

Course L.EGI031: OGE – Organização e Gestão de Empresas
Organizational Design and Management

Evolution of Management Theories

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The contents presented here has been collected from different sources (Books: Organizational theory, design and change (Gareth R.Jones); Modern Management (Certo); Managment and Organizations (Robbins Coultler) and lectures notes from several origins). Several additions, modifications and updates have been made by Américo Azevedo (ala@fe.up.pt) in order to support the learning process defined in the context of OGE program .

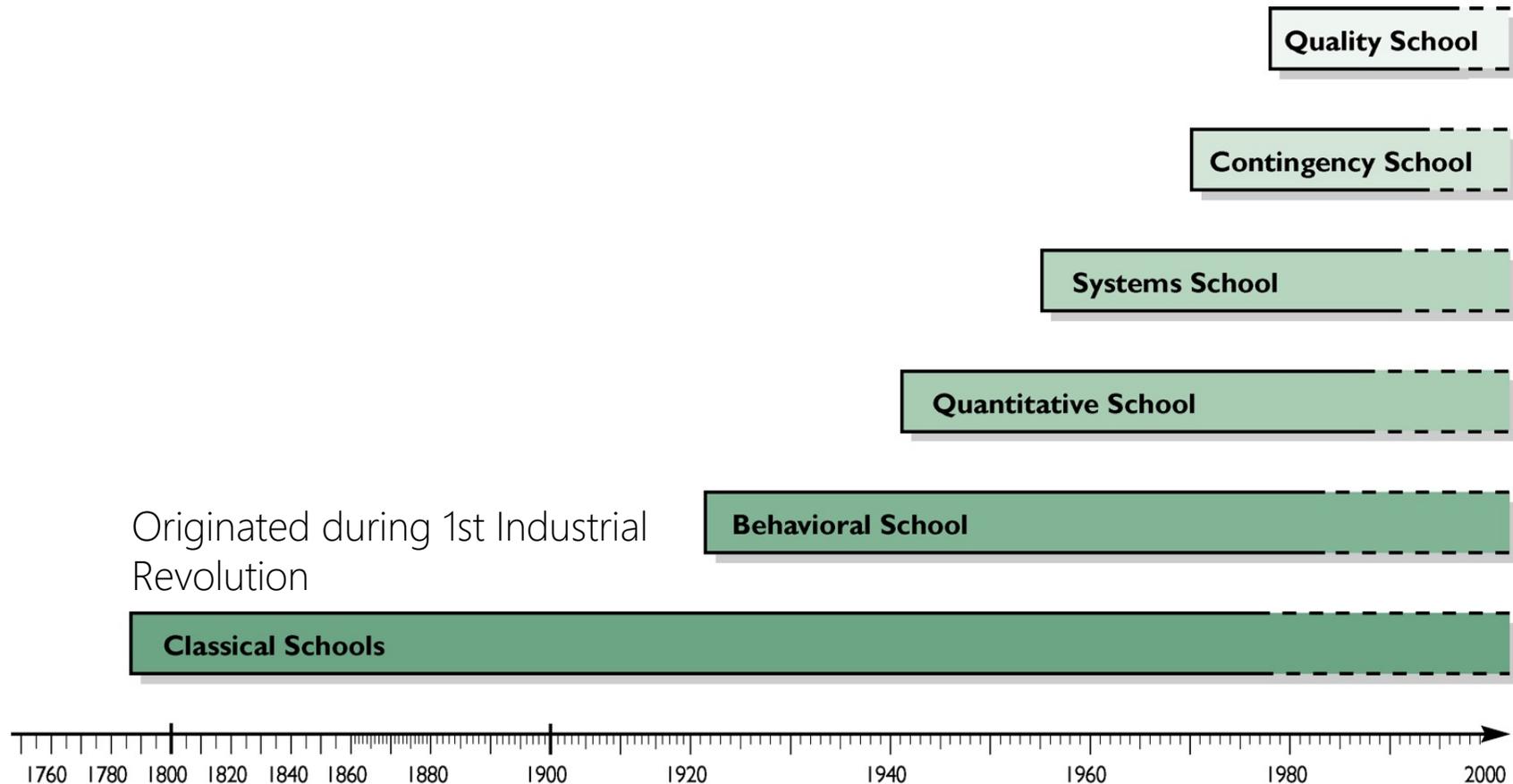
After studying this class, you should be able to:

- Discuss the major approaches to management
- Explain the contributions of the different schools of management thought

Why Study Management Theories?

- Provides a **foundation** for leadership and decision-making.
- Helps managers **adapt** to different organizational challenges.
- Bridges past lessons with **modern trends** (AI, digitalization, sustainability).

The Evolution of Management Thought



Originated during 1st Industrial Revolution

Classical Schools

Behavioral School

Quantitative School

Systems School

Contingency School

Quality School

1760 1780 1800 1820 1840 1860 1880 1900 1920 1940 1960 1980 2000

Adam Smith
The Wealth of Nations in 1776

Source: Management Thought: Past and Present, Deborah Baker

Classical Management Theories (Late 19th – Early 20th Century)

- Scientific Management (Taylorism):
 - Efficiency, time-motion studies, incentives
- Administrative Theory (Fayol):
 - 14 principles of management, 5 functions
- Bureaucratic Management (Weber):
 - Hierarchy, formal rules, structured roles

Behavioral Management Theories (1920s – 1950s)

- Human Relations Movement (Mayo):
 - Importance of workplace relationships
- Maslow's Hierarchy of Needs:
 - Motivation through fulfilling needs
- McGregor's Theory X and Theory Y:
 - Employee motivation perspectives

Quantitative & Systems Approach (1950s – 1970s)

- Operations Research & Decision Science:
 - Mathematical models for decision-making

- Systems Theory:
 - Organizations as open systems, interdependencies

Contingency & Modern Theories (1960s – Present)

- Contingency Theory:
 - Best approach depends on organizational context
- Total Quality Management (TQM):
 - Continuous improvement, customer focus
- Learning Organizations (Senge):
 - Adaptability and innovation
- Agile & Digital Transformation
 - : Flexibility, AI, automation

Major Approaches to Management

CLASSICAL

A theory that focused on finding the "one best way" to perform and manage tasks

- **SCIENTIFIC** - Focused on the manufacturing environment
- **ADMINISTRATIVE** - Emphasized the flow of information and how organizations should operate
- **BUREAUCRATIC** - founded on legal or rational authority, which is based on law, procedures, rules

BEHAVIOURAL

Emerged in the 1920s and dealt with the human aspects of organizations

- **HAWTHORNE STUDIES**
- **MASLOW'S NEED THEORY**: is a motivational theory in psychology comprising a five tier model of human needs
- McGregor's **THEORY X AND THEORY Y**: Theory X states that workers inherently dislike and avoid work and must be driven to it; Theory Y states that work is natural and can be a source of satisfaction when aimed at higher order human psychological needs

MODERN

Quantitative, Systems, Contingency, Quality,

Quantitative (Management Science) – based on mathematical approaches to management problems

Systems: the theory that an organization comprises various parts that must perform tasks necessary for the survival and proper functioning of the system

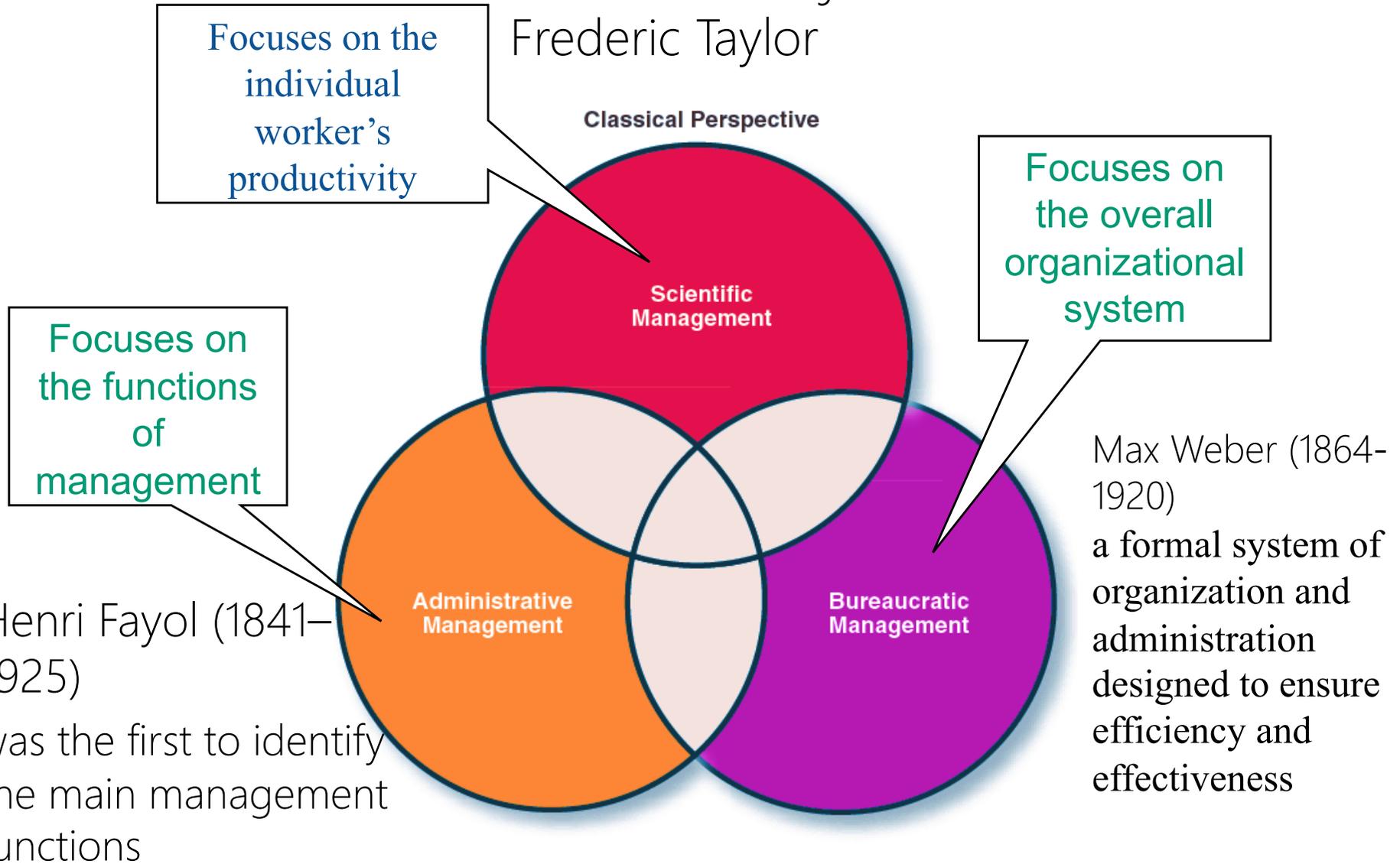
Contingency: approaches depend on the variables of the situations

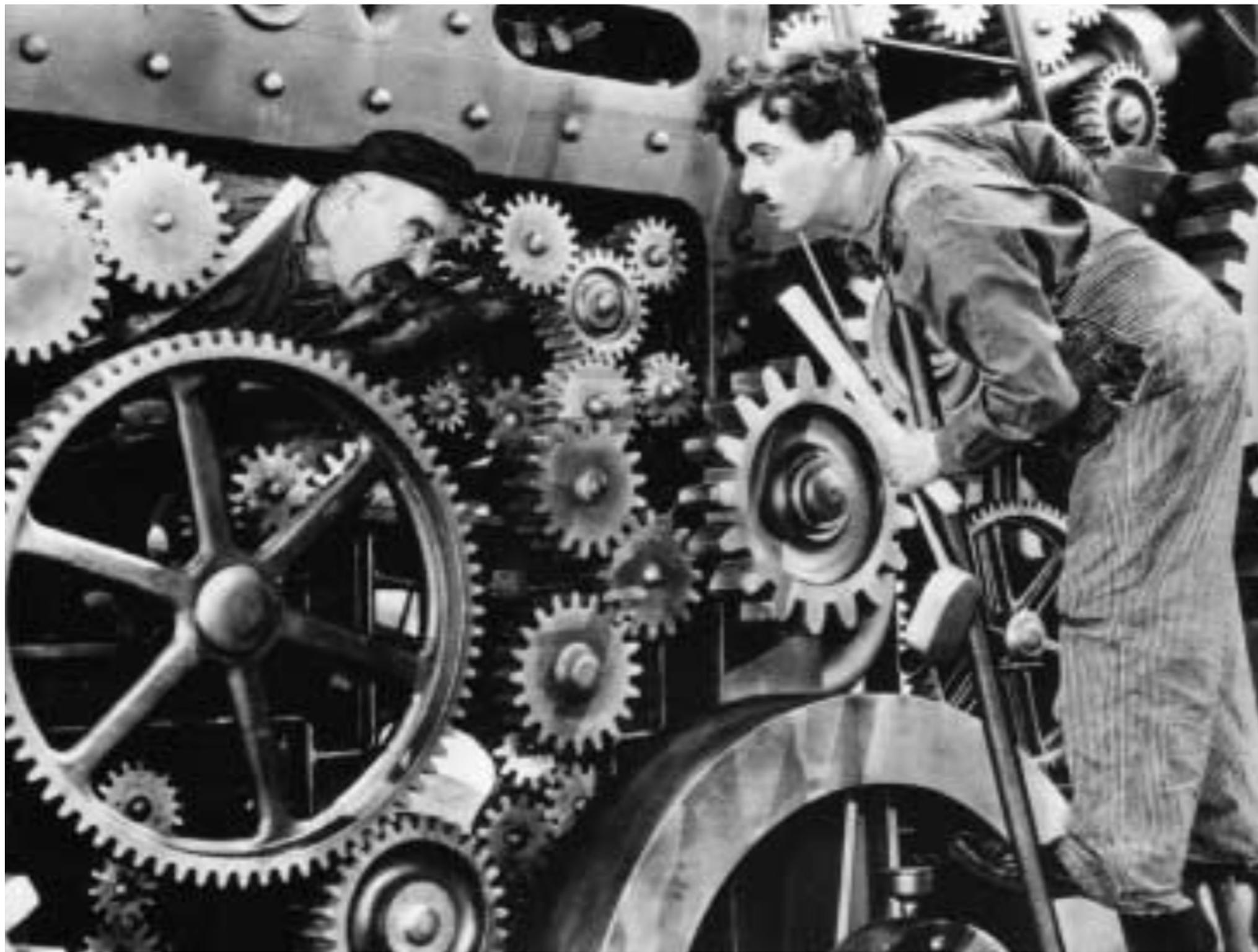
Classical Management Theory

- Originated during 1st Industrial Revolution
- Mass production of standardized goods in factories
- Depended on a constant flow of labor and materials
- Owners needed to plan, organize, lead, control
- Focused on finding the “one best way”...focuses on efficiency...focuses on ways to improve the performance of individual workers
- One of the major contributors was Frederic Taylor
- Early contributors:
 - Adam Smith - The Wealth of Nations in 1776 – Rational: economic advantages that organizations and society would gain from the Division of labor (job specialization) - the breakdown of jobs into narrow and repetitive tasks.

Classical Approaches

One of the major contributors was Frederic Taylor





Classical Approaches: Scientific Management

- Fredrick Taylor
 - The “father” of scientific management
 - Four key principles:
 - **Study** the way **workers perform** their tasks
 - Codify the new methods of performing tasks into **written rules** and **standard operating procedures**
 - Carefully select **workers** so that they possess **skills** and abilities that match the needs of the task, and **train** them to perform the task according to the established rules and procedures
 - Establish a fair or acceptable **level of performance for a task**, and then develop a pay system that provides a **reward** for performance above the acceptable level

TWO MANAGERIAL PRACTICES:

- **Piece-rate-incentive system**
- **Time and motion study**

Classical Approaches: Henry Gantt and The Gilberths

HENRY
GANTT

- Most famous for developing the Gantt chart in the 1910s.
- Implemented a wage incentive programme

FRANK
GILBERTH

- refined Taylor's analysis of work movements and made many contributions to **time-and-motion** study to determine the most efficient way to perform tasks.

LILLIAN
GILBERTH

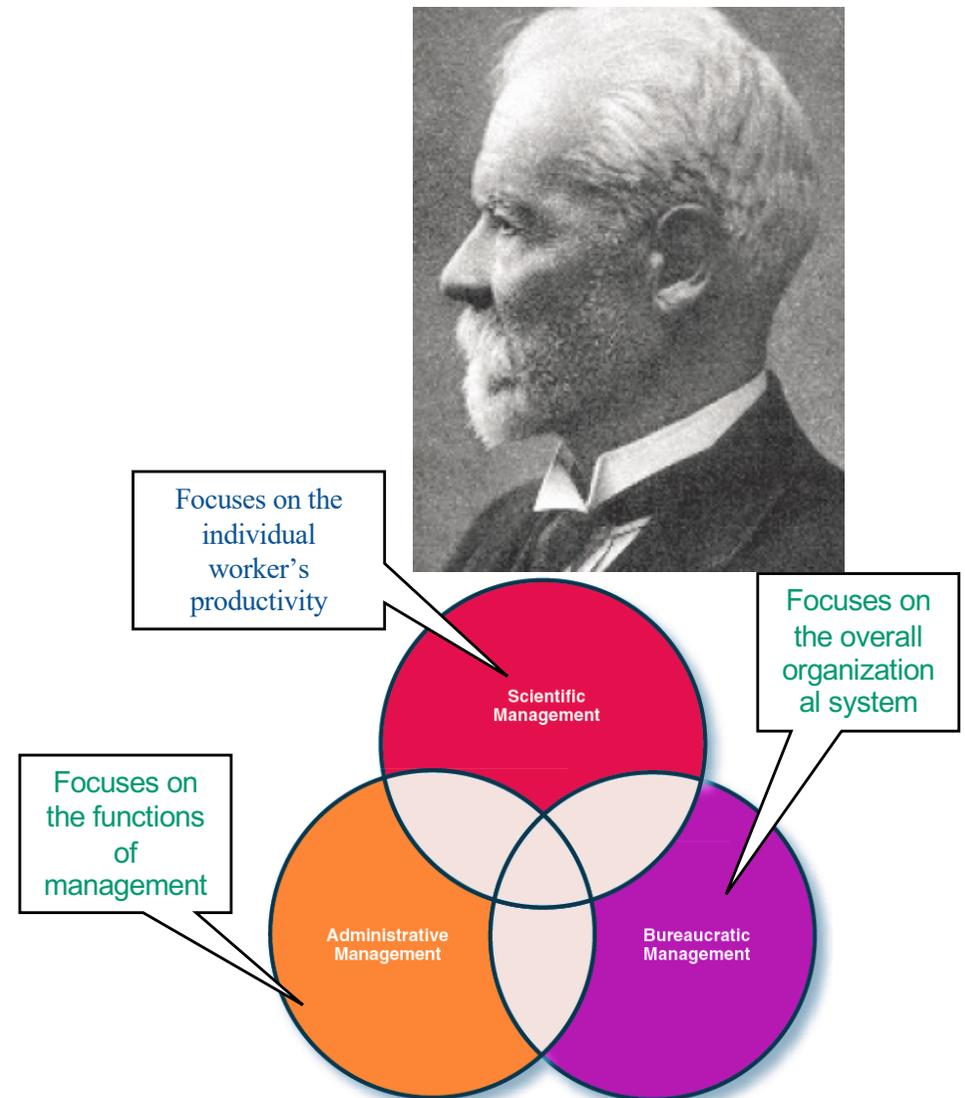
- A strong proponent of **better working** conditions as a means of improving **efficiency and productivity**.

Taylor's most prominent followers were Frank and Lillian Gilbreth. Frank and his wife Lillian, a psychologist, studied work to eliminate inefficient hand-and-body motions.

They contributed to the scientific method by focusing on lower-level management analysis. In particular, they are known for their motion analysis which is used today primarily to establish job performance standards.

Classical Approaches: Administrative Management (Henri Fayol)

- Theory of management developed around 1900 by the French management theorist Henri Fayol (1841–1925)
- Henri Fayol was the first to identify the main management functions
- Principles of Management: emphasized the flow of information and how organizations should operate
- Focuses on describing what managers do and what constitutes good management practice
- Fundamental rules of management that could be applied to all organizational situations and taught in schools (14 principles)



Classical Approaches: Fayol's 14 Principles of Management

Division of Labour Job specialization and the division of labour should increase efficiency, especially if managers take steps to lessen workers' boredom.

Authority and Responsibility Managers have the right to give orders and the power to exhort subordinates for obedience.

Unity of Command An employee should receive orders from only one superior.

Line of Authority The length of the chain of command that extends from the top to the bottom of an organization should be limited.

Centralization Authority should not be concentrated at the top of the chain of command.

Unity of Direction The organization should have a single plan of action to guide managers and workers.

Equity All organizational members are entitled to be treated with justice and respect.

Order The arrangement of organizational positions should maximize organizational efficiency and provide employees with satisfying career opportunities.

Initiative Managers should allow employees to be innovative and creative.

Discipline Managers need to create a workforce that strives to achieve organizational goals.

Remuneration of Personnel The system that managers use to reward employees should be equitable for both employees and the organization.

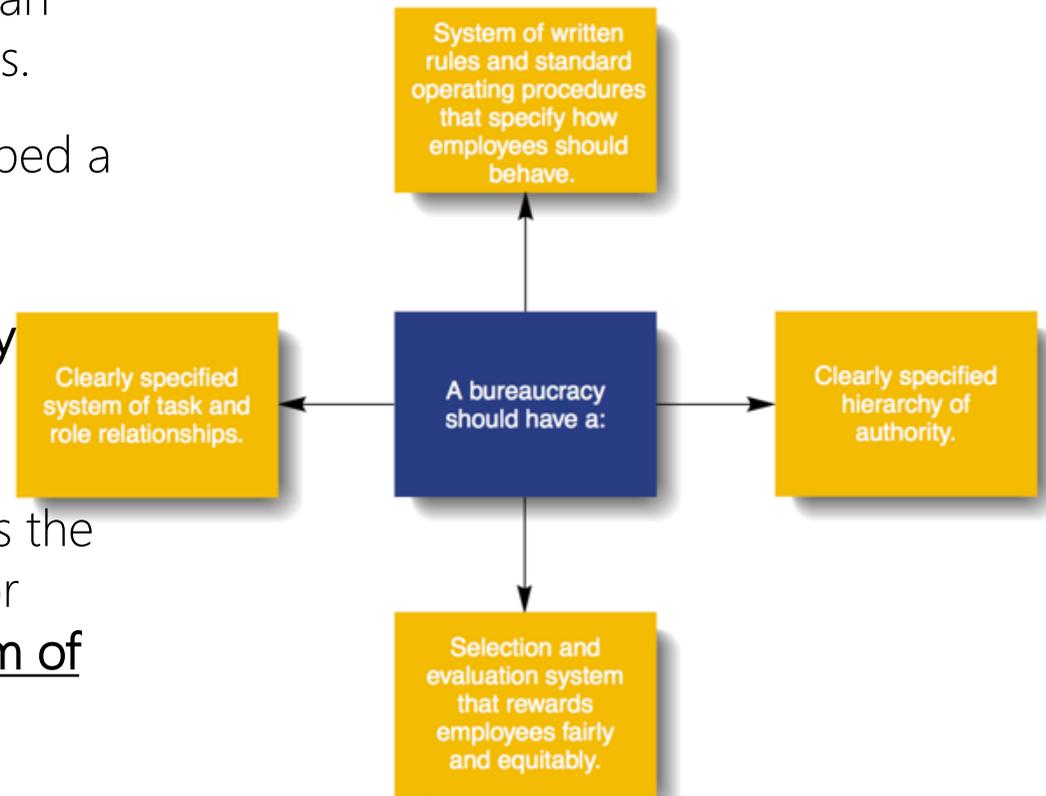
Stability of Tenure of Personnel Long-term employees develop skills that can improve organizational efficiency.

Subordination of Individual Interests to the Common Interest Employees should understand how their performance affects the performance of the whole organization.

Esprit de Corps Managers should encourage the development of shared feelings of comradeship, enthusiasm, or devotion to a common cause.

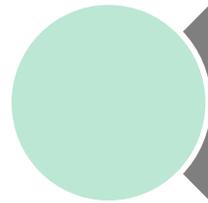
Classical Approaches: Bureaucratic Management (Max Weber)

- Max Weber (1864-1920), was a German sociologist who studied organizations.
- Writing in the early 1900s, he developed a theory of authority structures and relations based on an ideal type of organization he called a **bureaucracy**
- Max Weber analyzed **bureaucracy** as the most logical and rational structure for large organizations - **a formal system of organization and administration designed to ensure efficiency and effectiveness**
- Rules are formal written instructions that specify actions to be taken under different circumstances to achieve specific goals (for example, if A happens, do B)

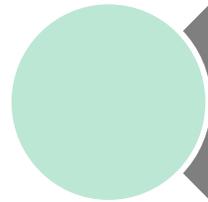


Behavioral Approach

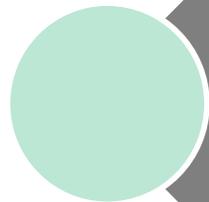
- Addresses the human dimension of work.
- Rational: a better understanding of human behaviour at work, such as motivation, conflict, expectations, and group dynamics, improved productivity.



The study of the factors that have an impact on how individuals and groups respond to and act in organizations.



Acknowledged the importance of human behavior in shaping management style.



Personalities

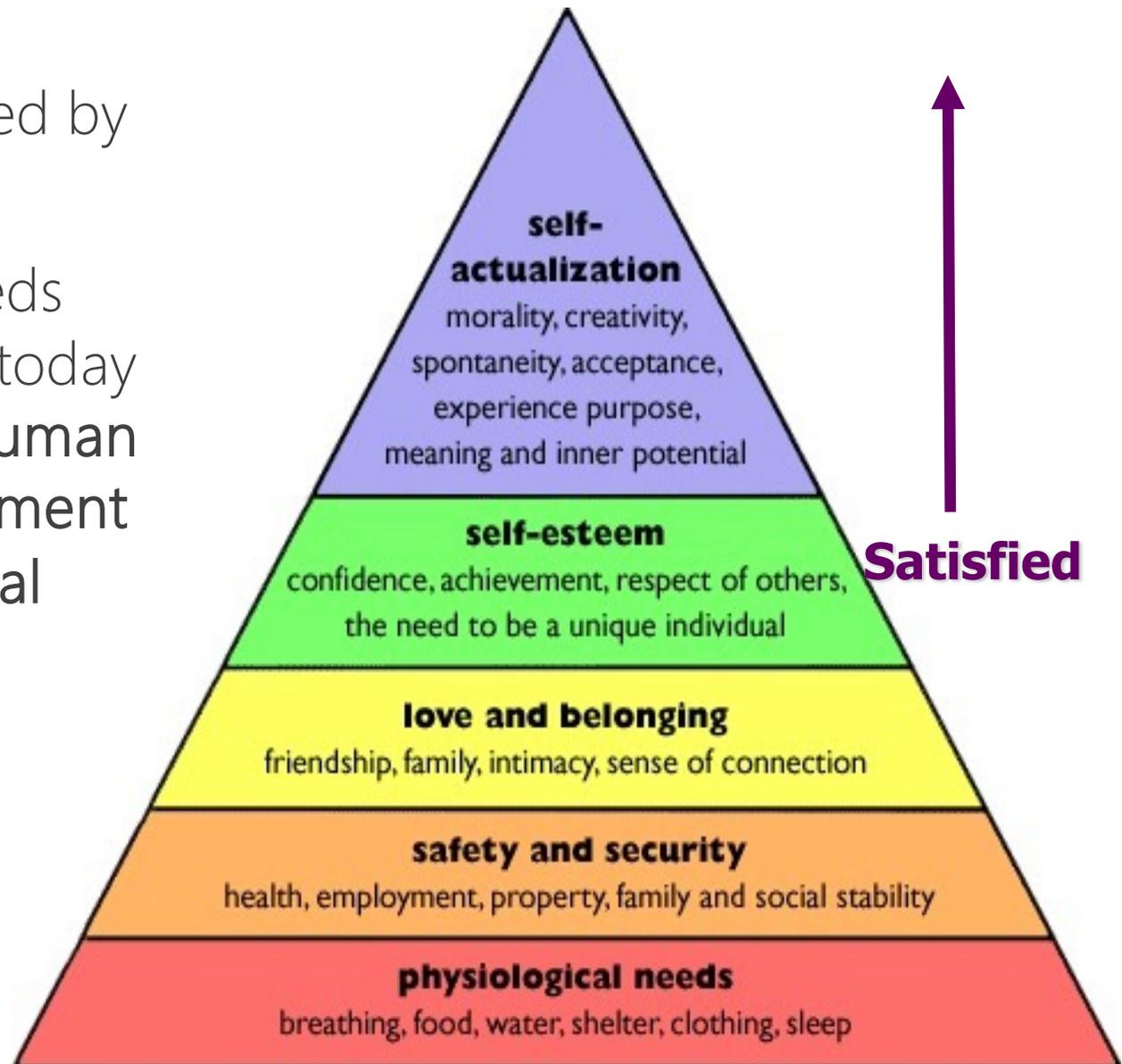
- Mary Parker Follett - (principles of coordination)
- Douglas McGregor (Theory X and theory Y)
- Chester Barnard: His landmark 1938 book, *The Functions of the Executive*, sets out a theory of organization and of the functions of executives in organizations.
- Elton Mayo

Behavioral Approach

- **Hawthorne Studies (by Elton Mayo)**
 - A series of studies during the 1920s and 1930s began as an attempt to investigate **how characteristics of the work setting affect worker fatigue and performance**
 - First Experiment:
 - Determine if lighting was a factor in productivity
 - Next Experiments:
 - Determine if other factors affected productivity
 - These studies encouraged the study of human motivation
 - Significant because they demonstrated the important influence of human factors on worker productivity
- Much of what managers do today when managing people—motivating, leading, building trust, working with a team, managing conflict, ...

Abraham Maslow's theory (50s): hierarchy of needs

- Each of us is motivated by needs
- The Hierarchy of Needs theory remains valid today for understanding human motivation, management training, and personal development.

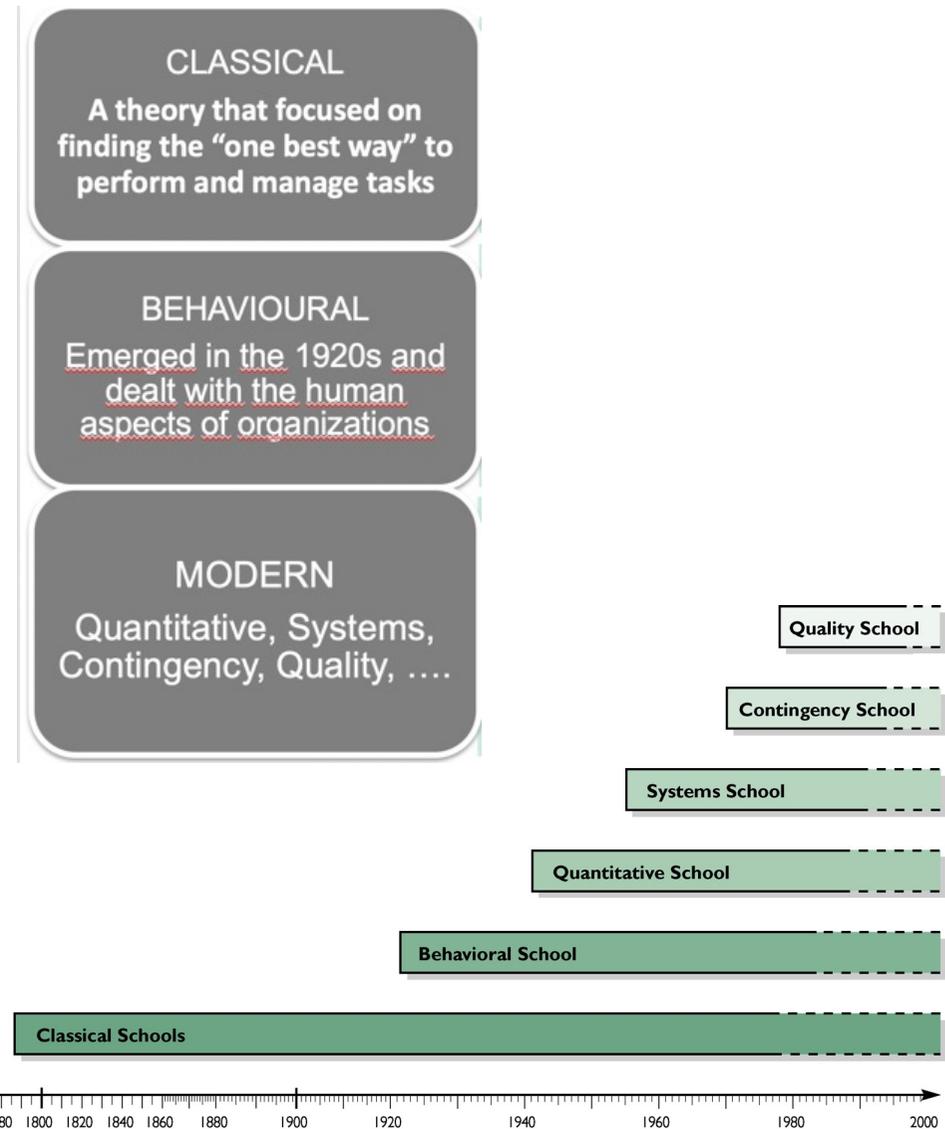


Contemporary Approaches: Quantitative Approach (Management Science Theory)

The use of quantitative techniques to improve decision making

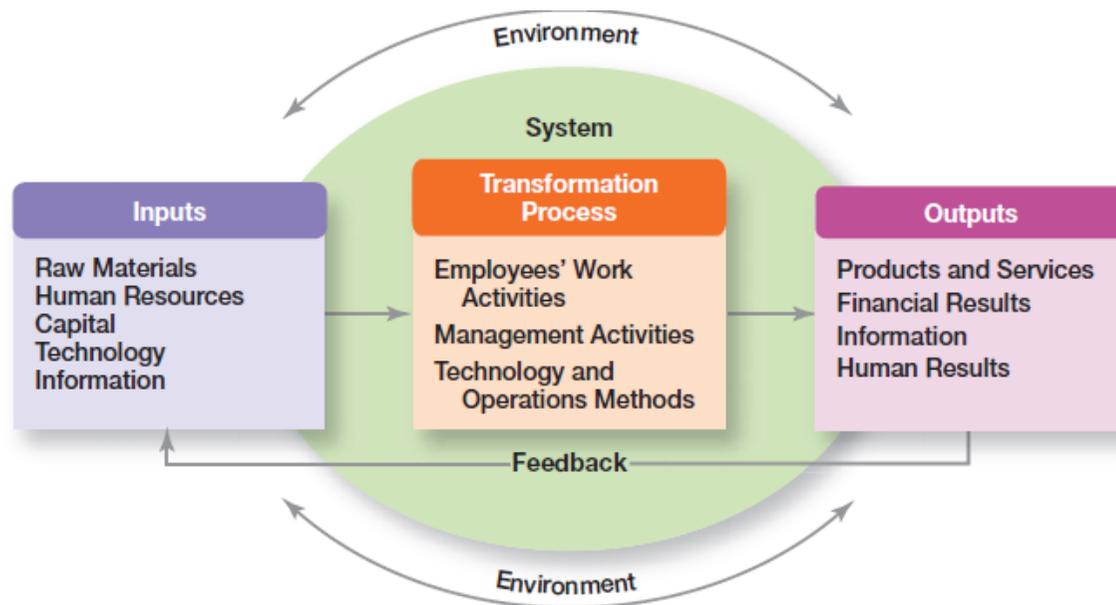
- Mathematical approaches to management problems
- Developed during World War II

- Break-even analysis
- Basic economic order quantity (EOQ)
- Production scheduling
- Production routing



Contemporary Approaches: Systems Management Theory

Systems theory treats an organization as a system
(a system can be either closed or open)

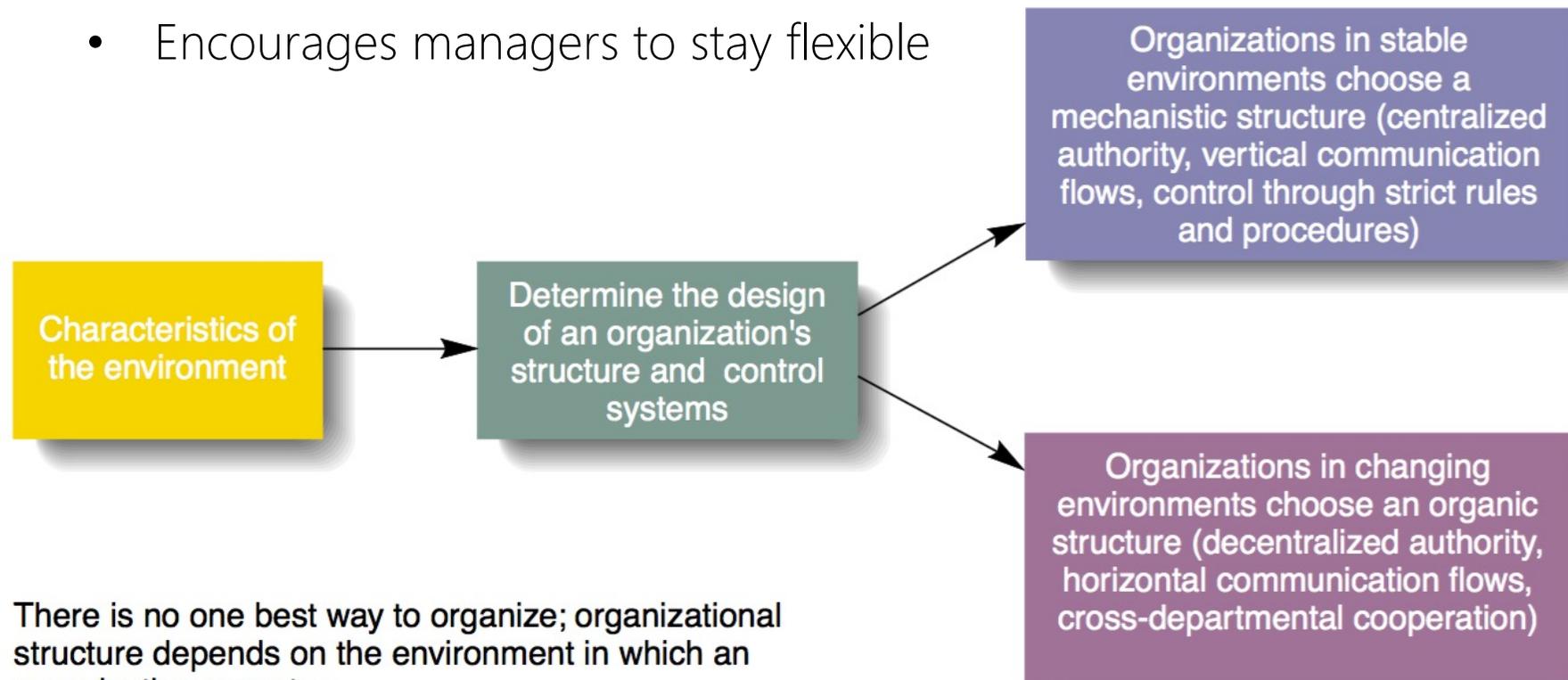


A system is defined as a number of interdependent parts functioning as a whole for some purpose.

Here there are five components: inputs, a transformation process, outputs, feedback, and the environment.

Contemporary Approaches: The Contingency Approach

- Contingency perspective argues that universal theories cannot be applied to organizations because each is unique.
- “Evaluate your situation, select the best approach for that situation”
 - Approaches depend on the variables of the situations
 - Encourages managers to stay flexible



There is no one best way to organize; organizational structure depends on the environment in which an organization operates.

Quality Management

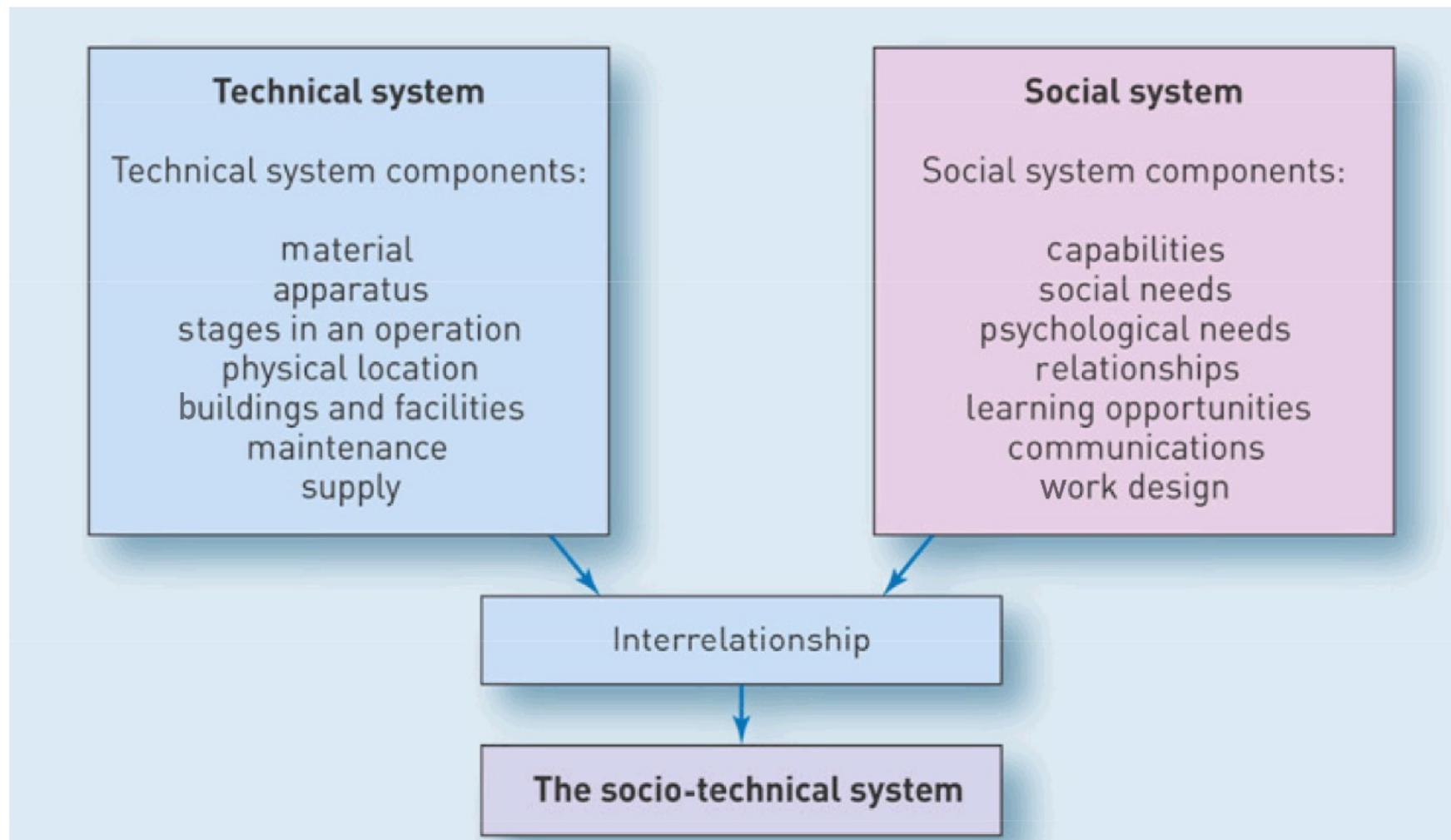
- **Total quality management (TQM)** - a philosophy of management that is driven by continuous improvement and responsiveness to customer needs and expectations
- People are key to commitments and performance
- What is done must be evaluated quantitatively and qualitatively



In a TQM effort, all members of an organization participate in improving processes, products, services, and the culture in which they work.

The methods for implementing this approach come from the quality leaders as Philip B. Crosby, W. Edwards Deming, Armand V. Feigenbaum, Kaoru Ishikawa, and Joseph M. Juran.

Socio-technical systems



recognizes the interaction between people and technology in workplaces.

Modern Management Thought

Contributors:

- Peter Drucker - MBO
- William Ouchi - Theory Z (tends to promote stable employment, high productivity, and high employee morale and satisfaction)
- Michael Porter - Competitive Strategy
- McKinsey's - 7-S Framework
- ...

Quiz

Major approaches to Management encompass the following streams:

- a) Rational organization of the work, classical theory of organizations and school of human relations.
- b) Efficient organization of work, organization of the quality of the work and scientific organization of the enterprises.
- c) Scientific organization of the work, classical theory of organizations and school of public relations.
-  d) Classical, Behavioural and Modern (contemporary)
- e) Scientific Management, Bureaucratic Management (Fayol) and Administrative Management (Max Weber).