

# 2

## FOUNDATIONS OF MANAGEMENT THOUGHT

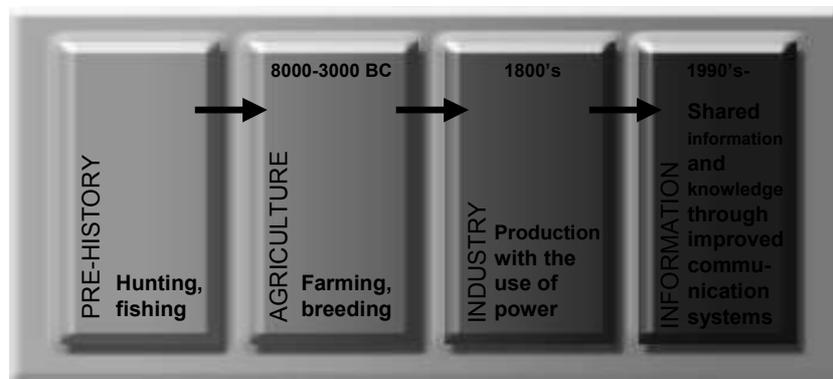
- 2.1 Historical forces shaping management
- 2.2 The classical era
- 2.3 The social person era
- 2.4 The modern era
- 2.5 Contemporary management paradigm
- 🌐 Discussion



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### 2.1 Historical forces shaping management

Changing world of work:



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## 2.1 Historical forces shaping management

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### Management before industrialization:

- Early civilizations ——— Sumerians Business records  
Babylon Code of Hamurabi  
Socrates Cooperation (dialog)  
Sun Tzu Art of War  
Alexander Separation of tasks
- The middle ages and the renaissance ——— The Church Job descriptions  
Europe Feudalism  
Pacioli Double-entry accounting  
Venice The arsenal  
Machiavelli Authority theory
- The rise of capitalism ——— Adam Smith Division of labor

## 2.1 Historical forces shaping management

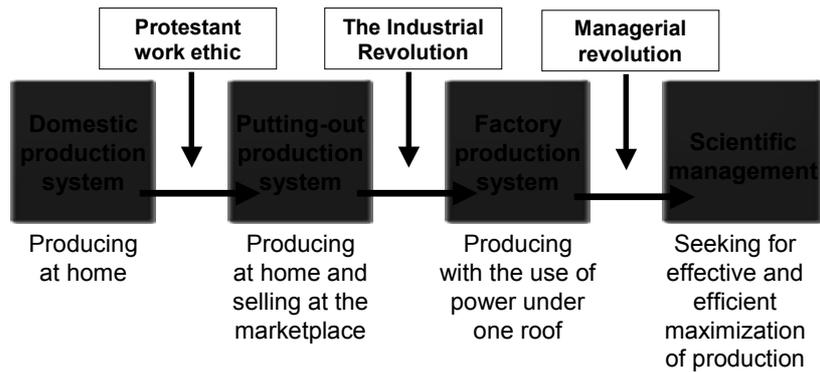
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### The **Industrial Revolution**...

- signifies the dramatic technological, socioeconomical and cultural changes,
- covers the period of the late 18th century through early 19th century,
- began in Great Britain and later spread throughout the world,
- caused by mechanization of the production as an outcome of inventions after the renaissance.

## 2.1 Historical forces shaping management

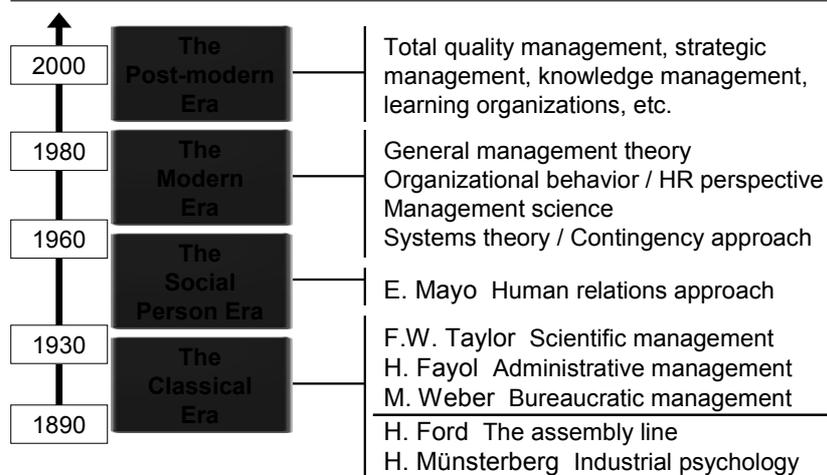
Prologue to scientific management:



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## 2.1 Historical forces shaping management



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## 2.2 The classical era

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### **Frederick Winslow Taylor** (1856-1915)

Father of the contemporary business management

- “Shop Management” (1903)
- “Scientific Management” (1911)
- Applied scientific methods to the work to achieve productivity through division of labor
- Separated manager – worker responsibilities



## 2.2 The classical era

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Taylor's ideas and opinions:

- Divide each job
- Develop a standard method to perform each job
- Select workers with appropriate abilities for each job
- Train workers in standard methods
- Support workers by planning to eliminate interruptions
- Provide wage incentives for increased output



## 2.2 The classical era

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### Contributions of **scientific management**:

- Demonstrated the importance of compensation for performance
- Initiated the careful study of tasks and jobs
- Demonstrated the importance of personnel selection and training
- Demonstrated the importance of harmonization, coordination and productivity

## 2.2 The classical era

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### **Henri Fayol** (1841-1925)

Pioneer of the general management theory

- “Administration Industrielle et Générale” (1917)
- Determined 14 general (and universal) principles of management
- Described five basic functions of the management process



## 2.2 The classical era

Fayol's six basic organizational activities:

<input type="checkbox"/> Technical	Production
<input type="checkbox"/> Trading	Purchasing and selling
<input type="checkbox"/> Financial	Supply and use of funds
<input type="checkbox"/> Accounting	Records
<input type="checkbox"/> Security	Protecting
<input type="checkbox"/> <b>Management</b>	Planning Organizing Commanding Coordinating Controlling

## 2.2 The classical era

Examples to Fayol's 14 principles of **administrative management**:

- Unity of command
- Division of work
- Unity of direction
- Scalar chain
- Esprit de corps



## 2.2 The classical era

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### **Max Weber** (1864-1920)

Pioneer of bureaucracy for industrial organizations

- “Die Protestantische Ethik und der Geist des Kapitalismus” (1904-1905)
- Stated that (German) companies should quit the patrimonial style to apply professionalism in management through the principles of bureaucracy



## 2.2 The classical era

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Certain aspects of **bureaucratic management**:

- Clear and official authority and responsibility
- Hierarchy of authority
- Formal selection and promotion
- Recordkeeping
- Separation of management and ownership
- Impersonal rules ensuring the reliable and predictable behavior of each individual

## 2.2 The classical era

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- |  |  |   |
|--|--|---|
| <input type="checkbox"/> Scientific Management     |  | Principles of production management<br><i>Taylor, Gantt, The Gilbreths, etc.</i>  |
| <input type="checkbox"/> Administrative Management |  | Principles of general management<br><i>Fayol, Follett, Barnard, etc.</i>  |
| <input type="checkbox"/> Bureaucratic Management   |  | Principles of organizational structure<br><i>Weber</i>  |
| <b>Classical management thought</b>                |  | <input type="checkbox"/> Productivity as a deterministic process<br><input type="checkbox"/> Human as a rational-economic person<br><input type="checkbox"/> Strict task/job descriptions<br><input type="checkbox"/> Division of labor and specialization<br><input type="checkbox"/> Manager's concern on formal structure<br><input type="checkbox"/> Authority given only to management |

## 2.2 The classical era

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Critics against the classical management thought:

- No appreciation of social context of work and higher needs of workers
- Not acknowledging the variance among individuals
- Regarding workers as uninformed and ignoring their ideas and suggestions

## 2.2 The classical era

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**Henry Ford**  
(1864-1920)

Pioneer of the  
assembly line  
manufacturing  
system



## 2.2 The classical era

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Certain aspects of Fordism as a socioeconomic system:

- Standardized production
- Centralized division of labor (Taylorism)
- Automated mass production
- Unqualified workforce
- Goods available to the middle-class

Assembly line → Overproduction → The Great Depression

## 2.2 The classical era

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### **Hugo Münsterberg** (1863-1916)

Pioneer of the industrial psychology

- “Psychology and the Industrial Efficiency” (1913)
- Proposed three concepts for harmonization of the human and the machine:
  - The best possible man
  - The best possible work
  - The possible effect



## 2.3 The social person era

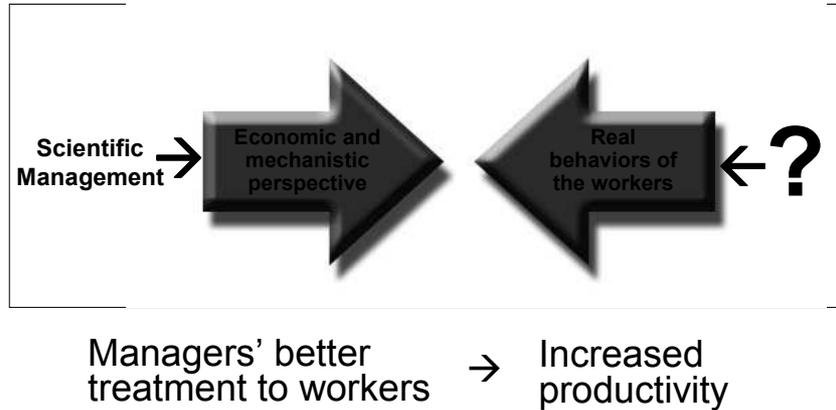
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### **The Hawthorne Studies** (1924-1932)

- Illumination experiments
- Relay assembly tests
- Mica-splitting group
- Interviews (Elton Mayo)
- Bank-wiring group

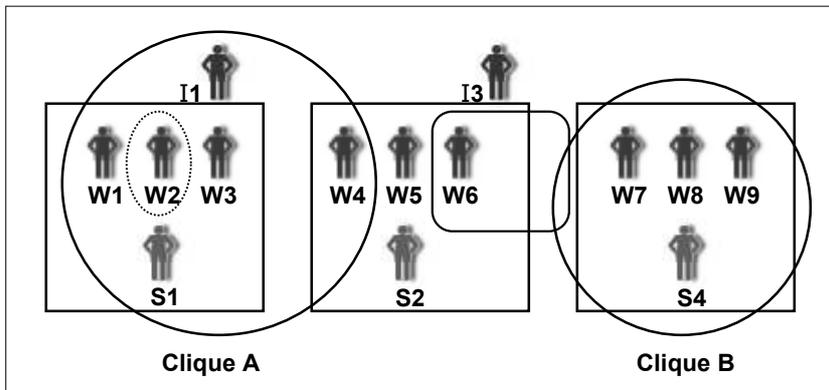


## 2.3 The social person era



## 2.3 The social person era

The bank-wiring group experiment:



## 2.3 The social person era

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Outcomes of the Hawthorne Studies:

- Organizations are social systems. Human and organization are interdependent.
- Productivity may be resulted due to human relations.
- Informal groups exist in organizations beside formal groups.
- The rational-economic person model is unrealistic, the social person model is valid in the organizations.

## 2.3 The social person era

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Further implications of the **human relations** approach to management:

- Productivity through job enlargement or rotation,
- Participation of workers to certain decisions,
- Emergence of “human resource management” and “behavioral sciences” fields.

## 2.3 The modern era

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Changing paradigm of **industrial humanism**:

### **Human relations**

- Workers need to belong and be recognized
- Managers should involve workers

### **Human resources**

- Workers need to contribute to decisions
- Managers should expand workers' responsibilities

## 2.3 The modern era

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### **Theories X and Y: (Douglas McGregor)**

#### **Theory X**

The average human being...

- dislikes work and will avoid it
- must be coerced and controlled
- prefers direction, wishes to avoid responsibility
- has little ambition
- wants security above all

#### **Theory Y**

The average human being...

- believes work is as natural as play
- prefers self direction
- will accept and seek out responsibility
- prefers to contribute through imagination and creativity

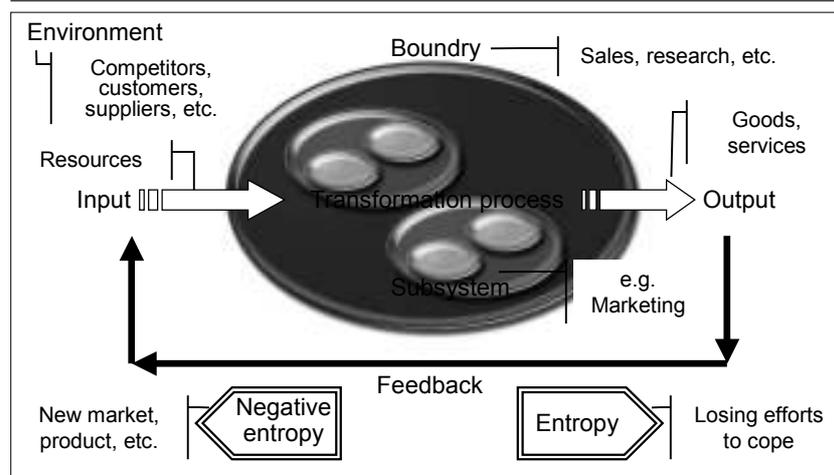
## 2.3 The modern era

A **system** is a set of interrelated parts that function as a whole to achieve common purpose.

Contributions of the **general systems theory** to management and organization:

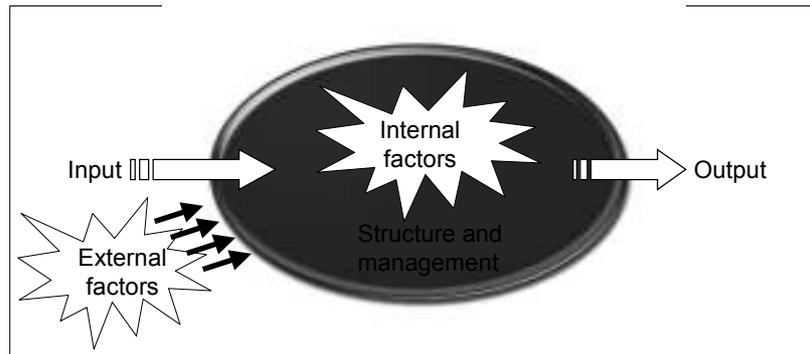
- Providing a perspective on organizations as open systems, surrounded by the environment,
- Analyzing the business functions as parts of the whole system,
- Realizing the importance of synergy.

## 2.3 The modern era



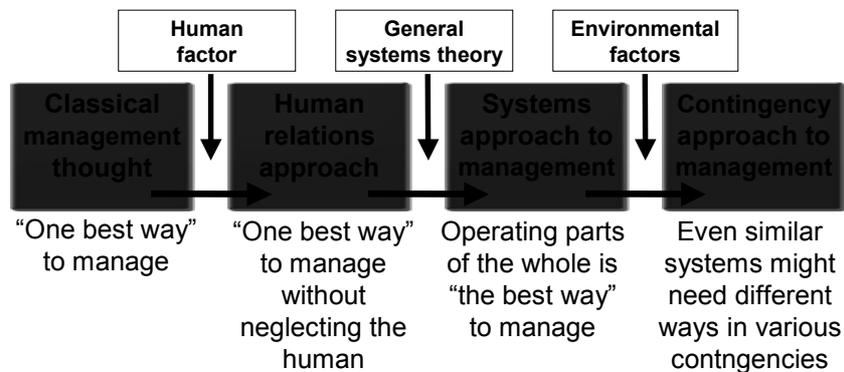
## 2.3 The modern era

**Contingency approach** refers to as the organizational structure and management are dependent on the situations and contingencies that the organization operates in.



## 2.3 The modern era

Core ideas throughout the evolution of management:



## 2.5 Contemporary management paradigm

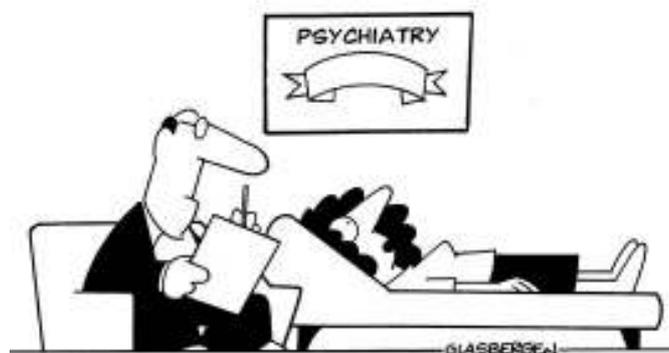
Old paradigm		New paradigm
Local	Markets	Global
Homogenous	Workforce	Diverse
Mechanical	Technology	Electronic
Stability	Values	Change
Profit	Focus	Customer
Maximum	Production	Quality
Autocratic	Leadership	Empowering
Strict hierarchy	Structure	Cross-functional
Competition	Relationship	Collaboration

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The manager manages the system or the system manages the manager?



"My grandfather was in management, my father was in management, and I'm in management... insanity runs in my family."

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# NEXT WEEK:

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**THE ENVIRONMENT  
AND MANAGEMENT**