

Lecture notes - Lecture 1

Why study management?

In our society, the work is done by individuals who work in all sorts of organizations. Organizations are everywhere: schools, businesses, state agencies, research institutions, etc.

Organization is a systematic arrangement of people to accomplish some specific purpose.

Organizations can be very different as well as purposes for which they exist, but there are three common characteristics of all organizations:

1. **purpose**– every organization has to have one, even though they can be very different. The purpose is typically expressed in terms of **goals**.
2. **people** – every organization is composed of people.
3. **structure** – consists of rules and regulations that define and limit behavior of members of an organization.

In this complex world, individuals can no longer achieve goals by themselves individually, but they need knowledge, skills and abilities of other people so that goals are achieved efficiently.

The concept of **efficiency** is vital in our lives. It refers to relationship between inputs and outputs. Since resources (inputs) are scarce, we must be concerned with efficient use of these resources, i.e. we must seek to minimize resource costs.

But it is not enough to be efficient. Efficiency is needed, but efficient behavior must lead to getting activities completed, i.e. must lead to achieve goals set forth. In other words, our behavior must be **effective**. Effectiveness means that goals are attained.

This means that efforts of individuals and groups of individuals (i.e. organizations) must be **managed** in one way or another. **Management is thus defined as the process of getting activities completed efficiently with and through other people.**

What is management?

The term management can be used in different meanings:

1. **process**: management is the process undertaken by one or more persons to coordinate the activities of other persons to achieve results not attainable by any one person acting alone.

The process consists of certain **functions**:

- a. **planning** = determining an organization's objectives and establish the appropriate strategies for achieving those objectives.
 - i. defining goals
 - ii. establishing strategy
 - iii. developing plans to coordinate activities.
- b. **organizing** = designing and developing an organization that will be able to accomplish the objectives; i.e. creating a structure of task and authority relationships that serves this purpose.
 - i. determining the tasks to be done
 - ii. determining how the tasks are to be grouped
 - iii. determining who is to do them (staffing)
 - iv. determining who reports to whom and where the decisions are made.
- c. **leading** = involves influencing the members of an organization to perform in ways that accomplish the organization's objectives.
 - i. motivating
 - ii. directing
 - iii. communicating
 - iv. resolving conflicts

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- d. **controlling** = making sure that the actual performance of the organization conforms with the performance that was planned and correcting any significant deviations.
 - e. **deciding** –
2. **people** = people who manage organizations. They are called managers and they engage in the process of management. When managing, i.e. when fulfilling management functions, managers perform ten different, but interrelated managerial roles:
- a. interpersonal roles
 - b. informational roles
 - c. decisional roles

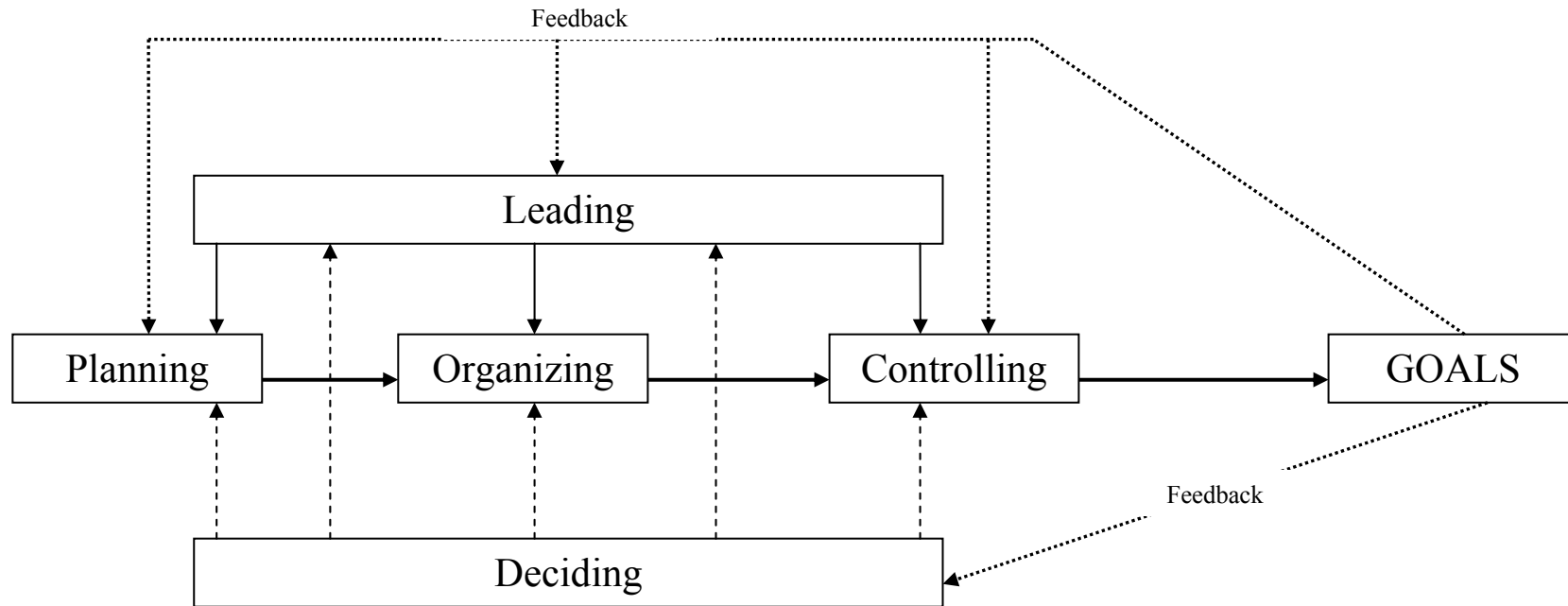
In order to be able to perform managerial roles, managers must possess and further develop certain critical skills. A skill is an ability or proficiency in performing a particular task. The possession of critical skills is one important precondition to being efficient and effective. Important managerial skills are:

- technical skills
- analytical skills
- computer skills
- communication skills
- human relation skills
- conceptual skills = systems thinking

Given the size of organizations and the level of complexity, managers must be specialized in order to be efficient.

- a. vertical specialization = assigning the tasks of supervising subordinates to another person;
 - a. first-line managers
 - b. middle managers
 - c. top managers
 - b. horizontal specialization = assigning certain tasks (production, marketing, finance) to another person – **functional managers**. The function refers to what activities the manager usually oversees as the result of horizontal specialization process.
3. **discipline** = accumulated body of knowledge that can be learned. Management is a subject with principles, concepts, and theories that can be learned and applied in the process of managing.

The Managerial Process – management functions



Historical background of the evolution of management

- a. **division of labor** ⇒ increase in efficiency
- b. **industrial revolution** – the beginning of 20th century
 - i. machine power
 - ii. mass production
 - iii. efficient transportation⇒ the size of companies increased and management of large companies required certain managerial skills.
- c. **managerial revolution** – 30's – 70's of 20th century
 - i. United States
 - NYSE crash in 1939
 - F.D.R.'s New Deal - stock market reform
 - the emergence of corporations
 - ii. Europe
 - after WW II
 - nationalization of companies⇒ the need for professional managers.
⇒ the division of ownership and management executive.
- d. **current trends and issues** – since 1970's
 - i. economic integration
 - ii. globalization
 - iii. turbulence
 - iv. customer's market → change and innovation

The evolution of management schools of thought

(also see next page)

The evolution of the way people were thinking about management was happening with respect to the changes in overall economic environment. That is why it is important to take the historical background into consideration to fully understand the meanings, strengths and weaknesses of particular concepts, notions and theories.

Classical Approaches

- basic assumptions about people: perfect rationality, responsiveness to economic incentives
- main focus: management of work / activities (simplification, norms, planning), administration (Fayol's principles), bureaucracy (Max Weber)

Behavioral Approaches

- basic assumptions about people: responsiveness to other than economic incentives (social relationships, group pressure), search for personal fulfillment
- main focus: people's actions and their groundings (motivation, psychology, sociology, anthropology), relationships among people (Hawthorne studies)

Management Science

- main focus: productions and operations management, new more sophisticated methods (mainly mathematical)

CLASSICAL APPROACHES	BEHAVIOURAL APPROACHES (HUMAN RESOURCES APPROACH)	MANAGEMENT SCIENCE
<p>Scientific Management</p> <ul style="list-style-type: none"> - the use of scientific methods to define “one best way” for a job to be done - concentration on the physical environment of the job - concept of “economic man” - Frederick Taylor - Frank + Lillian Gilbreth - Henry Gantt (Gantt chart) 	<p>Human Relations Approach</p> <ul style="list-style-type: none"> - concentration on the social environment - managers should recognize the need of employees for recognition and social acceptance - satisfied worker will be more productive - Abraham Maslow (hierarchy of needs) - Douglas Mc Gregor (theoreis X and Y) 	<p>Operations / Productions Management</p> <ul style="list-style-type: none"> - quantitative - analytical - modeling / experimenting - techniques to improve decision making
<p>Classical Organization Theory</p> <ul style="list-style-type: none"> - principles of management - functions of management - theory of bureaucracy <ul style="list-style-type: none"> - Henri Fayol - Max Weber 	<p>Behavioral Science</p> <ul style="list-style-type: none"> - concept of “social man” - scientific approach to study human behavior (psychology, sociology) - concept of work as a means to fulfill human needs (which are more complex than jus economic) - Victor Vroom (motivation theory) - Frederick Herzberg (motivation theories) 	
<p>SYSTEMS APPROACH</p>		
<ul style="list-style-type: none"> - a theory that sees an organization as a set of interrelated and interdependent parts - open vs. closed systems - Chester Barnard 		
<p>CONTINGENCY APPROACH</p>		
<ul style="list-style-type: none"> - recognizing and responding to situational variables as they arise: organization size, routine ness of technology, environmental uncertainty, individual differences 		

Assignment 1

Review questions for Lesson 1:

1. What are the functions of management and how do these help to achieve results?
2. What are the managerial roles? Discuss the interaction between them.
3. How did the Industrial Revolution increase the need for a formal theory of management?
4. What was the Managerial Revolution? Why and when did it happen?
5. What is globalization and what consequences does it have for modern management?
6. Briefly describe the evolution of the discipline of management. What is the primary contribution of each of the approaches?
7. Why is there no one best way to manage?

In case you are not sure about the answers, see:

Reading for Lesson 1:

ROBBINS, S. P. *Management*. 4th ed. New Jersey : Prentice Hall, 1994. (ORG 126)

- Chapter 1, pp. 1 – 18
- Chapter 2, pp. 27 - 54