

Enterprise management from a classical school perspective

The Classical School of Management: (the late 19th and early 20th centuries)

It is a historical approach to management largely developed in response to the Industrial Revolution and the need for structured and efficient ways to manage increasingly complex organizations.

It emphasizes on:

- ✓ rationality,
- ✓ efficiency,
- ✓ formal organizational structure.

The Classical Theory is generally divided into three main branches:

I. Scientific Management theory (Frederick Winslow Taylor, 1856 -1915):

It focuses on how to maximize efficiency and productivity, reduce costs, and improve labor efficiency by applying scientific methods to work processes. Taylor believed that by studying tasks systematically, organizations could:

- optimize productivity,
- reduce waste, and
- Ensure better use of resources.

Key elements of his theory include:

1. **Scientific Analysis of Tasks:** Breaking down tasks into smaller make them more manageable to find the most efficient way to perform them.
2. **Standardization of Work:** Establishing uniform procedures for tasks to ensure consistency and higher efficiency.
3. **Worker Specialization:** Assigning workers tasks suited to their skills and training to improve speed and proficiency.
4. **Time and Motion Studies:** Analyzing tasks to eliminate unnecessary movements and streamline work processes.
5. **Incentive Pay Systems:** Offering financial rewards for improved performance to motivate workers and increase output.

Scientific Management theory's main principles:

- **Scientific Job Design:** Work methods should be based on the scientific study
- **Scientific Selection and Training:** Select, train and develop the most suitable person for each job
- **Cooperation Between Management and Workers:** Ensuring that managers and workers collaborate to achieve organizational goals based on scientific principles
- Managers must provide detailed instructions to workers
- **Division of Work and Responsibility:** Divide the work execution and responsibility between managers and workers

Criticism:

Scientific Management theory contributed significantly to the development of management practices by introducing systematic analysis and efficiency principles. However, it faced criticism for:

- Dehumanization of Workers (treating workers as machines)
- increased pressure on workers to perform tasks at a faster way
- Neglect of Human and Social Factors and ignore the importance of motivation beyond financial incentives.
- Ignoring Group Dynamics (focused heavily on individual performance)
- Neglect of Organizational Structure and Strategy

II. Administrative Management Theory (Henri Fayol, 1841 - 1925):

Henri Fayol, a French mining engineer and industrialist (1870s). His book "General and Industrial Management" (published in French in 1916) laid out his core ideas.

Administrative Management Theory is a managerial approach focuses on the overall organization and how to make it more effective. Unlike Scientific Management, it focuses on developing broad administrative principles applicable to the entire organization.

Functions of Management:

Fayol identified five primary functions of management:

- **Planning:** Looking forward and determining the optimal course of action.
- **Organizing:** Structuring the organization and allocating resources.
- **Commanding (Leading/Directing):** Guiding and supervising subordinates.

- **Coordinating:** Harmonizing all the activities and efforts within the organization to shared goals
- **Controlling:** making certain that tasks are carried out as planned.

The six main activities of an organization :

These activities are the operational areas of a business that management needs to oversee and coordinate. Henri Fayol's six activities of an industrial undertaking are:

1. **Technical Activities:** the production, manufacturing, and creation of products.
2. **Commercial Activities:** This involves the activities related to acquiring resources and distributing the output (buying and selling).
3. **Financial Activities:** This includes managing the organization's finances, investments, and funding (the search and optimal use of capital).
4. **Security Activities:** the protection of the organization's property and personnel. This involves safety measures, risk management, and ensuring a secure working environment.
5. **Accounting Activities:** inventory management, balance sheets, cost accounting, and statistics. This involves maintaining the financial health and performance of the organization.
6. **Managerial (Administrative) Activities:** These are the core functions of management (**planning, organizing, commanding, coordinating, and controlling**) to ensure the overall efficiency and effectiveness of the organization.

Important:

- ✓ The **six activities** are the different types of work that happen within an organization.
- ✓ The **five functions of management** are what managers do to oversee and coordinate these activities.

14 Management Principles by Henri Fayol

1. **Division of Work:** based on skills and level of expertise
2. **Authority and Responsibility:** balance between authority and responsibility
3. **Discipline:** respect for agreements and follow the rules & regulations
4. **Unity of Command:** each subordinate have only one boss
5. **Scalar Chain:** clear line of authority, hierarchy

6. **Equity:** justice in management and loyalty in employees
7. **Esprit de Corps:** should strive to promote team spirit and authority
8. **Initiative:** employees should be given the necessary level of freedom to create and carry out plans
9. **Centralization:** decisions are made from top
10. **Remuneration:** appropriate remuneration for all employees to keep them motivated
11. **Order:** right resources, good social order and safe working environment
12. **Stability of Tenure of Personnel:** manager should strive to minimize turnover
13. **Subordination of Individual Interest:** put interests of the organization above personal interests
14. **Unity of Direction:** a set of activities with similar goals, should all follow the same strategy

III. Bureaucratic Management Theory (Max Weber, 1864 -1920):

Max Weber is a German sociologist, Weber's ideal type of bureaucracy was described in "*Economy and Society*", published in 1921. Where he believed that bureaucracies are the most efficient way to organize large organizations;

His theory emphasizes a structured, formal, and impersonal approach to organizational management based on formal rules and regulations.

Key Characteristics of an Ideal Bureaucracy:

1. **Hierarchy of Authority:** clear line of authority from top to down
2. **Formal Rules and Regulations:** Standardized procedures and written policies, rules and regulations that guide employee's behavior
3. **Division of Labor:** Specialization of tasks based on competence.
4. **Impersonality:** Objective decision-making based on rules rather than personal biases.
5. **Formal Selection:** promotion and selection of individuals based on their competence, training and qualification
6. **Career Orientation:** (Separation of Personal and Official Property) There is a clear distinction between the personal assets of the employees and the resources and property of the organization.