The Evolution of Management Theories: A Literature Review

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ABSTRACT: This paper provides an overview of the evolution of management theories with an emphasis on human resource management (HRM). It examines the early philosophical viewpoints which laid the foundation for the development of management theories. It traces the evolution of management theories from the pre-industrial revolution through the two world wars to the era of rapid economic growth of the 1960s to the 1980s. In recent years, management theories had become more multi-faceted where emphasis has shifted from behavioural science to organisational structures and quality assurance. With rapid globalisation and increasing importance of cultural awareness, the paper concludes that more research will be needed in the area of cross-cultural and multi-national human resource management.

Keywords: Evolution; Management theories; Literature review

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1. **A historical perspective**

In the simplest terms, HRM is no more than a concept of mobilising a group of people towards planned goals, and has existed for as long as the first humans had populated the earth. From the pre-historic society of the hunter-gatherer society, survival of the tribe depended on coordinating their skills and efforts in hunting wild animals that were often many times their size and strength. Consider also the management skills required for the Chinese in building the great wall, the Egyptians in constructing the majestic pyramids, and the Romans in developing their sophisticated cities equipped with roads and aqueducts. These are just a few examples of how humans throughout our 7000 years of history have always relied on management skills to achieve our goals and aspirations.

The Chinese philosopher Mencius (372-298 BC) advocated the conceptual models and systems that are now classified under the term of production management techniques. He was also an early proponent of the division of labour. Ancient Greeks, on the other hand, understood the advantages of, and practised uniform work methods. Division of labour was also recognised by Plato (427-347 BC) who wrote in The Republican, ‘A man whose work is confined to such limited task must necessarily excel at it’. Other early writing on management included Sun Tzu’s “The Art of War”, a military strategy book written in 6th century BC which recommends being aware of and acting on the strengths and weaknesses of the manager’s as well as an enemy’s, and in Niccolo Machiavelli’s “The Prince”, leaders are recommended to use fear – but not hatred – to maintain control. It can be concluded, therefore, that even though the term ‘human resource management’ has only been coined fairly recently, the application of management principles has been around a lot longer.

The field of HRM has undergone tremendous changes and growth over the past two hundred years. Four major shifts can be identified to summarise the changes. The first shift occurred when workers started to work in factories en masse which allowed organisations to increase production through machinery and work techniques. With an emphasis on production where workers were primarily regarded as a tool within a large machine, problems began to emerge due to increasing staff dissatisfaction. More recently, it had become apparent that a balanced approach between production requirements and employees’ needs was required. Finally, with the predominance of the global economy, it is vital that HRM must give due regard and consideration to cultural differences and practices that extend beyond the boundaries of the individual countries.

**Scope of literature review**

The literature review conducted for this paper covers the broad spectrum of western publications that relate to the evolution of management theories, from the early ground breaking theory on the nature and causes of wealth generation (Adam Smith, David Ricardo, Jeremy Bentham) to the times of the industrial revolution that led to the development of traditional management theories (Henry Towne, Max Weber, Frederick Winslow Taylor, Henry Gantt, Henri Fayol), which evolved into the behavioural management theories that blossomed in the 1920s and 1930s and further developed into the mid to late 20th century (Mary Parker Follet, Chester Barnard, Elton Mayo, Abraham Maslow, Douglas McGregor, Rensis Likert, Frederick Herzberg, David McGregor, Chris Argyris). Systems viewpoints supported by contingency theories gained prominence in the 1990s when it was recognised that complex and rapidly changing business
environments requires sophisticated systems to help managers make decisions. The late 20th century saw a further shift to the quality management approach which focused on customer satisfaction through the provision of high-quality goods and services. Rapid globalisation in the late 20th century necessitates the development of new theories that address cross-cultural issues in management.

2. **Origins of HRM theories**

**The early thinkers and philosophers**

The search to improve manufacturing methods in order to produce a superior product or increase profits is as old as time. It can be argued that Adam Smith (1723 – 1790) pioneered the concept of labour management by advocating making work efficient by means of specialisation. He proposed breaking the work down into simple tasks and argued that division of labour will result in development of skills, saving of time and possibility of using specialised tools. Smith’s “An Inquiry into the Nature and Causes of the Wealth of Nations” (1776) advocated the following viewpoints: (i) each individual strives to become wealthy; (ii) productivity will increase with division of labour; (iii) the free market provides the best environment for wealth accumulation; and (iv) property rights are vital to the concept of free market.

David Ricardo (1772 – 1823) in his “Letter to T. R. Malthus, October 9, 1820” (Collected Works, Vol. VIII: p. 278-9) observed that “Political Economy … should be called an enquiry into the laws which determine the division of produce of industry amongst the classes that concur in its formation. No law can be laid down respecting quantity, but a tolerably correct one can be laid down respecting proportions.”

Jeremy Bentham (1748 – 1832) wrote in his “Introduction to the Principles of Morals” (1789) that (i) a law is good or bad depending upon whether or not it increased general happiness of the population; (ii) the wealthier a person is, the greater the happiness he can attain; (iii) actions are to be judged strictly on the basis of how their outcomes affect general utility; (iv) individuals are the best judges of their own happiness; and (v) whether the unhindered pursuit of individual happiness could be reconciled with morality.

Unlike Smith and Bentham who had a strong belief in the capitalistic principle of the individual pursuit of wealth and happiness, Karl Marx (1818 – 1883) argued that the economic breakdown of capitalism was inevitable, which would be replaced by the doctrine of socialism where the individual’s interests will give way to the state’s interests, and the free market system will yield to the controlled market system for the benefit of the society as a whole.

In 1832, Charles Babbage, an engineer, philosopher and researcher, examined the division of labour in his book “On the Economy of Machinery and Manufacturers” and raised important questions about production, organisations and economics. He advocated breaking down jobs into elements and costing each element individually. In this way, potential savings from investments in training, process and methods could be quantified. Henry R. Towne (1844 – 1924), also an engineer, proposed the concept of “shop management” and “shop accounting” to the American Society of Mechanical Engineers. Both Babbage and Towne paved the way for the development of scientific management theories that flourished during the industrial revolution.
3. **The traditional management theories**

**Introduction**

The traditional management theories had their origin in the industrial revolution when technological developments, expanding trade/markets, growing populations created opportunities for mass production through a systematic and mechanised process. Traditional management theorists were concerned with the formal relations among an organisation’s departments, tasks and processes, and in the promotion of greater efficiency and productivity among the workers. Traditional theories can be categorised into three main branches – bureaucratic management, administrative management and scientific management. All three management concepts emerged around the same period around the late 1890s to early 1990s, and resulted largely from the work of engineers who had particular interest in increasing productivity within the factories.

**Bureaucratic management theory**

Bureaucratic management, as depicted by its name, focuses on a rigid system which has a set hierarchy, a clear division of labour, and detailed rules and procedures. It provides a blueprint of how an organisation should operate in the most efficient manner. Max Weber (1864 – 1920) identified seven characteristics of bureaucratic management: (i) rules (formal guidelines for the behaviour of employees while they are on the job); (ii) impersonality (all employees are evaluated according to rules and objective data); (iii) division of labour (the process of dividing duties into simpler, more specialised tasks); (iv) hierarchical structure (helps control the behaviour of employees by making clear to each exactly where he or she stands in relation to everyone else in the organisation); (v) authority structure (determines who has the right to make decisions of varying importance at different levels within the organisation); (vi) life-long career commitment (job security is guaranteed as long as the employees is technically qualified and performs satisfactorily); (vii) rationality (managers operate logically and scientifically with all decisions leading directly to achieving the organisation’s goals). The bureaucratic approach is most effective when the organisation is required to handle large quantities of standard information, the needs of the customer are known and not likely to change, the technology is routine and stable, and the organisation has to coordinate the activities of numerous employees in order to deliver a standardised service or product to the customer.

**Administrative Management Theory**

Administrative management, in contrast with bureaucratic management, is more concerned with how the organisation is run and the distinction of basic managerial functions. Henri Fayol (1841 – 1925), a French industrialist, was the first person to group management functions that today are summarised as planning, organising, leading, coordinating, controlling and staffing. He identified fourteen management principles that included: (i) division of labour (specialisation leads to greater efficiency); (ii) authority (managers have the authority to get things done); (iii) discipline (members of the organisation need to respect the rules and regulations that govern it); (iv) unity of command (avoid conflicting and/or confusing instructions); (v) unity of direction (only one manager should be responsible for an employee’s behaviour); (vi) subordination of individual interest to the common good (the interests of individual employees should not take precedence over the interests of the entire organisation); (vii) remuneration (pay for work done should be fair to both the employee and the employer); (viii) centralisation (managers should
retain the final responsibility); (ix) scalar chair (a single uninterrupted line of authority should run rank to rank from top management to the lowest level position in the company); (x) order (materials and people need to be in the right place at the right time); (xi) equity (managers should be both friendly and fair to their subordinates); (xii) stability and tenure of staff (stability and tenure should be enhanced and high staff turnover should be avoided); (xiii) initiative (subordinates should be given the freedom to formulate and carry out their own plans); (xiv) esprit de corps (promoting team spirit gives the organisation a sense of unity. Fayol’s management principles are still widely practised by many companies today.

Scientific management theory
Scientific management is probably the most well-known among the traditional theories, and comprises four basic objectives, as follows:

- The development of a science for each element of a man’s work to replace the old rule-of-thumb methods.
- The scientific selection, training and development of workers instead of allowing them to choose their own tasks and train themselves as best they could.
- The development of a spirit of hearty cooperation between workers and management to ensure that work could be carried out in accordance with scientifically devised procedures.
- The division of work between workers and the management in almost equal shares, each group taking over the work for which it is best fitted instead of the former condition in which responsibility largely rested with the workers (Accel Team (2004), Motivation in the workplace – theory and practice).

Frederick Winslow Taylor (1856-1915) is considered to be one of the most influential persons in terms of impact on management service practice as well as on management thought up to the present day. In his 1909 publication, “Principles of Scientific Management”, Taylor spearheaded the scientific management movement, a management approach that emphasised improving work methods through observation and analysis. He also popularised using financial incentives – financial rewards paid to workers whose production exceeds some predetermined standard. His framework for a successful organisation included: (i) clear delineation of authority; (ii) responsibility; (iii) separation of planning from operations; (iv) incentive schemes for workers; (v) management by exception; and (vi) task specialisation.

Taylor extensively studied the individual worker-machine relationships in manufacturing plants and put great emphasis on specialisation. Through a time-and-motion study, he was successful in identifying and measuring a worker’s physical movements when performing a task which allowed him to analyze how these movements impact a worker’s productivity. Taylor also championed division of labour through functional foremanship where a set number of foremen are assigned to each work area, with each one being responsible for the workers in his line of expertise.

The following are the underlying assumptions to Taylor’s scientific management approach:
- The presence of a capitalist system and a money economy, where companies in a free market have as their main objective the improvement of efficiency and the maximisation of profit.
The Protestant work ethic that assumes people will work hard and behave rationally to maximise their own income, putting the perceived requirements of their organisation before their own personal objectives and goals.

An increased in size is desirable in order to obtain the advantages of the division of labour and specialisation of tasks.

Other more well-known scientific management theorists included Frank Gilbreths (1868 – 1924) and Lillian Gilbreths (1878 – 1972), Henry Gantt (1861 – 1919) and Charles Bedaux (1887 – 1944). The Gilbreths developed from their various studies the laws of human motion from which evolved the principles of motion economy. They coined the term ‘motion study’ to cover their field of research and as a way of distinguishing it from those involved in ‘time study’. It is a technique that they believed should always precede method study. They also championed the idea that workers should have standard days, scheduled rest breaks and normal lunch periods. Their work had significant impact on child labour laws and rules for protecting workers from unsafe working conditions.

The third well-known pioneer in the early days of scientific management was Henry Gantt. Gantt worked for Taylor and is to be remembered for his humanizing influence on management, emphasizing the conditions that have favourable psychological effects on the worker. Gantt was also credited for establishing the quota systems and bonuses for workers who exceeded their quotas. In addition, he was also remembered for creating the Gantt Chart – a visual plan and progress report that identifies various stages of work which must be carried out to complete a project, sets deadlines for each stage, and documents accomplishments. It is used for scheduling of jobs which is based on time, rather than quantity, volume or weight.

Charles Bedaux was another pioneering contributor to the field of scientific management. He introduced the concept of rating assessment in timing work which led to great improvements in employee productivity. He adhered to Gilbreth’s introduction of a rest allowance to allow recovery from fatigue. Although crude and poorly received at first, his system has been of great consequence to the subsequent development of work study. He is also known for extending the range of techniques employed in work study which included value analysis.

4. The behavioural theories

Introduction
The scientific management movement focused primarily on production, management, organisation, technology and science, but little attention was paid to how people might be impacted, the way in which they react and are likely to react to future. As long ago as the 1920s there was opposition to the scientific principles as discretion was removed from individuals as a way of centralising control and authority into specialised functions. The focus of attention had been almost exclusively on the jobs which individuals performed and how they could be improved. Benefits went disproportionately to the company and the individual’s work experience was dehumanizing as they were treated as extensions to the machines.

During the radical social and cultural changes that occurred in the 1920s and 1930s, the behavioural theories emerged that stresses the importance of group dynamics, complex human
motivations and the manager’s leadership style. It also emphasizes the employee’s social and economic needs and the influence of the organisation’s social setting on the quality and quantity of work produced, and its focuses on two competencies – communication and teamwork. This increase in attention to the human factors has become known as the ‘human relations school of management’. Some of the more prominent theorists in this field included Elton Mayo (1880 – 1949), Mary Parker Follett (1868 – 1933), Chester Barnard (1886 – 1961), Abraham Maslow (1908 – 1970), Douglas McGregor (1906 – 1964), Rensis Likert (1903 – 1981), Frederick Herzberg (1923 – 2000), David McClelland (1917 – 1998) and Chris Argyris (1923 – present).

Elton Mayo
One of the most prominent behavioural theorists is Elton Mayo and his ground breaking study of Western Electric Company’s Hawthorne Plant in Chicago which he conducted with Fritz Roethlisberger and William Dickson between 1924 and 1933. During the course of Mayo’s studies, he managed to switch the focus of attention away from the individual and physical considerations to the importance of groups at work requiring sociological and psychological consideration. Some of his major findings included: (i) workers thought and acted not as individuals but as a group; (ii) workers should sacrifice their self-interest in the face of group pressure; (iii) money is not the sole motivator; (iv) supervisors have significant influence on output; (v) the social world of the adult is patterned around work activity; (vi) the need for recognition, security and sense of belonging is more important in determining workers’ morale and productivity than the physical conditions under which he works; (vii) a complaint is not necessarily an objective recital of facts; it is commonly a symptom manifesting disturbance of an individual’s status position; (viii) the worker is a person whose attitudes and effectiveness are conditioned by social demands from both inside and outside the work plant; (ix) informal groups within the work plant exercise strong social controls over the work habits and attitudes of the individual worker; and (x) group collaboration does not occur by accident; it must be planned and developed.

He therefore recommended that: (i) managers must not ignore the informal organisation but ensure that its norms are in harmony with organisational goals; (ii) man is basically motivated by social needs, not economic ones; (iii) work is rationalised by employees and meanings are sought in social relationships at work; (iv) managers must focus on the work group rather than individuals, but workers should be considered in a personal context in order to understand each employee’s unique needs and sources satisfaction; and (v) effective supervisors are those who satisfy subordinate’s social needs. Mayo’s work is now part of the management folklore which has led to the movement to reject the views of the traditionalists to the school of ‘human relations’ management.

Mary Parker Follett
Mary Parker Follett was touted as one of the first management theorists to give recognition to the importance of involving workers in solving problems and that management is a dynamic, not static, process. She defined management as “getting things done through people” and noted that: (i) people closest to the action make the best decisions; (ii) subordinates should be involved in the decision-making process; (iii) coordination is vital to effective management; (iv) communication between managers and employers improves decisions; and (v) managers should find ways to resolve the interdepartmental conflict.
Chester Barnard
Chester Barnard was an early organisational theorist who authored “Functions of the Executive”, an influential twentieth century management book which presents a theory of organisation and the functions of executives in organisations. Barnard remarked that social systems require employee cooperation if they are to be effective, and introduced the idea of examining the organisation’s external environment and adjusting its internal structure to balance the two. He observed that the manager’s main roles are: (i) to communicate with employees; (ii) to motivate them to work hard to help achieve the organisation’s goals; and (iii) successful management depends on maintaining good relations with people outside the organisation with whom managers deal regularly.

Abraham Maslow
Abraham Maslow’s pioneering work on human behaviour laid the foundations for the later development of behaviour management theories. He suggested that there are five sets of human goals which may be called basic needs. These are: (i) physiological; (ii) safety; (iii) love/sense of belonging; (iv) self-esteeem; and (v) self-actualisation or self-fulfilment, and they are arranged in order of importance. Man’s basic needs are physiological, for example, hunger, thirst, sleep, etc. When these are satisfied they are replaced by safety needs reflecting his desire for protection against danger or deprivation. These in turn, when satisfied, are replaced by the need for love or belonging to, which are functions of man’s gregariousness and his desire to belong to a group and to associate with people. When these needs have been satisfied, there are the esteem needs, i.e. the desire for self-esteem and self-respect, which are affected by a person’s standing reputation, and his need for recognition and appreciation. Finally, individuals have a need for self-actualisation or a desire for self-fulfilment, which is an urge by individuals for self-development, creativity and job satisfaction.

Clayton Alderfer
Clayton Alderfer further expended Maslow’s hierarchy of needs by categorising the hierarchy into the ERG theory (Existence, Relatedness and Growth) (ERG, Human Needs in Organisational Settings, New York, Free Press, 1972). Alderfer further proposed a regression theory to go with the ERG theory. He hypothesised that if needs in a higher category are not met then individuals redouble the efforts invested in a lower category instead. Both Maslow and Alderfer’s theory can be labelled as the ‘push’ theory which concludes that an individual is pushed or motivated by some inner condition or drive or need.

Victor Vroom
Victor Vroom on the other hand proposed the ‘Expectancy Theory’ (1964) which is about the processes that an individual undergoes to make choices. Expectancy theory predicts that employees in an organisation will become motivated when they believe that (i) putting in more effort will yield better job performance; (ii) better job performance will lead to organisational rewards, such as an increase in salary or benefits; and (iii) these organisational rewards are valued by the employees in question. Vroom’s theory assumes that behaviour results in conscious choices among alternatives whose purpose is to maximise pleasure and minimise pain. He introduced three variables in his theory – Valance (V), Expectancy (E) and Instrumentality (I) which are important behind choosing one element over another. The Expectancy Theory is
sometimes known as the ‘pull theory’ since it predicts that behaviour will tend to respond to the relative attractiveness (valence) of different outcomes of behaviour. In fact, behaviour might reflect the individual’s ‘considered response’ to stimuli located in the environment, rather than his or her blind reaction to internal drives, wants or needs – choice making attributes of humans rather than animal instinct.

Douglas McGregor
Douglas McGregor was noted for his Theory X and Theory Y assumptions concerning two different types of workers which he described in his book “The Human Side of Enterprise”, published in 1960. Theory X depicts the average human being as having an inherent dislike of work and will avoid it if he can. Therefore, most people must be controlled and threatened before they will work hard enough, and that they prefer to be directed, dislikes responsibility and desires security above everything. This is the so-called ‘stick and carrot’ philosophy of management. Theory Y on the other hand postulates that the expenditure of physical and mental effort in work is as natural as play or rest, and that control and punishment are not the only ways to make people work because man will direct himself if he is committed to the aims of the organisation. Furthermore, the average worker learns, under proper conditions, and they see their reward not so much in cash payments as in the freedom to do difficult and challenging work by themselves. McGregor sees these two theories as two quite separate attitudes which are pertinent to different organisations or circumstances, but he also observed that ‘staff will contribute more to the organisation if they are treated as responsible and valued employees’.

Rensis Likert
Rensis Likert has conducted much research on human behaviour within organisations, particularly in the industrial situation. He has examined different types of organisations and leadership styles, and he asserts that, to achieve maximum profitability, good labour relations and high productivity, every organisation must have optimum use of their human assets. He contends that “highly effective work groups linked together in an overlapping pattern by other similarly effective groups” will make greatest use of the human capacity. Likert also identified four main management styles: (i) the exploitive-authoritative system; (ii) the benevolent – authoritative system; (iii) the consultative system; and (iv) the participative group system which is considered to be the optimum solution where leadership is by superiors who have complete confidence in their subordinates, where motivation is by economic rewards based on goals which have been set in participation, where personnel at all levels feel real responsibility for the organisational goals, where there is much communication, and a substantial amount of cooperative work.

Frederick Herzberg
Frederick Herzberg was responsible for the two-factor Hygiene and Motivation Theory. Hygiene factors are related to the work and organisational environment and include the organisation, its policies and its administration, the kind of supervision (leadership and management, including perceptions) which people receive while on the job, working conditions, interpersonal relations, salary, status and job security. These factors do not lead to higher levels of motivation but without them there is dissatisfaction. The second component to Herzberg’s motivation theory involves what people actually do on the job and should be engineered into the jobs of the employees in order to develop intrinsic motivation with the workforce. The motivators are
achievement, recognition, growth/advancement and interests in the job.

**David McClelland**
David McClelland was noted for his work on achievement motivation and the consciousness. His research led him to believe that the need for achievement is a distinct human motive that can be distinguished from other needs. More important, the achievement motive can be isolated and assessed in any group. People with a high need for achievement tend to set moderately difficult but potentially achievable goals. In biology, this is known as the overload principle. Another characteristic of achievement-motivated people is that they seem to be more concerned with personal achievement than with the rewards of success. They do not reject rewards, but the rewards are not as essential as the accomplishment itself.

**Chris Argyris**
Chris Argyris compared bureaucratic/pyramidal values (the organisational counterpart to Theory X assumptions) with a more humanistic/democratic value system (the organisational counterpart to Theory Y assumptions) and concluded that the former leads to poor, shallow and mistrustful relationships and is a “breeding ground for mistrust, inter-group conflict, rigidity and so on which in turn lead to a decrease in organisational success in problem solving”. On the other hand, if humanistic or democratic values are adhered to in an organisation, trusting, authentic relationships will develop among people and will result in increased interpersonal competence, inter-group cooperation, flexibility and the like and should result in increases in organisational effectiveness.
References

Accel Team (2004), ‘Historical Perspective – Growth of Scientific Management’.


