1.4 EVOLUTION OF MANAGEMENT THOUGHT

Any organised attempt to systematise all the experiences and experiments as management practices could be traced back to around the late 19th century. Since then, management thoughts have been evolving on a continuous basis. With introduction of mass production at the beginning of the twentieth century, the business demanded the services of well-trained managers and as a result a new formal science of management discipline emerged. The principal inspiration for this in the US was Frederick Winslow Taylor, an engineer, who believed there was a single best method of completing work which could be organized through a detailed study of time and motion involved in each job. In Taylor's world, "managers' played two vital roles – the first was to coordinate the various specialized tasks and the second was to monitor and motivate the workers. A group of theorists, who became known as the pioneers of human-relations school, wanted to see workers involved in managerial decisions. Elton Mayo, a psychologist based at Harvard Business School, emphasized the importance of non-economic rewards for productivity. Management as a formal body of knowledge kept on evolving.

The way the management concepts have been developed may be categorised into five phases, namely:

1) Pre-scientific Management era (before 1880)
2) Scientific Management era (1880-1930)
3) Human Relations era (1930-1950)
4) Social science era (1930-1950)
5) Management Science era or Modern Management era (1950 onwards)

These time periods are not exact though and maybe counted as suggestive only. This is mainly because of the fact that different intellectuals from different backgrounds were making their observations, experiments and recommendations in an overlapping manner both in terms of time and ideas. Similarly, another way of understanding the development of management thought is to classify the management thoughts and ideas into three distinct theories of management: *classical, neo-classical and*

modern approach. These have been explained further which will also indicate the phases of evolution of management thoughts as outlined above.

1.4.1 Classical Approach

The classical approach comprises of the developments in management thought that mark the beginning of the systematic study of management. In other words, it includes the contributions of Robert Owen, Charles Babbage, James Watt and Henry Town emphasising personnel aspects of management. However, their contributions were considered insignificant in terms of stimulating management study as a distinct discipline. Yet, they are believed to have set the stage for a systematic study of management, which was initiated by Taylor in the early part of the 20^{th} century.

Taylor continued with his experiments and research on how to increase efficiency of people. His findings and contributions compiled together gave way to what we know as "Scientific Management" today. Although scientific management indicates a remarkable development in the field of management, it is criticised on the ground that it relates more to the engineering perspective rather than the management viewpoint. In other words, it is more concerned with the technical aspect of efficiency instead of the broader aspects of management of an organisation. Apart from this theoretical considerations, it was also opposed by trade unions, industrialists and general public because many followers started taking an aggressive mechanical view of production and side-lined the human aspect at the work place. It further led to the growth of a strict authoritarian form of supervision and exploitation of workers. Hence, there were many who did not actually favour Taylor's scientific management.

Apart from Taylor, another significant contributor to the classical theory of management is the French industrialist, Henry Fayol. Fayol's contributions were first published in book form titled

'*Administration Industrielle at Generale*' in French language, in 1916. However, it was only after the publication of the book in English around 1929 that Fayol rose to prominence in the field of management. Fayol believed that management is a universal phenomenon and preferred to use the term 'administration' instead of 'management'. He further emphasised that principles of management are flexible and not absolute and are usable regardless of changing and special conditions. Fayol found that the activities of an industrial organisation may be divided into six groups:

1. Technical (relating to production);
2. Commercial (buying, selling, and exchange);
3. Financial (search for capital and its optimum use);
4. Security (protection of property and person);
5. Accounting (including statistics); and
6. Managerial (planning, organising, command, coordination, and control).

1.4.2 Neo Classical Approach

The neo-classical approach to management consists of the developments that occurred during the human relations era and the social science era. It developed basically out of the famous Hawthorne's experiments. Later on, many contributions have been added to this field. The essence of neo-classical theory indicates the following two points:

i) An organisation should be viewed in social as well as economic and technical terms.
ii) The social process of group behaviour can be understood in terms of clinical method.

The neo-classical theory recognises the significance of factors like informal organisation, informal leader, non-economic motivation etc. which were otherwise almost ignored by the classical theory. It is basically humanistic in its approach and adds the study of behavioural science in the field of management. In fact many

consider this approach as an extension of the classical theory of management. The famous Hawthorne experiments mark the beginning of the intensive and systematic analysis of human factor in organisations.

Better referred to as the behavioural science approach, this approach puts more emphasis on human resources in an organisation compared to the other physical and financial resources. This approach can be understood from two perspectives: *interpersonal behaviour approach* and *group behaviour approach*. Both sociologists and psychologists have contributed to this approach of management. Among them, the names of Maslow (need hierarchy), Herzberg (motivation-hygiene theory), McGregor (theory X and theory Y), Lewin (group dynamics), etc. have also contributed towards this behavioural science approach. The major conclusions of this approach can be summarised as follows:

1. Job is a source of motivation to employees and people in general do not dislike work. Instead, if given an opportunity to establish objectives, they will want to achieve them.
2. There is tremendous untapped potential in the people which generally goes unutilised.
3. The manger must focus on using this untapped human potential for the organisation.
4. The manager should create a healthy environment to ensure optimum contribution from the subordinates.
5. Participation in important matters and self-direction for subordinates must be allowed.
6. Expansion of subordinate influence, self-direction and self-control is necessary for improving operating efficiency.
7. Full use of employee potential may lead to improvement in work satisfaction.

1.4.3 The Modern Approach

The modern approach of management is comparatively a recent development in the field of management. It is basically an extension of the previous two approaches and makes use of various mathematical formulae, statistical tools, economic models and engineering knowledge. Several experts like Herbert Simon, Tom Peters, Peter Drucker, Michael Porter, Stafford Beer etc. belong to this era. One of the major contributors worth discussing is Peter F. Drucker.

Peter Drucker with his diverse experience and background consisting of psychology, sociology, law, and journalism, is the most widely known contemporary thinker of management. Through his consultancy assignments, Drucker contributed to various approaches of management thought. There are several books and important papers to his credit. Of the books authored by Drucker, *The Practice of Management* (1954), *Managing by Results* (1964), *The Effective Executive* (1967), and *Management Challenges for 21st Century* (1999) are worth mentioning.

Drucker emphasised on innovation and creativity as the basic objective of management and was totally against the idea of bureaucratic management. He treats management as a discipline having its own tools, skills, techniques and approaches. Drucker also highlighted the practical aspect of management and hence considers it as a liberal profession and not as a strict profession.

The major streams under the modern theory of management consist of the *quantitative approach*, the *contingency approach and the system approach* .

The quantitative approach visualises management as a logical entity, the action of which can be expressed in terms of mathematical symbols, relationships, and measurement data. Management can be regarded as the problem-solving mechanism with the help of mathematical tools and techniques. This school believes that managerial activites can be quantified. Operations research,

mathematical tools, simulation, models etc., are the basic methodologies used to solve managerial problems.

The contingency approach is another important component of the modern theory and approach of management. It is based on the idea that there cannot be a particular management action that will be suitable for all situations. Rather, it counts an appropriate action as one which is designed on the basis of external environment and internal states and needs. Contingency approach tries to adequately fill the gap between organisation and its environment which is otherwise left out by the systems approach. This is facilitated by suggesting what should be done in response to an event in the environment.

The system approach is an integrating approach that considers management in its totality. It emphasises interrelationships and interdependence of all components of an organisation. In fact, it counts management as a system at large. We shall discuss about this in a later section in this Unit.



CHECK YOUR PROGRESS

Q 1: State two characteristics of management.

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Q 2. What is contingency approach?

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1.5 PRINCIPLES OF MANAGEMENT

Since Taylor emphasised on solving managerial problems in a scientific manner, he is referred as the 'father of scientific management' and his contributions as the 'principles of scientific management'. According to Taylor, "scientific management means knowing exactly what you want men to do and then seeing that they do it in the best and cheapest way."

The general principles of management as given by Fayol consisting of fourteen principles or statements of fundamental truth which establishes a cause and effect relationship between different variables. Henry Fayol enumerated certain principles which he considered as not rigid but flexible. The 14 principles have been stated as follows:

1. ***Division of Work****:* This principle was advocated by Fayol with a view to reap the benefits of specialisation that may result from proper division of work.
2. ***Authority and Responsibility:*** Fayol finds that there must be a parity of authority and responsibility, because responsibility arises out of authority and to discharge it well, there must be adequate authority assigned.
3. ***Discipline:***Discipline indicates obedience, behaviour and outward mark of respect shown by employees. Fayol says the success of an organisation depends upon discipline, which may either be self-imposed or which may command discipline.
4. ***Unity of Command****:*Unity of command means a person should get orders and instructions from only one superior. This is for the purpose of avoiding the chances of conflict, chaos and confusions in an organization.
5. ***Unity of Direction:*** Fayol suggested that better coordination among various activities can be attained only when there is the concept of one head one plan practiced under the principle of unity of direction. This principle focuses on having common goals towards which all members and their efforts may be directed.
6. ***Subordination of Individual Interest to General Interes:*** This principle highlighted the importance of common interest above individual interest. During conflict situations, individual interest must be subordinated to general interest.
7. ***Remuneration of Personnel:*** Fayol believed that employees must be remunerated in a fair and satisfactory manner. He also favoured non-financial benefits though it was limited to only the large scale organisations.

8. ***Centralisation:*** The extent of centralisation and decentralisation would depend upon the type and needs of the organisation. Hence according to Fayol, it is a matter of proportion and the management should decide the best balance of both.
9. ***Scalar Chain:*** Fayol suggested the principle of scalar chain with a view to clearly denote the line of authority and communication from the highest executives through each position to the lowest level. However, Fayol said, exceptions to this rule may be made and the route short circuited in special circumstances for the greater interest of the organisation.
10. ***Order:*** The principle of order underlines the importance of a proper place for both things and man. Material and social order is highly essential for ensuring successful management.
11. ***Equity:*** Equity indicates a balance of justice and kindness, which must be practiced by the managers while dealing with the subordinates.
12. ***Stability of Tenure:*** This principle refers to ensuring security of jobs for the employees and elimination of unnecessary turnover as well.
13. ***Initiative:*** It is all about coming forward with ideas or actions for greater interest of the organisation. This principle emphasises on liberty that needs to be allowed to everyone in the organisation in terms of suggestions, opinions and plans.
14. ***Esprit de Corps:*** This principle is based on the idea of 'unity is strength' and the extension of unity of command for establishing team work.

1.6 MANAGEMENT PROCESS AND FUNCTIONS

1.6.1 Functional Areas of Management

An organization has to carry out several functions as shown below.

a. ***Financial management:*** It includes cost control, budgetary control, financial planning, management accounting, standard costing etc
b. ***Personnel management:*** It includes aspects such as recruitment, training, transfers, promotions, retirement, industrial relations, social security, etc
c. ***Purchasing management:*** It consists of purchasing of raw materials, maintaining records, materials control, issuing materials to the departments, etc
d. ***Production management:*** It deals with aspects such as production planning, quality control and inspection, production control techniques, etc.
e. ***Marketing management:*** It includes marketing of goods and services, price determination, channel determination, market research, sales promotion, advertisement, publicity, etc.
f. ***Office management:*** It is concerned with office layout, staffing, equipment of office, etc.
g. ***Maintenance management:*** It relates to the proper care and maintenance of the building, plant and machinery, etc.
h. ***Transport management:*** It includes packing, warehousing, transportation by rail, road, air etc.



CHECK YOUR PROGRESS

Q3: State the activities of an Industrial Organisation.

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Q4. What is transport management?

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1.6.2 Managerial Functions

For the correct and effective application of the principles of management, a study of various other subjects such as economics, sociology, mathematics, psychology, behavioral science, statistics etc. are necessary.

According to Drucker, management in itself has no functions or existence. It is the organ of its institution and enabling the institution to make contributions is the job of the manager. The manger has to perform certain functions which will ultimately make the institution contribute towards

i) the specific purpose and mission of the institution;

ii) making work productive and satisfying to the worker.

iii) managing social impacts and social responsibilities.

A manager has to perform several functions within the organisational perspective. He has to play the role of the administrator for improving upon the existing and the already known. He also has to act as an entrepreneur for redirecting the resources from areas of diminishing results to increasing results. According to Drucker a manager has to perform several functions like setting of objectives, decision making, organising and motivating. Luther Gullick coined an acronym called PODSCORB to indicate the managerial functions. PODSCORB stands for planning, organising, directing, staffing, coordinating, reporting and budgeting. However, another approach describes managerial functions as planning, organising, staffing, leading and controlling. The management functions will be discussed in greater details in **Unit 2.**

1.7 SYSTEM VIEW CONCEPT OF MANAGEMENT

This is an integrating approach that considers management in its totality. It emphasises interrelationships and interdependence of all components of an organisation. In fact, it counts management as a system at large. The systems concept as applied to management, gives the following features of management: