

### **Systems approach to management**

Systems approach (or view) of management process implies connecting the management process to the external environment and viewing it as a system that is existing in the overall system.

To understand it better, here is an example:

The term system is borrowed from life sciences. You can see how human body has many independent systems such as cardiovascular system, respiratory system, skeletal system, etc. Each of these is fairly independent yet interdependent. So, if you break your bone, you can rectify it without seriously affecting the other systems such as cardiovascular system. This is facilitated because of the independence of the skeletal system which requires input like calcium for its growth and output. But your cardiovascular system will not shut down just because your bone is broken; however, it is affected through bleeding. Your doctor gives you calcium to strengthen your bone and that tablet has to dissolve in the blood and reach the bones. What happens if the cardiovascular system refuses to carry calcium to the bones? So, the systems are also interdependent.

If we understand this analogy, we can understand the business system more easily.

System approach to management enables us to understand management from a holistic perspective. Through this approach, we realize that the inputs come from external sources and the outputs go to the external sources. For example, the material used in Tiger Hotels, the guests, the employees who do such good job are all inputs which come from outside and the great satisfaction, profit, and growth are the outputs. Some of this output goes to the society in terms of tax paid, overall economic growth, profit shared with the investors, prosperity created to the families of the employees, self-esteem of the employees, etc.

A system exists in an environment. For example, the hotel exists in India, in a state, in the neighborhood and therefore has to follow the laws of the land, the state, and the local laws. It has to purchase the input, i.e., raw materials and hire people. It is the information system which helps an organization to do this. In other words, information system connects the organization to the external system. The output also goes to the external system in terms of taxes paid as discussed. Can all output go to the external system? Not really. As a system operates and creates an output, some of the input such as ambience, the rooms, the furniture, etc will deteriorate. The quality of employees also deteriorates. Hence, some part of the output has to be pumped back to repair or rejuvenate these

We saw what an input is; an output is also a way of connecting it to the external environment through the information system. To do this optimally, the organization has to be in alignment with the external environment, but this is not sufficient. If the input has to be converted into an output, i.e., service to the guests, it requires some process. First, this requires planning of the input such as rooms, their sale, maintenance, etc. Then you have to organize the various activities such as room-related activities, food-related activities, and ambience-related activities. These activities have to be manned or staffed. The staff has to lead, i.e., they should be given directions, coaching, guidelines, and encouraged to take decisions and initiative if the service has to be rendered. Thereafter, someone has to see that things are done as per the standards and if there is any variance, there should be a way of correcting it.

This is what we call Management Process (MP) and each of the components mentioned above are the functions. In simple terms, management process is the way of converting the input into an output through a logical sequence of major managerial functions of planning, organizing, staffing, leading, and controlling.

Each of these functions, in turn, can have their own sub functions and systems. For example, the organizing function could have marketing, operations, HR, and finance as its sub functions.

The marketing function, to be effective, needs some input and process so that it can fill the rooms and restaurants. This would then become another system. The input into this system of Tiger Hotel would be sales staff, input about the room cost, room availability, marketing materials such as leaflets, videos, photographs, etc. Several activities such as advertising, personal selling, promotion, and price discounting would be required and would have to be done in some logical sequence which becomes the process. These activities have to be planned, organized, staffed, led, and controlled and therefore, this gives birth to another system (call it marketing system). Marketing system is fairly independent, but it is interdependent on the finance system for the money for advertising and hotel operations to get a good feedback of the guests to ensure that the sales are repeated. Hence, though it is independent to an extent, it is interdependent on the other systems. Marketing can be perceived as a subsystem of the Tiger Hotel organizational system. Perhaps, you can perceive an organization as a network of systems and subsystems.

