

Unit Six: Theories of Organization

1 Classical School

The classical school emerged at the beginning of the 20th century and was labelled “classical” not for its antiquity or backwardness nature, but rather for its theoretically based principles. Comprehensively, it focused on the labor where the individual was considered as a machine rather than one of the variables that influence organizational behavior and emphasized individual adaptation to the performed task. A fact that led a number of scholars to refer to this theory as the “machine model” simultaneously with the growing industrial movement at the end of the 19th century and the beginning of the 20th century. In this model, the chief challenge faced by managers centered around two key points:

- How to increase productivity and promote an easier and more efficient performance.
- How to motivate employees to maximize the effort in machine operating.

Among the most important theories and thinkers of the classical school are

1.1 Scientific Management Theory of Frederick Taylor

Under this theory, Taylor was indeed able to exert almost complete control over production techniques and to also oversee most management issues that are employee-related, such as task division, task level determination, and effective monitoring insurance. To sustain such progress, according to Taylor, a scientific study of labor should be conducted that would result in a scientific organization of labor (TOS). Based on this organizational approach of production, Taylor considered both employee and employers interests could possibly align instead of contradict. The scientific management can be considered as:

- Revolutionization of the thinking mentality within both the scientific management and the employees as well as the replacement of old concepts with scientific methods;
- Utilization of scientific methods in the employee selection and training;
- Fostering of a cooperative atmosphere between both employees and management;
- Focus on the planning function and separating it from the executional function;
- Application of the specialization principle in the supervision positions.

- **Principles introduced by Frederick Taylor**

1. Horizontal division of labor.
2. Scientific division of labor.
3. Wage and productivity system.
4. Principle of supervision in labor.

- **Main criticism of Taylor's theory**

- The consideration of the individual as a mere machine and neglect of its psychological and social aspects;
- The neglect of teamwork;
- The discouragement of employee personal initiative and creativity in both production and labor;
- The Lack of production quality and low skill levels;
- The disregard of the labor unions role.

1.2 Management Theory of Henri Fayol

- **Principles of management according to Henri Fayol**

1. Division of labor;
2. Authority and responsibility;
3. Discipline and order;

4. Unity of command;
5. Unity of direction;
6. Prioritization of the overall organization's interest over that of the individuals;
7. Fair compensation and rewards for individuals based on their work;
8. Centralization;
9. Hierarchical structure or chain of command, which means the succession of supervision;
10. Equity and fairness among individuals;
11. Order;
12. Personnel tenure stability;
13. Initiative.
14. Team spirit (Esprit de corps).

- **Administrators' managerial qualities according to Fayol**

- Mental and intellectual qualities;
- Physical qualities;
- Experience and expertise qualities;
- Moral qualities;
- Cultural qualities;
- Technical qualities.

- **Management tasks according to Fayol**

- Forecast and planning;
- Organization;
- Leading;
- Coordination;
- Control.

- **Main criticism of Fayol's theory**

- Certain managerial principles contradict with others;
- Considering the organization as a closed system;

- The administrative organization theory overlooked both the psychological and humanistic aspects of the employees.

1.3 Bureaucratic Management Theory of Max Weber

Weber defines bureaucracy as: “office rule” or “office organization”, and any given bureaucratic system is based on a hierarchical structure in which authority flows from the top to the bottom.

- **Principles of bureaucratic management according to Max Weber**

1. Division of labor;
2. Personal relationships separation from professional relationships;
3. Procedures must be in the written format and not the verbal;
4. Hierarchical structure of authority;
5. Employment based on appointment and not nomination;
6. Selection of the most competent employee according to the job requirements;
7. Promotion based on seniority, achievement, or both;
8. Employee performance is to be under continuous supervision and observation;
9. Employee has the right to a fair salary and bonuses.

- **Disadvantages of bureaucracy management theory on individuals**

- Strict adherence to regulations and laws and rigid individual behavior;
- Failure to treat employees as individuals with personal desires, inclinations, emotions, and feelings;
- System imposition on individuals would provoke minimal performance;
- Placement of strict procedures that would result in resistance from the individuals' part to any desired form of change from the organization's part.

2 Human Relations School

2.1 Concept of Human Relations

Human relations refer to the coordinative and cooperative effort among the different individuals through the creation of a work environment that encourages good performance among them, in an effort to achieve optimal results while ensuring the fulfillment of the individuals' economic, psychological, and social needs.

2.2 Reasons Behind the Study of Human Relations

- Emergence of labor unions;
- Increase of worker awareness;
- Advancement in human and applied research;
- Growth in the size of organizations;
- Specialization and division of labor;
- Increase in labor and production costs;
- Rise of the standard of living.

2.3 Key Theories and Scholars of the Human Relations Movement

2.3.1 Elton Mayo (1880-1949)

Mayo conducted his experiments on workers at “Hawthorne Works” plants with the aim of exploring the effect of the surrounding work environment on worker productivity. The experiment targeted one of the departments for improvement purposes of the physical working conditions, such as lighting, ventilation, and space. As expected, the improvement in physical conditions was accompanied by the increase in productivity.

- **Experiments conducted by Elton Mayo**

The set of experiments were aimed at understanding the relationship between the physical working conditions and the productivity of workers by improving the following:

- The impact of lighting on productivity.
- The impact of working hours and length of rest periods on productivity.
- The impact of workplace friendships on productivity.
- The impact of financial incentives on productivity.
- Personal interviews aimed at exploring both worker attitudes and feelings.

- **Experimentation Results**

- The worker is not a mere instrument that exist for the sole purpose of serving management;
- The group to which the worker belongs influences numerous aspects related to his behavior, including the economic factors, and also highlights the importance of his morale aspect;
- Worker supervision depends fundamentally on worker involvement in decision-making.

2.3.2 Douglas McGregor's X and Y Theories

The two theories came as a summative illustration of a number of aspects related to the human nature and leadership styles that he introduced in his book “*The Human Side of Enterprise*”. McGregor explained that the two theories X and Y are contradictory to one another, where Theory X represents a production-focused and authoritarian leadership that revolve around work design and procedures.

2.3.2.1 Management by command management principle (the X Theory concept)

- Manager makes the decisions without consulting with others;

- Manager dominates the workflow;
- Manager trusts only in him and his own opinions;
- Manager strives to attain the objectives that he sets by any means;
- Manager utilizes the system to control the workflow;
- Manager acts firmly against both delays and lack of productivity;
- Manager does not tolerate criticism from others.

2.3.2.2 Management by employee delegation principle (the Y Theory concept)

- Manager consults with others in decision-making;
- Manager encourages both initiative and creativity in the workplace;
- Manager trains and guides employees;
- Manager acts as a role model;
- Manager commends and values good work;
- Manager aids with employee growth, development, and taking responsibility;
- Manager encourages teamwork.

2.4 Main Criticisms of the Human Relations School

- Failure to utilize the scientific method to reach founded conclusions;
- Pre-existing bias towards human relations;
- Opposition to business leaders in fields that contradict with their interests;
- Management thinkers consider the study results under this school to be unfulfilling to deliver fundamental solutions to achieve more optimal relations;
- Significant neglect of the formal organizational structure;
- Failure to deliver a comprehensive theory instead of the sole focus on the human aspects.

3 Behavioral Theory

The behavioral school emerged as a response to the criticisms directed at both the classical school and the human relations school. The school emerged in an attempt to understand the human behavior through the study of the individual, his personality, and the associated administrative aspects, with the aims of understanding his possible actions as well as the diversity and differences in these actions, and the motivations behind his behavior.

3.1 Characteristics of the Behavioral School

The distinctive characteristics of the school are as follows:

- An applied scientific school;
- A normative school;
- A humanistic school;
- Key aim is balance achievement;
- School of a holistic perspective;
- Groups are a key concern of this school;
- Cooperation is exploited as a working tool in this school;
- Human skills and relationships development between individuals as well as between individuals and groups;
- Interaction as key study element within this school;
- Organizational changes as a key concern of this school.

3.2 Key Theories of the Behavioral School

3.2.1 Human Motivation Theory of Abraham Maslow

The theory assumes that human needs or human motivation in terms of priority and prepotency are organized in a hierarchical system.

1. Physiological needs;
2. Safety needs;
3. Love and belonging needs;

4. Validation needs;
5. Self-actualization needs.

3.2.2 Two-Factor Theory of Frederick Herzberg (1923-2000).

The theory posits that both satisfaction and dissatisfaction in the work originate from two independent sets of factors that are as follows:

1. The Set of Hygiene Factors

- Job security;
- Appropriate status;
- Sufficient salary;
- Supervision and autonomy;
- Good social relationships at work;
- Good working conditions.

2. The Set of Motivational Factors

- Meaningful work, which means engagement in work that fulfils the employee's interests and abilities.
- Recognition, which means the show of appreciation from supervisors and colleagues.
- Growth opportunities, which means to have the lawful chance for promotion, professional development, and increased salary.
- Responsibility, which means to have the opportunity to assume responsibilities, make decisions, and lead others.
- Achievements, which means to have the opportunity to accomplish goals and exceed the required performance, in both qualitatively and quantitatively.

3.3 Main Criticisms of the Behavioral School

- Focus on the humanistic factor while neglecting other factors;
- Failure to present a comprehensive theory;

- Exaggeration in the importance of human relations.

4 Modern Theory

4.1 Organizational Theory

The organization is an open system that acquires the necessary continuity elements from the external environment, where the latter also receives organizational outputs in the form of goods and services. In organizational context, the significance of individual behavior was emphasized in both the formal and informal organizational structures, in addition to the emphasis on the importance of placing more focus on technology and machinery.

4.2 Management Science School:

Management scientists employed mathematical models and computers to perform complex mathematical and computational operations. Despite the school's overuse of numbers, it has contributed to solving numerous problems that include storage and transportation. Nonetheless, within the Management Science School, behavioral issues were not overlooked. The Management Science School is primarily quantitative, yet the important problems that cannot be quantified are addressed descriptively (operations research), which is considered an optimal approach to rational decision-making and logical, practical plan development.

4.3 Japanese Management

Japanese management is based on the principle that the organizational work is achieved in groups rather than individually by highlighting the significant successes achieved by Japanese business organizations since the end of World War II in terms of product quality, quantity, and employee productivity. A fact that resulted in ability increase to invade global markets, including both the American and European markets.

- **Key elements of Japanese Management**

- Distinctive approach to the management of human resources in the Japanese organizations;
- Promotion of team work methodology;
- Participatory decision-making style;
- Information provision for sound decision-making;
- Collective feeling of responsibility.

4.4 Management by Objectives (MBO)

4.4.1 Concept of Management by Objectives

Management by Objectives can be interpreted as an organizational system in which the organizational trajectory is determined, goals to be achieved are set, and the accomplished results are measured. The technique dates back to Peter Drucker in 1954 in his book “*The Practice of Management*”, where he emphasized the importance of setting mutual goals for both the organization and the individual. Such management style consists of a set of processes that involve the collaboration of both superiors and supervisee. The overall process includes clearly defined objectives to be achieved, clear identification of the key responsibilities of each member in the organization based on the expected results, and utilization of these measures as criteria to organize the managerial process.

4.4.2 Aims of the Management by Objectives

- Conduction of one-on-one meetings between the supervisor and each of the supervisees to set performance-related goals, following the fact that both the organization and employees has their own distinctive set of goals;
- Provision of opportunities to express individual goals and considering individual differences.

- Establishment of the foundational or the general framework for planning, organization, recruitment, directing, and evaluation.

4.4.3 Characteristics of Management by Objectives

The distinctive characteristics of the Management by Objectives are as follows:

- The recognition of the surrounding environment significance and the need to be open and engaged with this external environment a potential resource;
- A type of management that welcomes competition and seeks its increase rather than avoidance;
- A type of management that embraces new technology and employs it to gain considerable advantages and opportunities;
- Consistent work to maximize outputs with the available resources through the development of production and marketing processes.

Conclusion: Summary of theoretical trends

A plethora of schools and theories have emerged on the subject of organizational management. A number of which was discussed. The discussion inauguration was with the classical school, which focused on the work factor. The next emerging two were the humanistic and behavioral schools, both of which placed more focus on the worker rather than the work itself. Subsequently, several modern schools have emerged, in individual attempts to compensate for the shortcomings and disadvantages of the previous theories and schools, all in a collective effort to organize and ensure the optimal functioning of both management and organization.