UNIT 2: DEVELOPMENT OF MANAGEMENT THOUGHT

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2.1 LEARNING OBJECTIVES

After going through this unit you will be able to:

- explain the development of management thought
- discuss the classical theory of management
- explain the contributions of Taylor to Scientific Management
- describe the approach of Fayol's administrative management
- compare the contributions of Taylor and Fayol
- explain the neo-classical theory of management

- discuss the Hawthorne Experiments
- understand the behavioural science approach and modern theory of management
- explain the contributions of P.F. Drucker
- describe the quantitative, systems and contingency approach of management.

2.2 INTRODUCTION

This unit starts with an introduction to the process of development of management thought. Then the different theories of development of management thought have been explained with special reference to Taylor's Scientific Management and Fayol's Administrative Management concept. A comparison between both has also been presented in the unit. In addition to this, the unit also discusses the famous Hawthorne experiments and the contributions made by Peter Drucker to the field of management. The different theories are categorized under various approach like classical, neo classical and modern.

2.3 DEVELOPMENT OF MANAGEMENT THOUGHT

Management today is counted as one of the most important fields of study owing to its ever increasing importance for organisational effectiveness. The various principles and concepts of management facilitate efficiency in organisational operations. These guiding principles of management, however, were not formulated overnight. In fact, the reality is that the concept of management has co-existed human civilisation since time immemorial. Man has always engaged in the management of fellow men or other resources in some way or other. So management has always been a part of the routine human lives as experiences and experiments. But, the recognition of management and its importance as a distinct field or discipline is a recent phenomenon. Thus, 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. The

development of management thoughts can be understood by delineating the process over the entire time span till date. This time span over which the different concepts of management have developed may be categorised into five eras, 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.

2.4 CLASSICAL APPROACH

The classical approach comprises of the development in management thought that mark the beginning of the systematic study of management. It includes the contributions of Robert Owen, Charles Babbage, James Watt and Henry Town in regard to emphasis on personnel aspects of management and benefits for them spread over the two eras of pre-scientific and scientific 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 20th century. This study later came to be known as Scientific Management.

2.4.1 Frederick Winslow Taylor and Scientific Management

Frederick Winslow Taylor was born in 1856 in Philadelphia, USA. Born into a middle class family, Taylor began his career in 1870s as an apprentice in a small machinery making shop in Philadelphia. He later joined the Midvale Steel Company as a worker and then rose to the position of a supervisor and finally the Chief Engineer. Taylor completed his Master of Engineering and subsequently joined the Bethlehem Steel Company and became the General Manager. Both during service and post retirement, 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. 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."

Taylor's contributions can be described in two parts: elements and tools of scientific management and principles of scientific management.

a) Elements and tools of Scientific Management

In order to raise the efficiency level of the human beings at the workplace, Taylor conducted several experiments with a view to standardised the work and find out better means of doing it. These experiments eventually gave rise to the following distinct features of what is today known as scientific management:

i) **Separation of planning and doing :** According to Taylor, there must be clear separation of the planning aspect from the actual doing aspect of the work concerned. In other words, Taylor highlighted the need to entrust the planning job to the supervisor and free the worker for only the doing aspect of the work concerned.

ii) **Functional Foremanship :** This concept of functional foremanship was developed by Taylor based on the specialisation of functions. The idea of separating planning from doing made way for a supervision system which allowed adequate planning work in addition to proper supervision on workers.

iii) **Job analysis :** Taylor suggested the concept of job analysis so as to find out the best possible way of doing things. Accordingly, time-motion-fatigue studies were considered as the ideal technique of determining the best means of doing a job. *Time study* involves determination of the time taken to do a work and finding the least time possible for getting it done. *Motion study* on the other hand tries to eliminate the wasteful movements and performing only necessary movements for a job concerned. And *fatigue study* deals with an assessment of the rest intervals necessary for ensuring full capacity for doing a job after taking proper rest. Thus Taylor's job analysis suggests the fair amount of a day's work requiring certain movements and rest periods to complete it.

iv) **Standardisation :** It refers to maintaining standards in respect of instruments and tools, period and amount of work, working conditions, cost of production etc. based on job analysis and various elements of costs required for performing a job. Screws and bolts to be used in automobile industry, we need screws and bolts of same size, same shape and same quality. To that extent we shall need same raw material, same production process. Standardization take care of all the aspects.

v) **Scientific selection and training of workers :** Taylor suggested the scientific selection of workers based on education, experience, physical capacity etc. and their adequate training for optimising effectiveness and efficiency.

vi) **Differential piece rate system :** Taylor observed that workers are highly motivated by financial incentives. Hence he applied the differential piece rate system, under which the workers of higher efficiency were paid higher wages and slow and inefficient workers were penalised by paying lower wages.

vii) **Economy :** Scientific management also emphasised on economy and profit aspects of industry. Taylor highlighted that use of scientific techniques helped to optimise the use of resources and eliminate wastages thereby bringing in more economy and profits for the firm.

viii) **Mental revolution :** Taylor believed that a healthy industrial climate is dependent upon the mental change in both the workers and the management. This change must be from conflict to cooperation, because without this, no other scientific principle of management would work.

b) Principles of Scientific Management

Apart from the mentioned elements of scientific management, Taylor gave certain basic principles of scientific management which can be stated as below:

i) **Replacing rule of thumb with science :** Rule of thumb means a principle which may not however be accurate and reliable in every situation. Hence, Taylor believed that these rules of thumb which emphasises estimation should be replaced with scientific method for ensuring precision in determining every aspect of a work.

ii) **Harmony in group action :** Taylor emphasised that there must be group harmony through mutual give and take situation thus enabling removal of discord and maximising optimal contribution from the group.

iii) **Cooperation not individualism :** Scientific management asserted the need for mutual cooperation between management and workers rather than chaotic individualism amongst the people in the organisation.

iv) **Maximum output in place of restricted output :** Taylor was against the idea of deliberately curtailing output and inefficiency. He stressed the importance of maximising output.In spite of the challenges like inadequate availability of man-power, raw-material, production facility etc.

v) **Development of workers to the maximum extent :** Scientific management underlines the need for scientific selection and training of the workers in order to develop them to the

maximum possible extent and make them fully fit as per the changing work requirements.

Critical analysis of Scientific Management

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.



CHECK YOUR PROGRESS

Q 1: What could be the ideal technique of determining the best means of doing a job?

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2.4.2 Henry Fayol and Administrative 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).

Fayol devoted himself to analyse the sixth one i.e. managerial activity because that was not as well-known as the previous five. The entire approach towards studying management by Fayol can be divided into three parts:

a) Managerial qualities and training : Fayol was the first person to identify the essential qualities of a manager. Accordingly, the six types of qualities that a manager requires are:

1. Physical (health, vigour and address);
2. Mental (ability to understand and learn, judgement, mental vigour, and capability);
3. Moral (energy, firmness, initiative, loyalty, tact, and dignity);
4. Educational (general acquaintance with matters not belonging exclusively to the function performed);
5. Technical (peculiar to the function being performed); and
6. Experience (arising from the work).

According to Fayol, the most important ability for a worker is technical with insight becoming the most important ability for top level executives. On the other hand, the relative importance of managerial ability increases as one goes up the scalar chain.

b) General principles of management : The general principles of management as given by Fayol consist of fourteen principles or statements of fundamental truth which establishes a cause and effect relationship between different variables.

These principles not exhaustive but suggestive in nature. ii) they are not rigid but flexible. The various 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 administered by management.
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.
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 Interest.* 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 largescale 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 the 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 'union is strength' and the extension of unity of command for establishing team work.

c) Elements of Management : According to Fayol, management should be viewed as a process consisting of five elements which actually represented the functions of management. These functions consist of planning, organising, commanding,

coordination and control.Fayol is of the opinion that these functions are required at all levels of management and in all types of organisations.

2.4.3 Comparison Between Taylor and Fayol

After discussing about the two major contributors to the development of management thought, it becomes imperative to compare both the management giants. Both Taylor and Fayol tried to develop certain principles that would enable efficiency in work and management. Accordingly, this comparison may be done in the light of the similarities shared by both and the dissimilarities in their views.

Similarity. The main points of similarity between Taylor and Fayol may be stated as follows:

1. Both are classical management thinkers, theorists and practitioners.
2. Both attempts to solve managerial problems in a very systematic manner.
3. Both have developed a set of principles meant for solving managerial problems and ensuring efficiency in the process.
4. Both Taylor and Fayol emphasised that effective management actions can be attained only if it is based on sound principles.
5. Taylor and Fayol both emphasised that managerial qualities can be acquired through training, for which the organisations should make proper attempts.
6. Both have emphasised harmonious relationships between management and workers for the achievement of organisational goals.

Dissimilarity. Even though certain similarities between the two approaches have been highlighted, there exist certain differences between Taylor and Fayol's approach. These have been stated as below:

1. Taylor's approach had a shop-floor level perspective whereas Fayol's approach was mostly holding a higher management level perspective.

2. Scientific management focussed on efficiency through work simplification and standardisation but Fayol's approach highlighted overall efficiency by observing certain principles.
3. Taylor's principles resulted from scientific observation and measurement whereas Fayol's principles were the personal experiences translated into universal truths.
4. Taylor was concerned with the operative aspect of management but Fayol was related to the administrative aspect.
5. Taylor's principles were production and engineering oriented but Fayol's principles were more about managerial functions..
6. The overall contribution of Taylor can be understood as a basis for accomplishing on the production line but Fayol's contribution was towards a systematic theory of management.



CHECK YOUR PROGRESS

Q 2: Which principle of Fayol states the rule of *one head one plan*?

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2.5 NEO-CLASSICAL THEORY

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 experiments. Later on, many contributions have been added to this field. Besides Prof. Elton Mayo, this approach is based on contributions of behavioural scientists and social scientists as M.P. Follett, C.I. Barnard, Rensis Likert, A. H. Maslow, Douglas Mc Gregor etc.

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 behaviour 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.

2.5.1 Hawthorne Experiments

The Hawthorne experiments were conducted at the Hawthorne plant of the General Electric Company, Chicago, by Prof. George Elton Mayo and his team . These experiments were initiated taking note of the need to investigate the real causes behind the dissatisfied workers and poor productivity. Though the company was counted as the most progressive company with pension and sickness benefits to the workers, productivity was not up to the mark. Hence, these researchers were called upon to study the situation. The researchers conducted various researches to study the relationship between productivity and physical working conditions. The experiments were carried out in four phases, with each phase attempting to answer the question raised at the previous phase. The four phases have been presented as follows:

i) *Illumination Experiments* (1924-1927). These were conducted initially to determine the effects of changes in illumination on productivity. The hypothesis to this experiment was that with higher illumination i.e. lighting at the workplace, the productivity would increase. Accordingly, a group of workers were chosen and placed in two separate groups. One group was exposed to varying intensities of illumination and the other was put under constant intensities of illumination. The former group was referred as experimental group and the latter as the control group. Interestingly, what was revealed was that illumination did not have any effect on productivity but

something else did interfere with productivity. Then it was finally concluded that human factor was important in determining productivity. However, exactly which human aspect was affecting had to be determined through a new set of experiments. Hence followed the second phase.

ii) *Relay Assembly Test Room Experiments* (1927-28). These experiments were concerned with assessing the effect of changing job conditions on group productivity. A relay assembly test room was set up and two girls were chosen first to form a team of six girls. The remaining four were chosen as per the choice of the former two girls. The work related to the assembly of telephone relays and an observer was associated with the girls to supervise their work. The experiments started with numerous changes being introduced in terms of incentive system, rest period, working hours and workday as well. Interestingly, all of these resulted in an increase in productivity and a decrease in absenteeism and need of supervision. The researchers assumed that these positive factors were taking place because of the positive changes initiated. The researchers then decided to revert back to the original system of no rest and no benefits. Surprisingly, productivity increased further. This development led to a change in the assumption that productivity increased due to positive changes in physical factors. Rather a new belief was created which emphasised that productivity actually increased due to the change in girls' attitude towards the work and the sense of belongingness and stability felt by them.

iii) *Mass Interviewing Programme* (1928-30). This set of experiments primarily focussed on understanding the workers attitudes and sentiments through interviews. Almost around 20,000 interviews were conducted during 1928 and 1930 to determine the employees' attitude towards company, supervision, insurance plans, promotion, and wages. The interview programme gave valuable insights about human

behaviour in the company. It revealed the influence of group behaviour on the workers' behaviour in the organisation. However this was not considered to be satisfactory by the researchers and hence another series of experiments were being conducted.

iv) *Bank Wiring Observation Room Experiments* (1931-32). These experiments were conducted with a view to analyse the functioning of small group and its impact on individual behaviour. Accordingly a group was created with fourteen male workers to be employed in the bank wiring room. The hypothesis was that in order to earn more, workers would produce more and in order to get group bonus, they would help each other to produce more. However, in reality, this hypothesis did not hold good for reasons stated by workers as fear of unemployment of slow workers, increasing standards of performance etc.

This study suggested that informal relationships are an important factor in determining the human behaviour. The Hawthorne experiments facilitated the resolving of management-employee conflicts through better human relations in the organisation.

Implications of Hawthorne Experiment

The Hawthorne experiments have helped to unearth the factors that help to motivate people at the workplace. The major findings of the experiments can be presented as follows:

1. People are social beings, and hence social factors like informal system, logical and non-logical behaviour etc. along with their social characteristics determine the output and efficiency in the organisation.
2. Workers tend to form their own unofficial groups and get influenced by the group norms. The management cannot overlook this aspect and hence has to deal with workers as members of work groups subject to group influence.

3. Owing to different informal relations within the organisation, there is every possibility of conflicts taking place. This further leads to adjustment issues and the changes that might follow its absence or presence.
4. Leadership is important for directing group behaviour and it may be either formal or informal in nature. In some areas, informal leader is more important in directing group behaviour.
5. Friendly, attentive and genuinely concerned supervision affects the productivity favourably in comparison to a more controlled form of supervision.
6. Communication is an essential aspect of an organisation and a better understanding between management and workers can be developed through proper communication.

Criticisms of Hawthorne Experiments

Though Hawthorne Experiments is counted as one of the revolutionary developments in the field of management, it was not free from analysis and criticisms. Some of the major criticisms have been presented as follows:

i. It is considered to be a biased opinion of the researchers.
ii. Factors like role of unions, class consciousness, attitudes that workers bring in to the workplace were ignored.
iii. The Hawthorne plant was an unpleasant place of work and hence the findings cannot be generalised.
iv. It assumed workers as someone to be manipulated by the management and as a means to an end but not the end itself.

Despite these limitations, Mayo's Hawthorne experiments take the credit of discovering the importance of human factor in managing an organisation.



CHECK YOUR PROGRESS

Q 3: According to the Hawthorne Experiments, which type of relationship is an important determining factor of human behaviour in an organisation?

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2.5.2 Behavioural Science Approach

The neo-classical theory of management would remain incomplete without the special mention of the behavioural scientists and their significant contributions. 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. The major conclusions of this approach can be summarised as follows:

1. Job is a source of motivation to employees and people 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.

2.6 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. The contributions of Drucker have been stated as follows:

2.6.1 Contribution of P. F. Drucker

Peter Drucker with his diverse experience and background consisting of psychology, sociology, law, and journalism, was 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. The main contributions of Drucker are stated below.

1. **Nature of Management:** Drucker emphasises innovation and creativity as the basic objective of management and he was totally against the idea of bureaucratic management. He treated management as a discipline having its own tools, skills,

techniques and approaches. Drucker also highlights the practice aspect of management.

2. **Management functions:** 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 help the organisation achiving its purpose and goal with its workforce in a socially responsible manner.
3. **Tasks of a manger:** 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 methods.
4. **Key areas for setting of business objectives:** Drucker lays great emphasis upon the objective setting function of the manager and has identified eight key areas requiring clear objective setting. These are: market standing, innovation, productivity, physical and financial resources, profitability, managerial performance and development, worker performance and attitude, and public responsibility.
5. **Organisation structure:** Drucker emphasised three basic characteristics of an effective organisation structure. These are: i) enterprise should be organised for performance; ii) it should contain the least possible number of managerial levels; and iii) it must make possible the training and testing of tomorrow's top managers.
6. **Organising aspects:** Drucker identified major aspects for making the organising function effecive. He laid stress on identifying the activities to be performed in light of its execution and future impact.
7. **Federalism:** Drucker advocated federalism in the form of close links between the decisions adopted by the top management and the autonomous unit as well. He emphasised the participation of the local managements in the decision making that sets the limit of their own authority.

8. **Management by Objective:** Drucker introduced the concept of Management by Objectives (MBO) in 1954 and it is considered as one of his most important contributions to the management discipline. According to Drucker, MBO is all about setting clear cut objectives for each individual in the organisation keeping in mind the main goal and matching the resources with the objectives set. It also ensures participative management for providing motivation to the individuals.
9. **Organisational changes.** Drucker foresaw the rapid changes in the society due to the rapid technological developments. Hence, he suggested that human beings should be prepared with dynamic organisation structures in order to absorb these changes easily when compared to the static structures and face these challenges for making the society better.

Drucker's contributions have been recognised and accepted across the globe. His foresightedness and understanding have been readily welcomed by other management thinkers as well thereby making him one of the most popular thinkers of the present times.

2.6.2 Quantitative or Management Science Approach

Also known as the mathematical approach, this approach visualises management as a logical entity, the action of which can be expressed in terms of mathematical symbols, relationships, and measurement data. The prime focus here is the mathematical model and the main features of this approach can be stated as below:

i) Management can be regarded as the problem-solving mechanism with the help of mathematical tools and techniques.
ii) Every managerial activity can be quantified.
iii) It covers decision-making, systems analysis and some aspects of human behaviour.
iv) Operations research, mathematical tools, simulation, models etc., are the basic methodologies to solve managerial problems.

This is a fast developing approach towards understanding management and providing more exactness in solving managerial

problems. However, it is criticised on the ground that it tends to ignore the human element governed by irrational factors as well.



CHECK YOUR PROGRESS

Q 4: What is the prime focus area of the quantitative approach to management?

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2.6.3 Systems Approach

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 applied to management, gives the following features of management:

i) Management is a social system which consists of many subsystems which are integrated to constitute an entity.

ii) Management is an open system which has to give weightage to environmental factors affecting it.

iii) Management has the basic role of adaptability to environment.

iv) Management as a system is dynamic as it tries to balance both internal processing and external interactions.

v) Management is probabilistic and cannot be certain owing to the dynamic environment.

vi) Management is multivariable as it has to consider many variables simultaneously thus making it complex in nature.

vii) The systems approach ensures that management takes an integrated view of managing and not an isolated view of a phenomenon.

Implications of the systems approach

The systems approach of management provides an integrated approach of managing and considers management in its totality.It rejects the simplistic approach of managerial analysis and suggests uniformity of management of an organisation with the demands of the organisational environment and the members' needs.

Limitations of the Systems Approach

Despite the highly held notions of the systems approach as the start of a unified theory of management, it suffers from certain limitations which cannot be overlooked. These limitations include:

i) The abstract nature of this system fails to state precise relationships among different factors in and outside the organisation thereby making it limited in its approach.

ii) The systems approach lacks universality in the sense that it is more applicable in case of large organisations and not suitable for small organisations.

In an attempt to overcome these limitations of the systems approach, a newer approach has emerged known as the contingency approach.

2.6.4 Contingency Approach

The contingency approach is another important component of the modern 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. This is also known as situational approach, and it takes into account not only the given situations but also the influence of given solutions on the behaviour patterns of an organisation. The basic features of the

contingency approach can be stated as below:

1) Management action is contingent on certain action outside the system or subsystem as the case may be.
2) Organisational action should be based on the behaviour of action outside the system so that organisation should be integrated with the environment.
3) Because of the specific organisation-environment relationship, no action can be universal. It varies from situation to situation.

Implications of contingency approach

The major implications of contingency approach are as follows:

1) Management is entirely situational and there is nothing like universal principles of management or one best way of doing a particular thing. Rather the actions of managers are dependent on the circumstances and environment.
2) This approach suggests suitable alternatives for those managerial actions which are generally contingent upon external and internal environment such as organisational design, strategy formulation, leadership etc.
3) Since organisations interact with its environment, neither the organisation nor any of its subsystems is free to take absolute action. Rather, it has to modify and adjust the actions subject to various forces.

Limitations of contingency approach

Contingency approach suffers from certain limitations, which cannot be overlooked though.

1) Inadequate literature makes the subject of contingency approach insufficient in terms of providing a specific solution to a specific type of problem or situation.
2) Even though the suggestion of the approach is very simple, the practical application is very complex.
3) Contingency approach presents problems of testing the the theories which may be developed by using modalities.

4) It study what happens under a given situation?

No doubt these limitations do exist, but the organisations have to use this contingency approach according to the needs of the situations.



CHECK YOUR PROGRESS

Q 5: What is the main idea upon which the contingency approach of management is based?

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2.7 LET US SUM UP

In this unit, we have discussed the following aspects :-

- The development of management thought can be understood by classifying the management thoughts and ideas into three distinct theories of management: classical theory, neo-classical theory and modern theory.
- F.W. Taylor is known for the significant contributions made to the management field, especially in regard to the scientific management concept.
- Henry Fayol extended the administrative management concept in an attempt to analyse the managerial activity of an industrial organisation.
- The famous Hawthorne experiments mark the beginning of the intensive and systematic analysis of human factor in organisations under the neo-classical theory of management.
- The neo-classical theory of management would remain incomplete without the special mention of the significant contributions made by the behavioural scientists like Maslow, Herzberg, Argyris, Likert etc.

- Peter Drucker is considered to be one of the most influential contemporary contributors to the field of modern management, especially in regard to the concept of MBO.
- The systems approach is a part of the modern theory of management that considers management in its totality and emphasises the interrelationships and interdependence of all components of an organisation.
- The contingency approach is another important component of the modern theory and approach of management based on the idea that there cannot be a particular management action that will be suitable for all situations.



2.8 FURTHER READING

1) Koontz, H. & Weihrich, H. Essentials of Management,Tata McGraw Hill,New Delhi
2) Terry, G.R. Principles of Management
3) Prasad, L.M. Principles and Practice of Management.

2. 9 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Taylor's job analysis involves the notion of time-motion-fatigue studies, which were considered as the ideal technique of determining the best means of doing a job. In fact, job analysis actually suggests the fair amount of a day's work requiring certain movements and rest periods to complete it.

Ans to Q No 2: 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.

Ans to Q No 3: According to the Hawthorne Experiments, informal relationship is an important determining factor of human behaviour in an organisation.

Ans to Q No 4: The prime focus area of the quantitative approach of management is the mathematical model. In fact, this approach visualises management as a logical entity, the action of which can be expressed in terms of mathematical symbols, relationships, and measurement data.

Ans to Q No 5: The contingency approach of management 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.



2.10 POSSIBLE QUESTIONS

Q 1: Discuss the contributions of scientific management to the development of management thought.

Q 2: Assess the contributions of Henry Fayol to management thought.

Q 3: State the essence of the neo-classical theory of management.

Q 4: Discuss the Hawthorne Experiments as an important development in the field of management.

Q 5: Discuss the behavioural science approach of management.

Q 6: Assess the contributions of Peter Drucker in the development of management thought.

Q 7: Management is an open system which has to give weightage to environmental factors affecting it. Explain.

Q 8: Explain the contingency approach of management and its implications.

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