

# Study of Theoretical Ideas on Neoclassical

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**Abstract:** The goal of any organization is to increase productivity and efficiency. Each organization has the technical and human aspects. The classic school considers the increase of productivity and efficiency in the technical aspect. Therefore, it emphasizes on the science on the activities, work and timing, formal and material rewards. In the meantime, the human spirit of organization was ignored, as human was considered as purely economic creature. But Hawthorne investigation that was conducted by Elton Mayo in Harvard University, a new aspect of organization was identified that increased efficiency beyond the technical aspects. This aspect is the human aspect of organization that leads to reconsider the idea of classical school and the formation of the neoclassical school. The neoclassical school, in terms of the philosophical foundations is distinctive from classical school. In ontological aspect, the neoclassical school focuses on the human spirit of organization. From the perspective of methodological, individual, group and collaborative management are units of analysis in the investigations. In epistemological aspect, it is aimed to develop a model of neoclassical human cognition and behavior (like a pyramid theory of Maslow, Herzberg two-factor theory, the theory of Douglas McGregor, etc.) to identify ways to increase efficiency and productivity in the organization. This article through literature review to establish the position of the neoclassical school of strategic management deals in the history of schools. At the end of this article, it develops theoretical teachings of this school from the perspective of critical thinking and its help to increase the frontiers of knowledge management.

**Keywords:** Management, Management Schools, Neoclassical Theory, The Human Aspect of The Organization.

## Introduction

Neoclassical school of management is originated from the asymmetry of the classical school with human nature and it is based on his character. As the name implies, this school is built on the foundations of the classical school. In other words, this school has been refined and developed the classical school. Neoclassical school focuses on the study of the individual. Classical and neoclassical schools of different aspects in the two ends of a spectrum that opposite each other. The elements that are sensitive and important are not important in another perspective. Each of these two schools aim to maximize organizational performance and human welfare. But each has its own unique strategy to achieve the people's welfare. In classical school, human is rational and economic creature and material rewards can motivate him (Mahmood et al., 2012). But, in contrast, in the philosophical foundations of the neoclassical school, human welfare is focused based on the behavioral and psychological aspects in recognizing qualitative and emotional elements.

Researches form the neoclassical school of Elton Mayo and his colleagues in the 1940s.

Mayo and his colleagues reported that in addition to finding the best technical methods to improve efficiency, human affairs and human aspects are useful for managers (Brannigan & Zwerman, 2001).

Mayo and his colleagues called this aspect as the human spirit. They claim that the relationships between individuals arise within the work unit form real focus of power in the organization (Hassard, 2012).

Organizations must be created with a focus on employees and put the spotlight human sentiment. Neoclassical management focal point, unlike the classical school focal point is generally individual needs. Hence, psychology, sociology, ethnology, anthropology and cultural studies were used in neoclassical researches to explore the human nature, (Robbins et al., 2013).

This article through literature review to establish the position of the neoclassical school of strategic management deals in the history of schools. At the end of this article, it develops theoretical teachings of this school from the perspective of critical thinking and its help to increase the frontiers of knowledge management.

## Review of literature

### *Understanding neoclassical school of management from the perspective of ontological knowledge base*

Neoclassical organization is a human-centered organization that considers the mind and human emotions. Neoclassical experts have been generally sociologist and psychologist. They have known inefficient the presuppositions Classic management and asked for a review of them.

**Table 1.** Shows the position of neoclassical school in the history of management schools.

School	Period
Classical school	1880-1920
Neoclassical school	1920-1950
Systematic school	1950-1960
Contingency school	1960 till now

Table 1 The position of neoclassical school in the history of management schools the most ontological fundamental differences between the neoclassical school and the classical school can be explained as follows. These fundamental ontological differences form philosophy and essence of the neoclassical school:

- 1) Human beings are emotional, social and emotional function, and all his behaviors are not pure rationality. In other words, man is like a machine dry and lifeless.
- 2) The organization has the technical and social aspects, both technical and human aspects.
- 3) Interaction and human relationships with each other affect the physical structure or official. So according to their perspective, the formation of informal organizations within the official structure is inevitable.
- 4) To achieve the productivity, human should be focused and their most important slogan was that a happy worker is a productive and efficient worker (Wright & Staw, 1999).

### *Comparative phenomenology of classical and neoclassical schools*

Classical and neoclassical theories are opposite in various directions. But both schools agree in one case that is rational function of organization brings happiness to man. Each school has known the ways of human happiness in specific perspective (Wright & Staw, 1999). Classical theory by assuming economic man knows human happiness in material incentives, while the neoclassical theory knows human satisfaction in concepts and social needs. It should be recognized that the neoclassical theory does not deny the classical theory, but also it has created some changes in it for its evolution and dimensional direction.

With emphasis on the behavioral and psychological aspects, neoclassical school tries to identify qualitative and emotional factors and perfect classical school that was far from human spirituality.

Neoclassical school introduced new unit for the analysis of organizational surveys including:

Individual, group and participative management. Prior to that, classical school considered organization and its activities as the unit for analysis and optimization of the organization.

The neoclassical theory is based primarily on the success and failures of classical theory.

Classical theory provided the blueprint of organization and the plan developed by the neoclassical theory by irrational modification of structures of classics (Mahmood et al., 2012).

### ***Contrast of theoretical differences between two schools in terms of philosophy of theory***

Each school has its own philosophy and assumptions for theorizing. In fact, some theories of scientists who share the same beliefs and assumptions of the theory form a school. The philosophy of the classical school of management theory is on fundamental concepts such as discipline, rational behavior and structure that part of the philosophy emphasizes on scientific management (Mahmood et al., 2012).

But the emotional nature of man cannot be delegitimise. Thus, neoclassical movement was accepted. The organization is a set of human and organization makes no sense without human.

The man gives soul to the organization. The philosophy of neoclassical theorists is to consider the nature and identity of the organization (DuBrin, 2013).

### ***Typology of thought subdirectories in the neoclassical school of management***

Each school finds thought and subdirectories over time. The two main branches of the neoclassical school of thought are behaviorists and followers of the human relations movement.

In the behaviorists, theorists like Montzberg, Mayo and Maslow can be named.

The main focus of this thought subdirectory is on the behavior and human aspects of labor and the satisfaction of human capital to increase the efficiency of the organization.

Next subdirectory is human relations movement theorists that Herzberg, McClelland and Argyris were its theorists.

The focus of this subdirectory is on motivation and leadership of the workforce to increase productivity of organization. In general, during the neoclassical school has three historic turning points.

Neoclassical theory mainly includes three parts:

1. Hawthorne studies: it includes a series of experiments at the Western Electric Company between 1927 and 1932 followed by a new understanding of individual and group behaviors created (Brannigan & Zwerman, 2001).
2. The human relations movement: Following the results of the tests Hawthorne, different theorists in the field of personal behavior and social relations in organizations that this relations were recognized as Organizational Relations. Several studies by Maslow, McGregor, Herzberg, Kate Debis and others in understanding human relationships were conducted.

In fact, the issue this movement discussed on the employees respond instinctively to their workplace, including social conditions and norms of social content and dynamic relationships between individual groups (Bratton & Gold, 2012).

3. Organizational Behavior: many sociologists and psychologists began his studies on the dynamics of groups and Chris Argyris, Homans Kurt, Lewin, Katz and others worked in the field of organizational behavior. They studied attitude, behavior, performance of individuals and groups and informal organizations. This approach called the organizational approach to human relations movement developed and expanded over time because the use of interdisciplinary and multi-faceted approach to the management problems is also called behavioral science approach (Robbins et al., 2013).

### ***Hawthorne studies, the strategic development of the neoclassical school***

Neoclassical school have rooted in the work of Elton Mayo. Elton Mayo was an Australian-born scholar who most of his life taught at Harvard University, he was supervisor of some research programs that the most famous one was his five year research from 1927 to 1933 in Hawthorne Company associated with Western Electric Company in Chicago (Hassard, 2012).

The Hawthorne aimed to study the effect of material factors such as the duration of the working day, the light, the break between the hours of operation, noise, heat and so on (physical) on changes in production quantity and efficiency of workers.

The study showed that social and psychological factors are more effective than physical variables in people's efficiency (Brannigan & Zwerman, 2001).

### ***Maslow's pyramid of needs and fundamental development of the neoclassical school***

Maslow's hierarchy of needs or Maslow's pyramid is a classic theorist Abraham Maslow's theory of management about the basic human needs (Shafritz et al., 2015). Among the insights of the theory of human relations movement in the management coincides with the West during the Great Depression is important and is considered as fundamental theory.

This theory is considered as content theories about the motivation. The content theories describe behavior motivated mainly by what is happening within the individual or his environment, and the behavior of the person concerned is strengthened. In other words, these theories help the manager about the needs of their employees and

help him to know the valuable rewards according to the employees' viewpoint; while, theories describe the process of how and why people excited. According to Maslow, human needs have a hierarchy that the people's behavior is affected by severe needs. When satisfying needs is begun, a change will occur in individual motivation that instead of prior needs, another level of needs becomes more important and stimulates the behavior. Needs hierarchy reaches to peak, and it subsides and after satisfaction (Shafritz et al., 2015).

### ***Herzberg's two-factor theory and theoretical development of the neoclassical school***

Frederick Herzberg was a psychologist who offered two-factor theory of health-motivation in 1975. Herzberg's theory is a set of factors that has led to job dissatisfaction. He defined these factors as the health or preservatives (Pegler, 2012). He also presented the factors that create job satisfaction and motivation in the jobs as the motivation factors.

Health or preservatives factors include: salaries, post, working conditions, supervision, policy, management, and interaction with people and so on. These factors are not related directly to the activities of individuals, but when their quality is reduced causes discontent among the personnel. Motivating factors include the inherent requirements of a job that could lead to job satisfaction. These factors include: successfully identify the nature of the job, responsibility, growth, etc (Pegler, 2012).

### ***Personality theory, Chris Argyris's organization***

Personality theory and organizations are the approaches of neoclassical school. Chris Argyris's work show that he believes as Maslow and McGregor that man is a systematic and coherent whole. Argyris in his book "Personality and organization" by comparing managerial activities and traditional hierarchical organizations, the needs and abilities of adults, concludes that some measures and activities that are particularly affected by traditional management approaches are incompatible with the character of mature individuals (Argyris, 1957). For example, the principle of specialization in scientific management is based on the assumption that as works are well defined, people act them more efficient. According to Argyris, this action may prevent self-actualization of employees in the workplace. Another example of Max Weber's theory of bureaucracy can be noted that the authority should have clear hierarchy, and high level managers control people with lower levels. Argyris believes that this trend is likely to depend on people to take their officials and their passive behavior to the extent that employees may feel that they have the least control over their working environment (Argyris, 1960).

### **Three-factor theory of McClelland**

The responsibility of leaders and managers of organizations is to attract the right people and motivate them, and create opportunities for training and development. McClelland's theory is a good tool to use in this way. People who requires success perform better than the other two groups, and organizations with such a kind of employees are more successful. McClelland's theory studies identification of people who need to be successful and ways of people's motivation. David McClelland introduced three factors in human motivation that anyone can have varying degrees of each and dominant in one (Schultheiss et al., 2014).

Need to success: it means trying to achieve the goal, succeed and shine. Need to success is almost 80 percent of the motivational needs of all individuals. Those who this need is dominant are the persons who do not risk, and their success is not based on luck and they try to have the responsibility for their own affairs. Although they avoid simple or very difficult tasks (Schultheiss et al., 2014).

### ***Kurt Lewin and emergence of groups' dynamics***

Kurt Lewin is the founder of the theory of group dynamics. He supports democratic supervision and the elimination of barriers between leaders and followers. He was one of the first psychologists who systematically tested human behavior and offered a three-step model for change that it can be expressed as follows (Cummings et al., 2016):

### ***Herbert Simon, Administrative Behavior***

Simon believes that the management is equal to decision, and administrative decisions should be based on any theory original form. When people reach a certain target coordinate their activities. In fact they decide in awareness to choose a way between different ways. He suggests three steps for the overall process of decision-making (Simon, 1965):

## Conclusion

Creating human relations between labor and management is an important factor in increasing human capital. Also, recognizing the informal organization, recognizing human characteristics, behaviors, motivation, participation in management, satisfaction, and study of human relations affect the social aspects, and work teams affect the efficiency of organizations (Robbins et al., 2013).

Neoclassical school of management is originated from the asymmetry of the classical school with human nature and it is based on his character. As the name implies, this school is built on the foundations of the classical school.

In the philosophical foundations of the neoclassical school, human welfare is focused based on the behavioral and psychological aspects in recognizing qualitative and emotional elements. The analysis of the neoclassical school level is individual and group of individuals. The results of the neoclassical school development can be outlined as follows:

1. Human relations are beyond the organizational task.
2. The organization's personality is evaluated by policies and practices that apply in human relations.
3. Human resources in organizations is not always valued as today. Scientific Management considers workforce as components of a machine.
4. Neoclassical school led to humans in terms of social, psychological and physical attention.
5. The most important value in the school of neoclassical is the sense of duty and respect the needs of others.

## Conflict of Interest

The authors declare no conflict of interest.

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