective or scientific management concept or Frederick Taylor's scientific principles of management is the contextual factor behind the organizations at that time. As we learned organizations perspective have also changed over a period of time.

Organizations in the year of 1800s were perceived to be like machines and people were considered to be tools and managerial approach was top-down management approach.

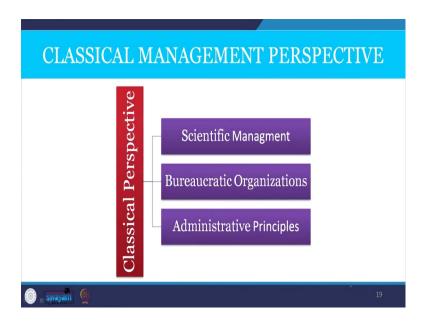
With the power centered in top management, with the top management there was the management perspective or perception was organization is like a machine; where instructions can be given to employees and they will carry out the instructions without resistance and the input as well as the output can be controlled by managers.

So, the entire organization was like a machine. Organizing managerial structures, managerial structures, emphasis on training, scheduling complex manufacturing operations, dealing with increased labor there was more dissatisfaction with the labor. So, dissatisfaction as a result which employees which led to declining performance.

There were too many strikes. Mounting challenge of organizing: the management face challenges of organizing, coordinating and controlling large number of people increasing worker productivity. The emphasis was on improving productivity.

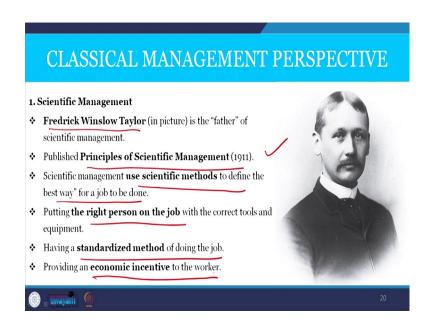
The managers were least concerned about this level of satisfaction of employees motivating workers. And so, this led to productivity decline, there lead to be large number of or say, due to dissatisfaction. Dissatisfaction resulted in strikes. So, the organization or the performance declined scientific management, bureaucratic and administrative principles started gaining more importance.

(Refer Slide Time: 33:07)



Classical perspective include scientific management, bureaucratic organizations, administrative principles.

(Refer Slide Time: 33:09)



Let us just discuss about what is contribution of classical management perspective. The father of scientific management is Frederick Winslow Taylor. He published *Principles of Scientific Management* in the year 1911.

Scientific management: the use of scientific methods of management to define the one best method to or best way for a job to be done, putting the right person on the job with correct tools and equipment, having standardized method of doing job, providing economic incentives to the workers. So, with this we get to know that there are several steps of scientific management.

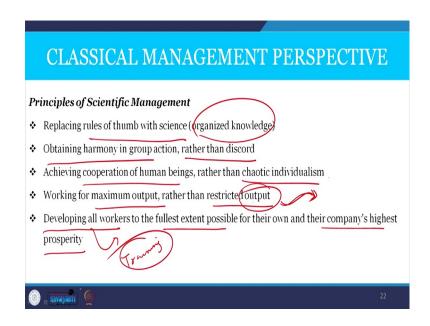
(Refer Slide Time: 33:56)



Develops science for each element of the job to replace old rule of thumb. What is old rule of thumb? Earlier management managers emphasized on intuition-based decision making, but scientific method of selection of employees was not given much emphasis.

Scientifically select employees and then train them on the job as described. Supervise employees to make sure to follow the prescribed methods of performing their jobs, continue to plan for work, but use workers to get job done. So, these steps have been adopted in scientific management.

(Refer Slide Time: 34:43)

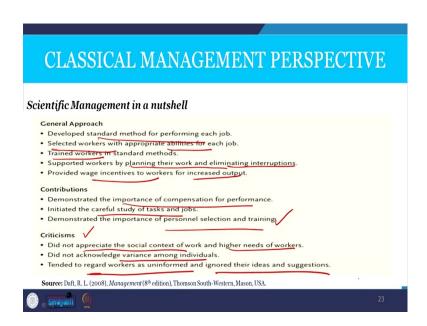


The principles of scientific management are replacing old rules of thumb with science that means, there is emphasis on organized knowledge. Organized methods of knowledge obtaining harmony in group actions. More focus is given towards group harmony or group action rather than creating discord or conflict. Achieving cooperation of human beings, cooperation among workers rather than creating chaotic individualism.

So, slowly individualism is replacing collectivism in the workplace. Working for maximum output rather than restricted output. Of course, the focus of management, the managers have been to increase output. Increase or the focus has been always on output. Developing workers earlier there was no emphasis on developing workers or giving or training workers.

Developing workers to the fullest extent possible for their own and the company's highest prosperity as the managers emphasized on not restricting the output, but increasing output. So, output can be increased by optimally utilizing resources. So, the capacity of resource is need to be increased. So, therefore, development of workers or emphasis on training was given importance in scientific management.

(Refer Slide Time: 36:13)



In general, scientific management approach developed standard methods of performing each job, selected workers with appropriate abilities, trained workers in standard methods, supported workers by planning for their work. So, emphasis was given on planning and eliminating interruptions, providing wages incentives to workers and emphasis on increased output.

Contribution is demonstrated the importance of compensation and careful study of tasks and job, demonstrated the importance of personnel, selection of employees and training. However, there are some critics or criticisms of classical management.

Or scientific management did not appreciate the social context of work. And higher needs of workers did not acknowledge variance among individual workers and tended to regard workers as uninformed, ignored their ideas and suggestions.

With this we would like to conclude the first half of the classical management which is scientific management theory proposed by Frederick Winslow Taylor.