

## 7 WHAT IS MANAGEMENT?

Business and therefore management too, is changing rapidly in a fast-moving global economy, and these changes are not going to slow down in the 21st century.

Full time jobs are in decline and lifelong employment is being replaced by short term contracts and series of tasks. There will be increasing demand for managerial skills on a project basis so more of us will have to learn to become effective managers.

It is important, however, to understand the background to this. All human societies depend on business activity to provide the goods they need. Despite the importance of business, however, it was only in the 20<sup>th</sup> century that analysts began the systematic study of business and management. In this chapter, we are going to look at some of the most important answers to the question: What is management?

### MANAGEMENT THEORIES

One of earliest thinkers on management was an American engineer called F. W. **Taylor**. He worked in a large steel factory in America. Taylor believed that the purpose of management was to increase efficiency. The good manager had to:

- increase productivity
- reduce costs
- increase revenue.

Taylor published an important book called *Scientific Management in 1911*. In this book, he argued that the secret of good management was to define the jobs that he had to be performed by factory workers. He studied the most efficient factory workers as they carried out various jobs. He observed very carefully the exact physical movements that they made when they were working. Then he trained the other workers in the factory to perform their jobs in the same way. Taylor's method was followed by other analysts. Some of these developed "scientific" procedures for selecting the best workers and introduced special payment schemes to reward productivity. Taylor's scientific management was very popular with factory managers but sometimes it could lead to problems with factory workers.

In Europe however, a different approach to management was suggested by Henry **Fayol**. He published an important book in 1916. He suggested that there were five essential managerial functions.

-Planning

-Organizing

-Commanding

-Co-ordinating

-Controlling

Fayol's theories of management were so important that most writers on management still accept these definitions of managerial functions.

Other approaches to management in the early years of the 20<sup>th</sup> century included the first attempts to use the new scientific theories of psychology. Hugo **Munsterberg**, for example, wrote a book called *Psychology and industrial efficiency* that was published in 1912. Munsterberg wanted to find out:

-how to match mental qualities with specific jobs

-the psychological conditions for maximizing output

-how an organization could increase its employees' output.

One very important study was carried out in the USA between 1924 and 1927. This began as a series of experiments at the Hawthorne plant of the Western Electric Company. The original purpose of the study was to find out how factory lighting system could affect worker productivity. The study consisted of increasing the lighting systems in some areas of the plant and decreasing it in others. George **Mayo** and his researchers made a very surprising discovery. They found that worker productivity increased in both areas of the plant. At first, they did not understand why this had happened. After further research, they decided that the presence of the researchers in the plant was responsible for the workers' increased productivity. They concluded that the workers felt that they were important because they were being studied by scientists. This made them work harder. The *Hawthorne effect*, as it is called, encouraged a significant area of management study: *the social effect of organizations on productivity*.

Scientific management had assumed that workers could be motivated to work harder by offering them more money. The Hawthorne studies showed that there were other factors that motivated workers, such as how managers treated them.

Before the 1950s' most writers on management were managers and businessmen. They wrote about their own experiences. Since then, most writers on management have been academics in universities. Studies of management have come from a wide variety of disciplines. Some of the approaches that have been developed are shown below

SITUATIONAL APPROACH		MANAGERIAL ROLES APPROACH	EMPIRICAL AND CASE APPROACH
		<b>MANAGEMENT</b>	
SYSTEM APPROACH	DECISION THEORY APPROACH	GROUP BEHAVIOUR APPROACH	INTERPERSONAL BEHAVIOUR APPROACH

The EMPIRICAL AND CASE APPROACH looks at management from the point of view of experience. It tries to understand why some managers fail, and why others succeed. The main disadvantage of this approach is that it does not result in the formation of principles of managements.

The INTERPERSONAL BEHAVIOUR APPROACH is also known as the human relations approach. It focuses on the psychological elements in management. It is concerned with issues like worker motivation and job satisfaction.

The GROUP BEHAVIOUR APPROACH is similar to the interpersonal behavior approach. It focuses on the psychological elements in group behavior. It is concerned with issues like group decision-making and social norms.

The DECISION THEORY APPROACH focuses on managerial decision-making. It studies the variety of ways in which manager take decisions.

The SYSTEM APPROACH focuses on the relationship between individual business and the outside environment.

The SITUATIONAL APPROACH examines the specific situations in which managers act. It argues that there is no best way to do something, because circumstances are always changing.

The MANAGERIAL ROLES APPROACH studies the actual behaviour of managers, in order to discover what they really do at work

### ACTIVITIES

#### 1) Which statement is correct?

- a) Taylor thought the job of managers was to increase efficiency
- b) Taylor thought the job of managers was to decrease productivity
- c) Taylor thought the job of manager was to reduce revenue

#### 2) Questions

- a) Why did Taylor observe the physical movement of the best factory workers?
- b) What did Taylor train the factory workers to do?
- c) Fayol defined managerial functions. What were they?
- d) Why was Munsterberg important to the development of management theory?
- e) What is the Hawthorne effect?

#### 3) Match the approaches to management in column A with the correct definitions in column B

A	B
Empirical case	Study of the behavior of managers at work
Interpersonal behavior	Study of the effect of situations on management
Decision theory	Study of the psychology of management
Situational approach	Study of how managers take decisions

Managerial roles	Study of management from the point of view of experience
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4) The words in the box all come from the text. Replace the underlined words in the sentences below with the correct word from the box

Plant    high-priced    output    goods    workers
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- a) Modern societies have a huge demand for products of all kind
- b) A multinational company requires many thousands of employees
- c) Not everyone in industry works in one factory
- d) Scientific management focused on the efficiency of the well-paid manual labourer
- e) Munsterberg was interested in discovering how to increase productivity