**CHAPTER-3 MANAGEMENT : HISTORY AND CURRENT THINKING**

**Introduction**

Management is as old as the human civilization. The concept of management has been in practice since ancient times. At present management has become a complex function, therefore, it attracts the attention of psychologists, sociologist, anthropologists, political scientists, economists and so on.

***The Classical Theory***

It is initial stage of the development thought. It focuses on efficiency and recommends that managers continuously try to increase the organizational efficiency to increase production. The classical theory includes three different approaches to management:

* Scientific management theory
* Administrative theory
* Bureaucratic theory

All the three theories were propounded on almost similar assumption and the practical effort of them is basically the same. They were developed at almost the same period of time and are compatible and complementary to each other.

**Scientific Management Theory**

The concept of scientific management is introduced to replace the traditional method of management. It concerned with development and application of scientific problem solving approach.

Therefore, scientific management involves studying each activity in detail to ensure that all activities of the organization are performed in an economic and effective manner.

***Principles of Scientific Management Theory***

Management principles are the statement of fundamental truth, which provide guidance for managerial decision making and action. Principles are derived through observation and analysis of events, which the manager has to face in actual practice. As a guide to the practice of management, Taylor developed the number of principles, which may be outlined as follows:

1. **Development of a science for each element of an individual's work**:

This principle suggests that the work assigned to each employee should be observed and analyzed in order to replace the old rule of thumb approach. Development of science for each element of individual's job requires that decisions should be made on the basis of facts rather than an opinions and beliefs.

1. **Scientific selection, training and development of workers:**

This principle suggests that workers should be selected and trained in accordance with the requirements of the job to be entrusted to them. The physical, mental and other requirements should be specified for each job and workers should be selected and trained to make them fit for the job. The management has to design systematic training to improve their skills and efficiency making efforts to develop each employee's greatest efficiency.

1. **Close co- operation between management and workers**:

Workers should understand that they cannot perform their work without the existence of the management and the management should understand that it has no identity without the existence of labor. Maximum prosperity for both cannot achieved in the absence of cooperation between management and workers.

1. **Equal division of work and responsibility between management and workers**:

The task and related responsibility should be clearly divide among management and workers. The management should decide the time required for doing a particular work, while the responsibility for actually doing the work should be given to workers. Thus planning should be separated from doing.

1. **Maximum output in place for restricted output**:

This principle is necessary for the prosperity of workers, owners and also to the society at large. Maximum production ensures more wages to workers because of piece rate system of wages. It also ensures maximum profit to owners because more volume of production minimizes cost per unit of output. It is also helpful to society as it upgrades the living standard of the people.

1. **Mental Revolution:**

The workers and management should have a complete change of outlook, a mental revolution with respect to their mutual relations and in relation to the work efforts. Similarly, workers should attend to their jobs with utmost devotion and be careful not to waste resources of the organization. Instead of fighting for dividing the surplus, the management should co- operate to increase it.

**Contributions of Scientific Management**

The following are the important contribution of scientific management to the field of management:

1. It helps to increase production by using modern machines and tools, by planning and controlling and by optimum use of resources.
2. It seeks to minimize the cost of production, which enables business firm to increase profit.
3. It helps develop workers' efficiency by using improved machines and tools.
4. It brings changes in the attitude of employer and employees.
5. It emphasizes on training and development of workers, which helps to increase output and reduces wastage of materials and time.

**Limitations of Scientific Management**

The following are the major limitations of scientific management:

1. It lays too much emphasis on technical aspects of the work by ignoring human interest.
2. Employees are forced to work on the same task time and again leading to monotony. Workers have no life outside their work.
3. In the name of increasing efficiency, workers are forced to speed up the process beyond their capacity.
4. Workers/laborers are not allowed to take initiative. Foreman issue detailed set of instructions in respect of the job to be performed and the method of performing it.

***Bureaucratic Theory***

Max Weber (1864-1920)

Max Weber, a German sociologist, developed a theory of bureaucracy. Bureaucracy is a form of organization characterized by division of labor, a clearly defined hierarchy, detailed rules and regulations and impersonal relations.

Bureaucracy theory of Max Weber is most common in large organization and government institutions. It is applicable in the organization where more numbers of employees perform their activities to meet common goals. There should be clear division of work, authority and responsibility and all the employees should be responsible for the immediate superiors.

**Principles/features of Bureaucracy Theory**

1. **Formal rules and procedures**: In every organization, there must be system and procedure for the completion of defined work. All the members of the organization from top to subordinate level have to follow these rules and procedures in every stage of their activities without breaching them.
2. **Functional specialization**: Work should be divided among the employees on the basis of their functional specialization. In other words, the placement of right person to the right job id the main theme of this principle.
3. **Well** **defined hierarchy of authority**: It emphases scalar chain of authority from top level to subordinate level. The well defined hierarchy of authority from highest level to the lowest level is essential to maintain unity in direction and in work.
4. **Supervision by a higher authority**: The higher level management delegates authority and responsibility to the subordinate levels essentially to solve the problems on the spot and complete the work in definite time. Thus, from time to time, higher level authority has to supervise the subordinates to know about their achievement and problems.
5. **Technical competent for employment and promotion**: This is one of the important features of bureaucracy theory. The recruitment, selection, appointment and placement of employees are considered on the basis of their technical competence. Similarly, for the promotion of employees, efficiency, knowledge, skill and experience are taken into consideration.
6. **All decision should be recorded**: Different acts are passed and actions are taken in various times. Those acts, actions and decisions should be recorded in a separate for future reference.
7. **Interpersonal relation**: In organization, interpersonal relation among employees should be maintained on the basis of rules and regulation. Personal relation is not taken into account.

**Advantages of Bureaucratic Theory**

1. **Focus on chain of command:** There should be hierarchy of authority involving superior subordinate relationship and chain of command. Every subordinate should be responsible only to his immediate superior which facilitate to fix responsibility.
2. **Proper division of work**: This theory involves proper division of work on the basis of nature. After such division each work should be entrusted to the employees based on their competency and functional specialization.
3. **Specific procedure**: There should be a system of rules, regulation and procedures. Ana all the members should consider the specified rules and regulations of the organization.
4. **Relationship based on position**: A rule of law leads to impersonally in interpersonal relations. Bureaucratic theory emphasizes interpersonal relations in the organization are based on positions and not on personalities. It helps to fix authority and responsibility.
5. **Focus on technical competency**: Work should be divided to the employees on the basis of functional specialization. And incentives and promotion of employees should be based on technical competence.
6. **Job security**: It emphasizes on job security of employees in the organization. The practice of any time termination of employees from the job must be avoided. It helps to develop dedication toward job loyalty toward organization is developed among the employees.

**Disadvantages of Bureaucratic Theory**

1. **Rigid rule and regulation**: this theory emphasizes on specified rules, regulation and procedures for completing any work. But, it becomes more difficult to modify rules and regulations according to changing environment of the society.
2. **Ignores innovation**: Creativity and innovation is essential for adaptation according changing environment of business. The top level management involves only in formulation and implementation of rules and regulations.
3. **Lack of effective communication**: The proper channel of communication should be followed for transforming information within and outside the organization. Since it needs more time and procedures for communicating information, the prompt communication is not possible.
4. **Problem of role conflict**: In some situation, role conflict may arise among employees due to outdated or unclear rules and regulation. Such misunderstanding among employees can generate obstruction in fixation of responsibility and smoothness in performance.
5. **Ignores informal relationship**: It should not take into account the informal relationships between individuals working in the organization. Relationship among employees is maintained on the basis of designed authority.

***Human Relation Approach***

The term" human relations" is generally used to describe the ways in which managers interact with their subordinates. The famous Hawthrone studies undertaken by Elton Mayo and his colleagues laid the foundation for human dimension in organizations. Mayo was a professor at the Harvard business school. He conducted the series of experiments in 1924 to 1932 at the Hawthrone plant of Western electric company in Chicago. The study was conducted in four phases, which can be summarized as follows:

1. **Illumination experiment**: This experiment was started in1924 in Hawthrone Plant and continued for three years. The study was primarily conducted to measure the effects of lighting on the productivity of the workers in different departments of the organization. Illumination was manipulated for one group of workers and held constant for another group but in both, the conditions productivity increased. From the experiment it was observed that improved productivity could be gained not only by improved working conditions but also by promoting social relationships among workers as group members.
2. **Relay assembly test room experiment**: In this experiment two groups of six female telephone relay assemblers were put in separate rooms. In the process, frequent changes were made in their working conditions such as hours of work, no change was made in the other room.in spite of the frequent changes being made in working conditions over a period of several years, productivity tended to increase; even though it rose and fell irrationally.
3. **Mass interviewing program**: Under this phase a group of 20,000 workers were interviewed to elicit information on their perceptions on the working life. The focus of this interviewing program was on human relations rather than on physical working conditions. After completing interviews, it was confirmed that the importance of informal relations, social and psychological needs influence the workers' behavior and their productivity.
4. **Bank wiring observation room experiment**: Under this experiments, 14 male workers were formed into a small work group and intensively observed for seven months in the bank wiring room. The men were engaged in the assembly of terminal banks for the use of telephone exchange. The purpose of the research was to make a more detailed analysis of the social relationships in a work group. From the experiment, the researchers concluded that employees would labor hard if they believe that the management was concerned about their welfare and supervisors paid special attention and care to them.

**Contributions of Human Relation Theory**

The results of the Hawthrone studies were published in 1941. The results have led to the increase in knowledge and understanding of workers and their works. The main contributions of Hawthrone studies can be summarized as follows:

1. Employees are not motivated solely by money. Personal and social factors are important to motivate employees' attitudes towards their work.
2. The importance of recognizing the concept of "social man" became unavoidable.
3. Management must understand and recognize interpersonal and relations on the job.

**Limitations of Human Relation Theory**

1. Human relation theory adequate focus on work. It lays all emphasis on interpersonal relations and informal groups.
2. Human relations tend to neglect the economic dimension of work satisfaction.
3. The human relation movement is anti-individualist. The discipline of the boss is simply replaced by the discipline of the group.

**Behavioral Science Approach**

Behavior science is concerned with scientific investigation, analysis and human behavior in organizations. A large number of behavioral scientists have made notable contributions to the management theory and practice. Notable scholars among them are Abraham Maslow, Douglas McGregor, Frederic Herzberg, Mary Parker Follet etc.

***Abraham Maslow: Need Hierarchy Theory***

Abraham Maslow, a human psychologist developed theory of human needs in 1943. He, in his theory suggested that people have a complex set of needs. People always have needs, and when one need is relatively fulfilled, others emerge in predictable sequence to take place. Human needs tend to follow a basic hierarchical pattern from the most basic needs are fulfilled, a person will not try to meet his higher level needs. His theory of motivation is based on some assumptions. They are:

* Human needs and motivates are complex.
* Needs from hierarchy
* Unsatisfied needs are the reasons of motivation.
* People seek growth and development.

The types of needs as per Abraham Maslow explained as:

1. **Physiological needs**: Physiological needs are also known as basic needs and are common to all individuals. These needs involve food, water, clothes, shelter, rest and other similar basic needs. These needs are at the lowest level in the hierarchy of needs. Such needs of employees might by satisfied by providing appropriate wage and better working environment.
2. **Safety/ security needs**: Every human being seeks physical safety and economic security. Generally, safety needs can be sub- divided into three types: e.g. economic security, physical security and social security. Economic security means an assurance about the fulfillment of basic needs on a continuous basis. Physical security needs include protection against unexpected events like fire, accident etc. Social security needs include a need for security in old age, fever, and permanent incapability. Management can motivate employees of this level providing the facility of job security, medical facility, provision of provident fund, life insurance facility etc.
3. **Social/affiliation needs**: Human beings are social animals. They always want to live in the society and want to consume social elements. These social elements include belongingness, friendship, love and affection, social acceptance, social status and prestige etc. management can motivate such employees by considering their social value. Generally, management has to develop the feeling of belongingness, team spirit, promotion, authority on the basis of efficiency etc.
4. **Esteem/ ego needs**: These needs are psychological in nature and at right level in hierarchy. There are two types of esteem needs: self- esteem and public esteem. Self-esteem is the internal recognition and is concerned with self- respect. Public esteem is external recognition and is concerned with self-respect. Public esteem is external recognition and concerned with respect from others. In an organization, management can fulfill ego needs by defining position and by developing the system of reward and punishment.
5. **Self-actualization needs**: These are the highest level needs in Maslow's need hierarch. These are activated as a motivator when all other needs have been reasonably fulfilled. These needs are soul searching and inner oriented. These needs motivate to develop fully and realize one's capabilities and potentialities to the fullest extent possible. At this level, individuals seek challenging work assignment that allow for creativity and opportunities for personal growth and advancement. Self- actualized individuals are creative, independent, spontaneous, and have a good perception of reality. Management can motivate such employees by providing creative and challenging works. In fact, such workers expect decision making position.

***Douglas McGregor: Theory X and Y***

Douglas McGregor was the professor of management. He proposed two distinct views of human beings: one negative leveled theory X and another positive leveled theory Y.

Theory X is based on the traditional assumption about human behavior. The general assumption of theory X are:

* Employees inherently dislike work and whenever possible, will attempt to avoid it.
* Since employees dislike work, they must be corrected, controlled or threatened with punishment to achieve desired goals.
* Employees will avoid responsibility and seek formal direction whenever possible. Most workers place securities above all other factors associated with work and will display little ambition.

Theory Y is an optimistic view of workers. It believes in positive and intrinsic motivation. Theory Y represents participative management. The subordinates, managers and organization are seen as mutually supportive. This theory is based on the following assumptions:

* Work is natural activity like play or rest.
* People will become committed to organizational objectives if they are rewarded for doing so.
* People will exercise self- direction and self-control if they are committed to objectives.
* The average person can learn to accept and seek responsibility.
* Many people in the general population have imagination, ingenuity and creativity.

***Frederic Hertzberg: Two Factor Theory***

Frederick Hertzberg developed the two- factor theory for work motivation. He was among the first behavioral scientists to look at motivating employees from different angles. This theory is based on the contents of interviews conducted on 200 engineers and accountants. In carrying their research, Hertzberg and his associates asked participants to describe job experience that produced good and bad feeling about their job. From the research he found that there are two sets of needs or factors namely motivating factor and hygiene factor to motivate employees.

1. **Hygiene factors**: Hygiene factor is also known as dissatisfiers or maintenance factors. These factors are external to the job itself. The presence of these factors does not motivate employees, but their absence also causes dissatisfaction. When these factors are adequate, people will not be satisfied but they will not be satisfied either. Hygiene factor includes company policy and supervision, relationship with supervisor, working condition, salary, relationship with peers, personal life, relationship with subordinates, job security, status etc.
2. **Motivating factors**: Motivating factors are also known as motivators, satisfiers or job content factors. These factors are job centered and relate directly to the job itself. The presence of motivating factors causes high levels of motivation and job satisfaction, whereas their absence do not cause high dissatisfaction. These factors include achievement, recognition, advancement, work itself, the possibility of personal growth, responsibility etc.

**Contributions of Behavioral Science Theory**

The main contribution of Behavioral Science Theory are:

* This theory has identified the role of human elements in organization.
* It has recognized the quality of leadership as important factor for the success of management.
* It has emphasized on non- financial rewards.
* It has greatly emphasized the role of individual psychology and group behavior for organizational effectiveness.
* This theory has emphasized the self- direction of subordinates through workers' participation in planning and decision making.

**Limitations of Behavioral Science Theory**

The following are the main limitations of behavioral science theory:

* This theory has neglected the economic dimension of job satisfaction.
* It has not considered situational variables.
* It has viewed management as nothing but applied behavioral science.
* It has a clinical bias and lack of scientific validity.

***System Theory***

System theory is new thinking in management literature. A system is a set of interrelated and interdependent parts of arranged in a manner that produced a unified whole. A system is not a mere collection of parts but an organic whole. The system is composed of a number of subsystems and all the subsystems are related to each other. An organizational sub system can be classified as physical, mechanical, biological and social. The system theory can be best studied on the basis of input, processing and output component as mentioned in the figure:

Environment

Outputs

Inputs

Transformation Process

* Raw materials
* Human Resources
* Capital
* Technology
* Information
* Products and services
* Financial Results
* Information
* Human Results
* Employees Work Activities
* Management activities
* Technology and Operation Methods

feedback

**Elements of ST**

Environment

**Elements of System Theory**

1. **Goal orientation**: Every system is purposeful. It is directed towards achieving certain objectives.
2. **Subsystem**: The parts of components of a system are called subsystems. Each system may be a subsystem of a larger whole making another system. They interact with each other.
3. **Synergy**: Synergy means the whole Is greater than the sum of its parts. Thus synergic effect means 2+2=5. It means that the performance of the whole Is dependent on how well its parts are related and not on how well each parts operates.
4. **System boundary**: Every system has a boundary that separates it from its environment. The boundary determines which parts are internal to the organization and which are external. In an open system, the system boundary is flexible while in closed system it is rigid. Many organizations have flexible system boundary.
5. **Flow**: A system has flow of materials, information, money, human and other resources. These enter the system as input, undergo transformation process and find out as outputs in the form of product of service.
6. **Feedback**: The reaction and response to the environment is known as feedback. It is useful in evaluating and improving the functioning of the system. Hence, feedback is the key to system control.
7. **Open or close system**: Systems are of two types. An open system continually interacts within its environment whereas a closed system is self-contained and isolated from the environment.

**Contributions of System Theory**

* It provides conceptual framework for a meaningful analysis of management and organizations.
* It exhorts managers to analyze and understand every element of a problem in a relation with other elements.
* It tries to integrate various management theories by emphasizing physical aspects, behavioral aspects and environment considerations.

**Limitations of System Theory**

* It is too abstract and cannot be directly and easily applied to practical problems.
* It does not offer any tools and techniques of integration and nature of interdependencies between organizations and management
* It does not offer a unified body of knowledge.

***Decision Theory***

Decision theory looks management as a decision making process. The manager is regarded as the decision- maker and a major challenge for him is to take rational decisions. The success and failure of an organization greatly depends on the decision-making ability of manager. So, the manager must be rational in decision making and try to take the right decision on the basis of requirement, which is essential to maximize productivity.

Herbert Simon, Luther Gulick and Lyndall Urwik are major contributors to this theory. They express the managers' deciding rationally are able to achieve goals, so that, they must have clear understanding of an alternative course of actions to take the right decision. This theory consists of following characteristics:

* Management is basically a decision making process.
* Members of an organization are decision makers and problems solvers.
* Organizational effectiveness is judged on the basis of quality of managerial decisions.
* Participative approach is desirable in decision making.
* Proper information management system is essential for decision making.

The rational decision making consist of the following concept:

* Definition of the problem.
* Identifying relevant alternatives.
* Evaluating the alternatives.
* Selecting the best course of action.
* Implementation of action.
* Evaluating the result.

**Contributions of Decision Theory**

The following are the important contributions of decision theory:

* This theory is helpful in developing problem solving skills.
* It helps develop different mathematical and quantitative tools for decision making.
* It has emphasized the knowledge of economics in decision making.
* It has contributed much in information management.

**Limitations of Decision Theory**

The following are the main limitation of decision theory.

* This theory does not take the total view of the management.
* It is narrow and limited scope.
* It has ignored the situational variables.
* It has not stressed the human relation and behavioral aspects.

***Management Science Theory***

Management science theory is also called mathematical, quantitative, and operational research approach. This theory emphasizes on application of mathematics and statistics for taking decisions and solving management problems. This approach was originally developed during the Second World War to solve military problems by the U.K. and the U.S.A. in later years when the war ended, people made use of this technique in solving industrial problems too. The main feature of management science theory is the use of mixed terms of science from several disciplines. Joel Dean PMS Blackett are the main contributors of this theory. Management science approach focuses on solving the technical rather than human behavioral problems. And computer programs are used to analyze the problems. Now-a-days operation research terms are formed to solve complex management problems. The team consists of members from any fields. They analyze the problem and develop a mathematical representation.

**Contributions of Management Science Theory**

* Complex relations among variables can be expressed more effectively.
* It presents management with an objective basis for making a decision.
* It emphasizes the replacement of intuition and hunch by factual data and logical analysis in decision making process.

**Limitations of Management Science Theory**

* It does not deal with the people aspect of an organization.
* All the required data cannot be updated and are not accurate.
* It requires unrealistic or unfounded assumptions.

***Contingency Theory***

This theory is also called situational or practical approach to management. It is a relatively new thinking among management scholars and related to system approach. Practicing managers, consultants and researchers who tried to apply the concept of earlier management theories into practice and developed it. According to this approach, the best way to lead, plan, organize and conduct managerial activities varies with the situation. A particular method suitable in one organization at a time may not necessarily be suitable to another organization at other time. Hence, there are no plans, organization structures, and leadership styles or control technique that will fit in all situations since every organization is unique, management decision and structure must be unique. There are four contingency variables that determine management practice.

1. **Organizational size**: The number of people in an organization is a major influence on what managers do.
2. **Routineness of task technology**: Organizations apply technology to transform inputs into outputs. Routine technologies require organizational structures, leadership styles and control systems that differ from those required by non- routine technologies.
3. **Environmental uncertainty**: the degree of uncertainty caused by political, technological, socio-culture and economic change influences the management process. The best style in a stable environment may be totally inappropriate in a rapidly changing and unpredictable environment.
4. **Individual differences**: Individuals differ in terms of their desire for growth, autonomy, and tolerance of ambiguity and expectations. These and other individuals' differences are particularly important when managers select motivation techniques, leadership styles and job design.

Hence, the management cannot have ready-made universally applicable and acceptable principles to be applied to all situations as everlasting truth. Management needs to recognize the nature of technology, the variation human participants, and the wide diversity in environmental relationship. All managerial actions depend upon particular prevailing circumstances and situational factors. It requires managers to have a thorough understanding of the situation and the ways of tackling situations. Based on the above explanation, the following featured can be identified:

* Organizations are open systems and interact regularly with the environment.
* It is an integrative approach in a sense that it attempts to integrate in finding other managerial perspectives.
* It is applicable in intellectual dealings in which habits and customs cannot be taken for granted.
* It requires knowledge of various sets of situations and tools to work best.
* It is based on empirical researches and has developed its tools on real findings in varied situations.

**Contributions of Contingency Theory**

* Managers get help in innovating new and better approaches to meet complex situations.
* It gives them the capability to think in analytical, critical and multidimensional ways.
* Managers are given more freedom.
* Managers become more sensitive and alert.

**Limitations of Contingency Theory**

* It ignores the universally applicable principles.
* It fails to enlist all contingency variables.
* It focuses on mere situation but which tools should be used in what situation is not satisfied.
* It ignores human behavioral aspects.