

THE MOST IMPORTANT PERSONS IN THE MANAGEMENT SCIENCE

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This article provides a deep research about the most known fathers of Management. Henri Fayol, who invented the basic 14 Principles of Management. Michael Porter and his competition concept. At last Peter Drucker, the inventor of MBO system.

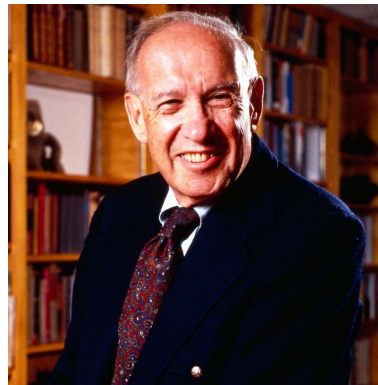
Research subject of this article is a knowledge from the founders of management. The objective of the article is to determine the main issues, which they tried to explain and solve. There were researched different sides of management: competitors, functions, methods and etc, but all of them are very important, because they can't exist without each other.

For achieving the stated objective such general and special scientific methods were used as, systemic, morphological, structural and logical analysis, formalization, and analogy, comparative and integrative methods.

As a result, the main achievements were explained. Nowadays society are still using Fayol's Porter's and Drucker's discoveries.

Keywords: management, basis of management knowledge, Henri Fayol, Michael Porter, Michael Porter, management by objectives, 14 principles, books, researches, competition.

Peter Drucker (1909 – 2005) is one of the most famous scientists in the



world and author of many books about management. His scientific works cover a lot of economical and political problems, but the main articles were written to understand the deep knowledge of Management. P. Drucker invented the term - "management by objectives" and it is not surprising that he changed the way to think about the usual management methods. Scientific approach was replaced by philosophical, in which the control problem is to solve the global tasks step by step. In that case goals are more important than functions.[1]

Peter Drucker was born in 1909 in Vienna. His father Adolf Drucker was a leading Viennese lawyer and famous Austrian liberal, also he was one of the founders of the Salzburg Music Festival. Drucker's family emigrated to the United States in 1938 after the annexation of Austria by Germany. In 1930-ies. P. Drucker worked in Europe as a journalist and an expert on the economy before in 1937 finally settled in the United States. In 1942 he went to work at Bennington College in Vermont. Ten years later he moved to New York University, where he become a professor of the Department of Management. Since then, his main duties were teaching, writing books and consulting the leading American companies.

Before World War II the views of F. Taylor and G. Ford were dominated at the American management theory. They considered management as an exact science. However P. Drucker was a scientist, who strongly emphasizes the importance of a humanistic approach to the management problem. As the final result P. Drucker developed the concept of "management by objectives" (MBO), according to which the head mission is to establish the objectives and to create the plan to achieve them. He believes that top-managers of enterprises are playing the central role in the dynamics of their development. The main task of managers is to achieve the economic efficiency and, therefore, to increase public goods. A visionary thinker, P. Drucker is also an excellent writer, orator and has an ability to influence the imagination of the audience. He is often criticized for being overly generalized view about the control problems. However his general approach to the problem of management has achieved the universal approbation.[2]

Responsibility

From the opinion of P. Drucker all institutions exist to achieve certain goals; for business enterprises such purpose is economic efficiency. Head of the company should be responsible for:

- (1) nsuring economic efficiency;
- (2) The efficiency of activity, so that efficiency is achieved in the simplest way;
- (3) Management of social impacts that the company has on the environment.

There is an indication of the importance of the role of leader. P. Drucker briefly stops at the problem in the implementation of management. Instead, he prefers to use the term "responsibility"; managers "responsible" for the contribution made to the work of the enterprise themselves and their subordinate employees. In fact, the management assumes a function, not power, and P. Drucker urges leaders to decline the idea that they are at the top and workers under them. Rather, he sees managers as organizations rod around which there are all other elements - work, resources, markets, the external environment.

An important factor in all the works of P. Drucker is the need for managers to consider the social impact that they and their organizations are having on the environment. Managers should not be only technocrats; they must understand the social value of the activity. The larger and more powerful enterprise becomes, the stronger will be to provide them with social impact and the higher will be necessary to consider the social factor: "The requirement of social responsibility is the price of success"

P. Drucker never loses sight of the common good, which is located within the organization in general and within the corporation privately. Corporations must be managed not only in compliance with a set of pragmatic rules, but also in the philosophical concepts that define the role of the organization in an industrial society.

According to P. Drucker philosophy of the ultimate goal of the company is to create public goods. The organization serves to convert the human effort in specific products and "personal efforts create social benefits". This belief is at the core of its management philosophy.

Practical skills

Based on his philosophy of management P. Drucker defines, with the help of some practical steps managers can make their work more effective. He lists the following main characteristics of management:

- As a tool to achieve the goal;
- As an independent scientific discipline;
- A set of working individually and in association of people;
- As a public authority for the solution of vital problems;
- As a holistic, synthetic function in a complex and changing world.

P. Drucker insists that managers must be fully involved in its work, and often speaks of "emotion" that must necessarily accompany the management process. However, the involvement of itself does not imply a lack of discipline and rigor. In the book *The Effective Executive* ("Effective Manager", 1967) P. Drucker argues that efficiency is determined by a set of practical actions that can be learned. His definition of efficiency is based on five pillars:

1. Effective leaders know what is spent their working time;
2. They are not focused on the work process and its results;
3. They build their work, drawing on the strengths rather than weaknesses;
4. They are directing their efforts on those areas where a great work will provide the outstanding results;
5. They shall take effective solutions, making the right steps in the right sequence.

Based on the allegation that the main task is to create a market leader, P. Drucker noted that the two main functions of management are the innovation and implementation of marketing activities. He pays relatively little attention to marketing, but the need for understanding and innovation is seen in almost all of his recent books. Scientist strongly criticizes the company believes that "innovation arise inspiration and success in business depends on luck" and argues that the introduction of innovations is a science that can be learned. He believes that innovation is primarily a management function, and stresses that managers must rely on technology

rather than on anything else. One of his most famous phrases - "Computer is an idiot" - implies the need to use technology as tool for innovation and not as a means of replacing them.[4]

The Critique

P. Drucker has got a lot of critics and established his paradigm has often been the target for their arrows. At the same time his latest idea, apparently, never united with the rest of the themes of works of the scientist. Chapters on the need for social responsibility are often obscure, not to mention the rest of the text books in which they appear. For readers who have grown up on the same ideas as P. Drucker thought of the need for social responsibility it seems quite clear; At the same time, the US post-war generation of managers, it seems far less obvious.

One of the side effects of P. Drucker's theory was the creation of the concept of "the ability to move a manager." Defining management as a set of basic functions, it is possible to inadvertently contributed to strengthening the belief that any trained manager can manage any company, regardless of its nature and purpose. Sam P. Drucker never did not think so, and on the other hand he claimed that the manager should always be a thorough knowledge of the matter, which he held, but the idea that management skills are universal and can be applied equally well in different areas, It has started up deep roots.

However, along with these objections, the undisputed fact remains that in the postwar period, P. Drucker, perhaps made the biggest contribution to the definition of the nature of management. Generally it is believed that before the Second World War, managers simply do not know that they are managers; P. Drucker also showed them who they really are. His management philosophy has penetrated all levels of management thinking - from top academics to business Academies managers of small companies. Control purposes concept is still widespread, despite the fact that sometimes it is used under different names.

Michael Porter (1947 - nowadays) -

Professor of the Department of Business Administration at Harvard Business School, a recognized expert in the study of economic competition, including competition in the international markets between countries and regions. He developed the theory of competitive advantage, which many consider a new paradigm in economic science.



Michael Porter was born on May 23, 1947(Michigan) in a family of US Army officer. He graduated from Princeton University, after that received a master's degree in Business Administration and a PhD from Harvard University. Also he has completed each stage of the training with honors. Since 1973 he has been working in the Harvard Business School, since 1981 - a professor. Now he lives in Brookline, Massachusetts.

Throughout his academic career, M. Porter studied the competition. He has been a consultant for a lot of leading companies such as T & T, DuPont, Procter & Gmble and Royl Dutch / Shell, and provided services to the Directorate lph-Bet Technologies, Prmetric Technology Corp., R & B Flcon Corp., ThermoQuest Corp. In addition, Porter worked as a consultant and advisor to the governments of India, New Zealand, Canada and Portugal. Now he is leading expert on the development of a regional strategy for the presidents of several countries of Central America.

Being one of the most influential experts in the management, Porter has defined the main directions of the research of competition (especially in the global context). There were created new models and methods of the study. He was able to combine the development of business strategy and microeconomics, which had previously been considered independently of each other.[7]

He is an author of the 17 books and over 60 articles. There are the most famous: "Competitive Strategy: Techniques for Analyzing Competitors" (1980), "Competitive Advantage: Creating and Sustaining

Superior Performance" (1985) and "Competitive advantages of Nations" (1990).

In his main book "Competitive Strategy" Porter produced a revolutionary approach to develop the strategy of the enterprise and the individual sectors of the economy. The basis for this book is the experience of hundreds of companies in various business sectors. According to Porter, the enterprise hasn't got a competitive strategy without clear formulation of the main goals. Also there are tools and actions which are needed to achieve these objectives and the methods, through them the enterprise should achieve the competition. The science of Management has got a big and different terminology. Someone speaks of "mission" or "problem", meaning "goal", others - the "tactics", referring to the "productive activities". However, the main rule for the development of a competitive strategy is to differentiate the goals and means.

Fig. 1. "The Wheel of a Competitive Strategy"



For each item the wheel Porter clearly identifies the key aspects of a business policy (depending on the nature of a business wording could be more or less specific). However, together the targets and directions are creating a concept of the strategy, which show to the top management the right way to go.[6]

“Sound strategy starts with having the right goal.” © Michael Porter

Michael Porter proposed a revolutionary approach to the development strategy of the enterprise - using a microeconomic laws. He began to consider a strategy as a basic principle that can be applied not only to the individual companies, but also to the whole sectors of the economy. Analysis of the strategic requirements in various sectors allowed the researcher to develop a model of the **Five Forces**:

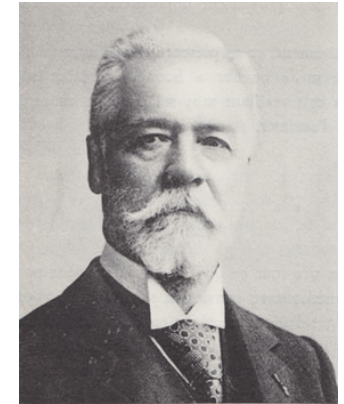
1. **New competitors.** Competitors will invest new resources, which requires other market participants to raise the additional funds; respectively, the profit decreases.
2. **Threat of substitutes.** There are some products which are competitive to others. They are forcing companies to limit the prices that reduces revenue and profitability.
3. **The customers could defend their own interests.** This entails additional costs.
4. **The ability of suppliers to defend their own interests.** It leads to increased production costs and a rise in prices.
5. **The competition between existing companies.** Competition requires additional investment in marketing, research, development of new products or price changes, which also reduces profitability.

The impact of each of these forces varies from industry to industry, but all together they determine the profitability of the company in the long term.

There are a lot of prizes which Professor Porter was awarded. The most famous are: three awards from McKinsey; Award George R. Terry from the Academy of Management; Adam Smith Award from the National Association of Industrial economists and seven honorary doctorates.[8]

“If your goal is anything but profitability - if it's to be big, or to grow fast, or to become a technology leader - you'll hit problems.” © Michael Porter

Henri Fayol (1841 - 1925) - French economist, the author of the direction of scientific management, entrepreneur, organizer. As a theorist of management and the organizer of production, it became an expert at Administration and the founder of the so-called administrative approach in the management of staff (also known as the school of administration or the theory of the administration).



He was born in 1841 in a suburb of Istanbul in Turkey, where his father supervised the construction of the bridge across the Golden Horn. In 1847, his family returned to France. After graduating in 1860, the School of Mines of Saint-Etienne, he took a job in a mining company "Compagnie de Commentry-Fourchambeau-Decazeville", where from 1888 to 1918 held the post of director. For 30 years he headed the largest mining and metals company in France. Taking it in a very unfavorable economic situation, on the verge of bankruptcy, Fayolle by 1918 led the firm to the one of the most successful businesses.

In his main book "General Administration for Industry" (1916) he summarized the management experience and has created a logically systematic theory of management. Another of his book - "The administrative state theory" - came out in 1923.[9]

For the first time Fayol talked about the problem of organized management training. He considered that, management functions include planning, organization, management, coordination and control. Also he claimed that the administrative management principles are universal, so they are applicable not only in economy, but also in government and institutions, the army, the navy, etc.

“According to the dictionary, to administer is to govern, or to manage a public or private business. It means, therefore, to seek to make the best possible use of the resources available in achieving the goal of the enterprise. Administration includes, therefore, all the operations of the enterprise. But as

a result of the usual way of organizing things to facilitate the running of the business, a certain number of activities constitute the special departments; the technical department, the commercial department, the financial department, etc., and the scope of the administrative department is found to be reduced accordingly” © Henri Fayol[10]

14 Management Principles

1. **Division of work.** Specialization allows the individual to gain experience and to continuously improve their skills. Thus, a person can improve performance.

2. **Authority.** The right to manage, and to have duties.

3. **Discipline.** Employees should comply their tasks, but only in case that management will provide good leadership.

4. **Unity of Command.** Each worker should have only one boss.

5. **Unity of Direction.** The people involved in the same activities should have the same problem in the general work plan. Unity of command does not exist without unity of direction.

6. **Subordination of individual interest.** Management must understand that the main goal of the company is always paramount.

7. **Remuneration.** The salary is an important motivating factor. Fayolle indicates that there is no motivation perfect system.

8. **Centralization.** The degree of centralization of the business is heavily dependent on its condition and quality of its staff.

9. **Scalar chain.** The hierarchy is necessary for the unity of direction. But horizontal communication is also needed. Scalar chain refers to the number of levels in the hierarchy from the highest position to the lowest level in the organization. It should not be excessive and include too many levels.

10. **Order.** There should be material order and social order. The first minimizes downtime and material waste. The second is achieved through organization and selection.

11. **Equity.** The management of the business must be "a combination of kindness and justice."

12. **Stability of tenure of personnel.** Employees work better if job is secure and their careers have got development.

13. **Initiative.** Allowing staff to take the initiative - a major source of value to the organization.

14. **Esprit de corps.** Management should encourage the morale of its employees, and Fayolle warns: "We need real talents to coordinate their actions."

The success of the Fayolle's company was linked with a consistent and systematic application in the management of a number of simple but important principles. Fayol first proposed to consider the actual management activities as an independent object of research. He identified five major elements (administration functions): forecasting, planning, organization, coordination and control.[11]

Requisite Abilities							
Class of Employee	% Managerial	% Technical	% Commercial	% Financial	% Security	% Accounting	Total Evaluation
Workman	5%	85%	-	-	5%	5%	100%
Foreman	15%	60%	5%	-	10%	10%	100%
Superintendent	25%	45%	5%	-	10%	15%	100%
Head of Section	30%	30%	5%	5%	10%	20%	100%
Head of Dept	35%	30%	10%	5%	10%	10%	100%
Manager	40%	15%	15%	10%	10%	10%	100%
General Manager	50%	10%	10%	10%	10%	10%	100%
Minister MP	50%	10%	10%	10%	10%	10%	100%
Head of State - PM	60%	8%	8%	8%	8%	8%	100%

In Fayol's system, "Administration" is only one of the six management functions. It is important, but only after five other activities are exist - technical, commercial, financial, insurance and accounting.

The importance of requisite abilities of staff at interprises:

Fayolle was first to refused to look at the management as "exclusive privilege" of top management. He argued that the administrative functions exist at any level of the organization, even at the workers. Therefore, the higher the level of the organizational hierarchy, the higher administrative

responsibility, and vice versa. Functions - essential elements of the management process. Loss of one of these elements leads to disruption of

the entire control technology. Whereas principles embody the subjective experience of the head, so they can be replaced or supplemented.

Fayolle became famous thanks to his ideas, which, however, were taken too late. The work of Fayol "Key features of the industrial administration" was published only in 1916. This work - His main contribution to the science of management.

Henri Fayol has connected ideas of functional administration of Taylor and the old principle of unity of command. As a result there was created a new control scheme, which was a basis for the modern organization theory.

He is often called the "father of modern management theory," because he was the first who has organized manufacture properly, summarized the principles and art of administration management in general. According to American historians management Fayolle is the most powerful figure in science in the first half of XX century.

"Administration, which calls for the application of wide knowledge and many personal qualities, is above all the art of handling men, and in this art, as in many others, it is practice that makes perfect." © Henri Fayol



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