

MANAGEMENT: HISTORY AND CURRENT THINKING

Learning Objectives

After comprehensive studying of this chapter, learners will be able to:

- ↳ Know about concept, contribution and limitation of classical theories.
- ↳ Discuss about human relation theory.
- ↳ Explain about behavioral science theories.
- ↳ Explain the system theory decision theory, management science theory, and contingency theory.
- ↳ Discuss about emerging management concept: workforce diversity, outsourcing, knowledge management and learning organization.

Introduction of Evolution of Management Thoughts

- *The study of management as a science began after the industrial revolution. At present management has become a complex function, and it attracts the attention of psychologists, sociologists, political scientists, economists etc.*
- Management is as old as the human civilization. The concept of management has been in practice since ancient times.
- However, the study of management as a science began only after the industrial revolution.
- The development of science and technology has forced the emergence of a new concept in management.
- At present management has become a complex function, therefore, it attracts the attention of psychologists, sociologists, anthropologists, political scientists, economists and so on.

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The Classical Theory: *Classical theory is the initial stage of the development of management thought. This theory includes three different approaches consisting of scientific management theory, administrative theory and bureaucratic theory.*

The classical theory includes three different approaches to management:

- Scientific management theory
- Administrative management theory
- Bureaucratic management theory
- All these 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

- *“Scientific management is that kind of management which conducts a business or affairs by standards established by facts, or truths gained through systematic observation, experiment or reasoning.”* - **George Black,**
- *“The cost of scientific management is the organized study of work, the analysis of work into its simplest elements and the systematic management of the workers performance of each elements.”*

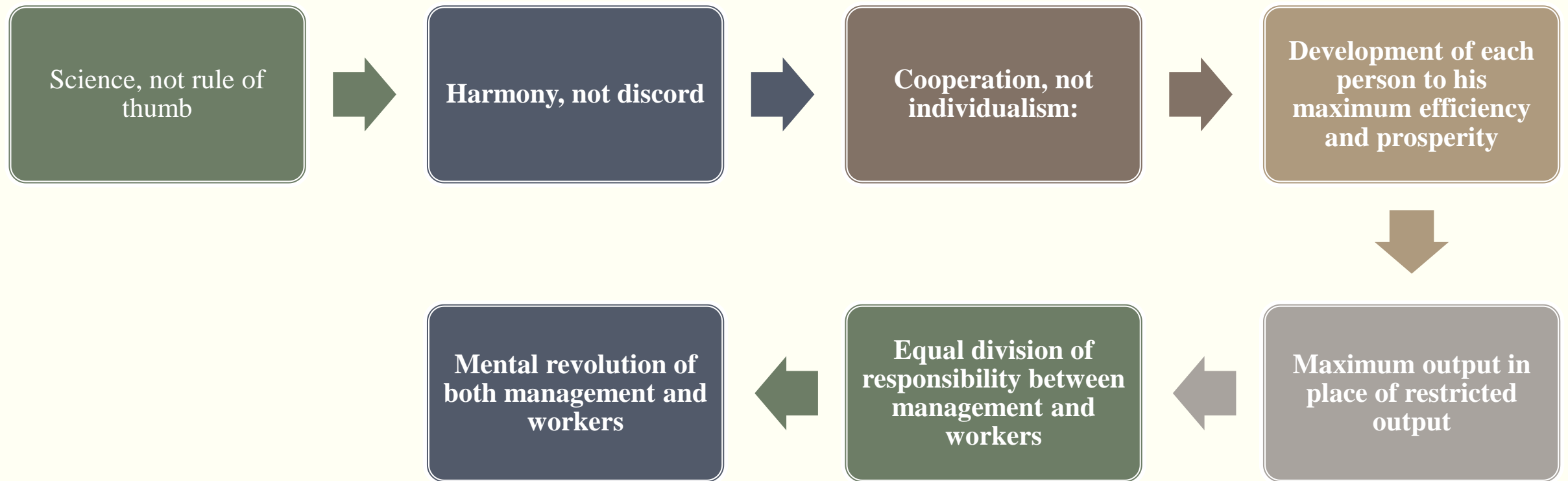
- **Peter F. Drucker,**

Frederick Winslow Taylor



- F. W. Taylor (1856-1915), also known as 'the father of scientific management', was one of the prominent scholars to introduce scientific management.
- He worked as a foreman at the Midvale Steel Company in Philadelphia, USA, in 1878 and rose to the position of chief engineer through hard work and effort.
- At Midvale, he observed that employees were deliberately working at a slower pace than their capabilities which he called soldiering.
- He determined what each worker should be producing and then he designed the most efficient way of doing each part of the overall job.
- He invented high-speed steel cutting tools and spent most of his time as a consulting engineer. Rather than paying all employees the same wages, he implemented a piecework pay system.

Principles of Scientific Management



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- 1. Science, not rule of thumb:** According to Taylor, management is a science it is not the rule of thumb. Scientific management emphasizes the requirement of scientific study and analysis of information before taking any decision and action. It discards the traditional approach of trial and error, hit and miss method of management.
- 2. Harmony, not discord:** Harmony focuses on the unity of action while discord means difference in approach. In an enterprise, both managers and employees have their own interest. Scientific management emphasizes that there must be absolute harmony between management and workers to maintain unity in action.
- 3. Cooperation, not individualism:** This principle of scientific management emphasizes that the organizational objectives are above the individual's personal objective. An organization is established to achieve its objectives such as earning profit and wealth.
- 4. Development of each person to his maximum efficiency and prosperity:** The workers should be selected on the basis of organizational requirement. Management must take necessary steps to develop efficiency and capabilities of workers. The development of working efficiency of employees helps to proper use of physical resources. It helps for minimization of wastage of resources and maximization of productivity.

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- 5. Maximum output in place of restricted output:** Taylor has given emphasis on the maximum output instead of limited output. It is essential to produce maximum output on the basis of level of capacity. Maximum production ensures more wages to workers because of piece rate system of wage payment.
- 6. Equal division of responsibility between management and workers:** This principle has specified the responsibilities of managers and workers. Managers involve in executive work such as determination of objectives, preparation of planning, policy making, development of working procedures and system. Similarly, workers involve for implementation of plan in practice.
- 7. Mental revolution of both management and workers:** Taylor's principle of scientific management emphasizes that there must be mental revolution on part of both managers and workers. Managers should maintain cooperative relation with subordinates whereas subordinates should follow the instruction of managers.

Contribution of Scientific Management

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

- i. It helps to increase production by using modern machines and tools, by planning and controlling and by optimum use of resources.
- ii. It seeks to minimize the cost of production, which enables business firms to increase profit.
- iii. It helps to develop workers' efficiency by using improved machines and tools.
- iv. It brings changes in the attitude of employer and employees.
- v. It leads to greater economic prosperity and helps improve the living standard of workers.
- vi. 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:

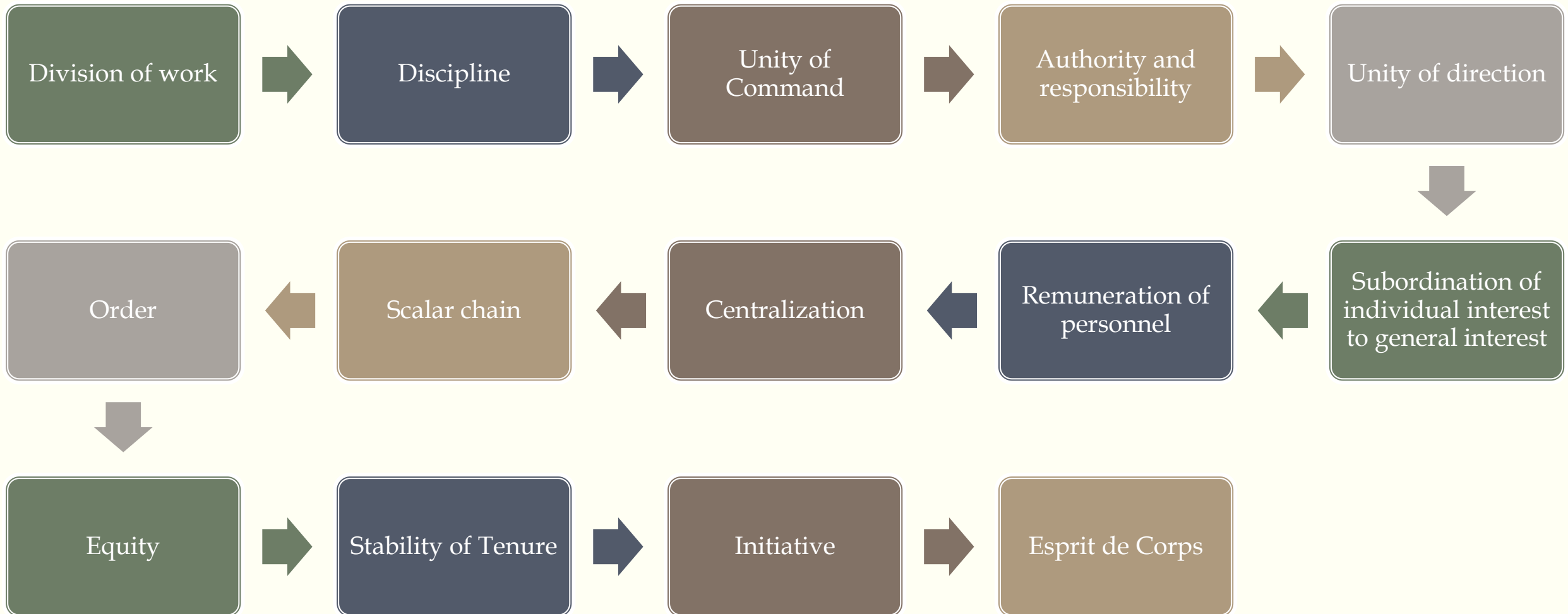
- i. It lays too much emphasis on technical aspects of the work by ignoring human interest.
- ii. It views employees' needs primarily in economic terms. It has not mentioned about informal relation between workers on the job in order to meet their social need.
- iii. Employees are forced to work on the same task time and again leading to monotony. Workers have no life outside their work.
- iv. In the name of increasing efficiency, workers are forced to speed up the process beyond their capacity.
- v. Workers not allowed for taking initiation. Foremen issue detailed set of instructions in respect of the job to be performed and the method of performing it.

Administrative Management Theory

- According to Fayol, management is a distinct field of study involving many managerial functions like forecasting, planning, organizing, commanding, coordinating and controlling. In 1916, he published his book 'administration industrielle et. general'. Later on, this book was translated into English as "General and Industrial Management'. He divided all industrial activities into six groups, namely;
 - a. Technical activities (production, manufacturing)
 - b. Commercial activities (buying, selling and exchange)
 - c. Financial activities (search for and optimum use of funds)
 - d. Security activities (protection of property and people)
 - e. Accounting activities (stock taking, cost statistics and balance sheet)
 - f. Managerial activity (planning, organising, commanding, co-coordinating and controlling)

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- Brief descriptions of principles of management propounded by Henry Fayol are as follows:



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Contributions of Administrative Theory

- i. Administrative management laid heavy emphasis on universal principles of management.
- ii. This theory laid the foundation for the study of management functions of planning, organizing, staffing, directing and controlling.
- iii. This theory has provided the conceptual framework for analyzing the management process.
- iv. This theory has isolated and analyzed management as a separate discipline.

Limitations of Administrative Theory

- i. This theory has not paid proper attention to the human behavioral aspects in an organization.
- ii. This theory is inconsistent. It has not considered the situational factors. .
- iii. It is vague. There is no clear distinction between structure and process of organization.
- iv. It does not provide guidance as to when the principle must be applied, which principle should take precedence over the other while they are being applied.
- v. This principle is based on personal experience and little observation.

Comparison between Taylor and Fayol

- Although both of them applied scientific methods to solve management problems, Taylor called his philosophy, “Scientific Management” while Fayol described his approach as general Theory of Administration.
- A comparison between Taylor’s and Fayol’s reveals that Fayol’s theory is more comprehensive and more widely applicable than that of Taylor.
- The main contribution of Taylor lies in the use of science in solving managerial problems by his useful ideas of mental revolution.
- Fayol has made a significant contribution to the development of management theory by giving 14 general principles of management. He identified the functions and qualities of a manager.

Bureaucratic Theory: Max Weber (1864–1920)



- 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 activities to meet common goals. They need to perform activities remaining within certain rules, regulations and system. There should be clear division of work, authority and responsibility and all the employees should be responsible for their immediate superiors.
- **Principles/Features of Bureaucracy Theory**
 1. Formal rules and procedures
 2. Functional specialization
 3. Well defined hierarchy of authority
 4. Supervision by a higher authority
 5. Technical competence for employment and promotion
 6. All decision should be recorded
 7. Interpersonal relation

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- **Advantage of Bureaucratic Theory:** The following are the advantages of bureaucratic theory:
 1. Focus on chain of command
 2. Proper division of work
 3. Specific procedures
 4. Relationship based on position
 5. Focus on technical competency
 6. Job security
- **Disadvantages of Bureaucratic Theory:** The following are the disadvantages of bureaucratic theory:
 1. Rigid rule and regulation
 2. Ignores innovation
 3. Lack of effective communication
 4. Problem of role conflict
 5. Ignores informal relationship

Human Relation and Behavioral Science Theory

- Human relation and behavioral science theories are the modified, enlarged and extended forms of classical theory.
- Workers, unions, social scientists and psychologists criticized scientific management, as it did not pay proper attention to the human side of organizations. These theories believe that successful management largely depends on the manager's ability to understand and work with and through people who have a variety of culture, backgrounds, perceptions, needs and aspirations.
- These theories can be studied separately by dividing them into two categories –
 - Human relation approach which studies the importance of individuals within the organization, and
 - Behavioral sciences approach which studies about the interpersonal relations and behavioral patterns of each worker.

Human Relation Approach



In this approach, workers should not be treated as mere factors of production but should be considered as human beings.

- Workers' attitudes, feelings and needs are extremely important on the job.
- The famous Hawthorne 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 a series of experiments in 1924 to 1932 at the Hawthorne plant of Western Electric Company in Chicago. The study was conducted in four phases, which can be summarized as follows:
 1. **Illumination experiment:**
 2. **Relay assembly test room experiment:**
 3. **Mass interviewing program:**
 4. **Bank wiring observation room experiment:**

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Contribution of Human Relation Theory : The main contributions of Hawthorne studies can be summarized as follows:

- i. Employees are not motivated solely by money. Personal and social factors are important to motivate employees' attitudes toward their work.
- ii. Informal leaders play an important role in setting and enforcing group norms.
- iii. The importance of recognizing the concept of “social man” became unavoidable.
- iv. Management must understand and recognize interpersonal and group relations on the job.
- v. Effective supervision plays an important role in maintaining employees' morale and productivity.

■ **Limitations of Hawthorne Study**

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

Abraham Maslow: Need Hierarchy Theory



- Abraham Maslow, a human psychologist developed a 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 a predictable sequence to take place. Human needs tend to follow a basic hierarchical pattern from the most basic needs to the highest level needs. Until the most basic needs are fulfilled, a person will not try to meet his higher level needs. The following are the hierarchy of human needs:



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- 1. Physiological Needs:** Physiological needs are also known as basic needs. Such needs are essential for survival of all human beings. They are common to all individuals. They involve food, shelter, and clothing. These needs are finite in nature.
- 2. Safety/Security Needs:** When people fulfill their basic needs they think for future security. Every human being seeks physical safety and economic security.
- 3. Social/Affiliation needs:** Human beings are social animals. They always want to live in the society and enjoy 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.
- 4. Esteem/Ego Needs:** These needs are psychological in nature and at higher 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 respect from others.
- 5. Self-actualization Needs:** These are the highest level needs in Maslow's need hierarchy. These are activated as a motivator when all other needs have been reasonably fulfilled.

Douglas McGregor: Theory X and Y

- Douglas McGregor was the professor of management. He proposed two distinct views of human beings: one negative labeled theory X and another positive labeled theory Y.
- He concluded that manager view of human nature is based on group assumption either positive or negative. According to him theory Y is a set of optimistic assumption about human nature and theory X is a set of pessimistic assumption about the worker.
 1. **Theory X:** This theory is based on the traditional assumption about human behavior. It is also known as stick approach where managers always
- *Douglas McGregor proposed two distinct views of human beings: negative theory X and positive theory Y*
- consider negative motivation. The managers having this approach believe that employees have lack of creativity and they do not want to take responsibility. They need threat of punishment for getting better performance. The general assumptions 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.

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2. Theory Y: This theory is an optimistic view of workers. It is also known as carrot approach where managers always consider positive motivation. The managers having this approach believe that employees have creativity and they want to take responsibility best on their ability. They need reward and support for getting better performance. 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

Frederick 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. 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 Factors are also known as dissatisfiers or maintenance factors. These are external to the job itself. The fulfillment of these factors can save the employees from job dissatisfaction. However, when hygiene factors are fulfilled the employees do the assigned job according to best of their skill and efficiency.

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.

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Contributions of Behavioral Science Theory

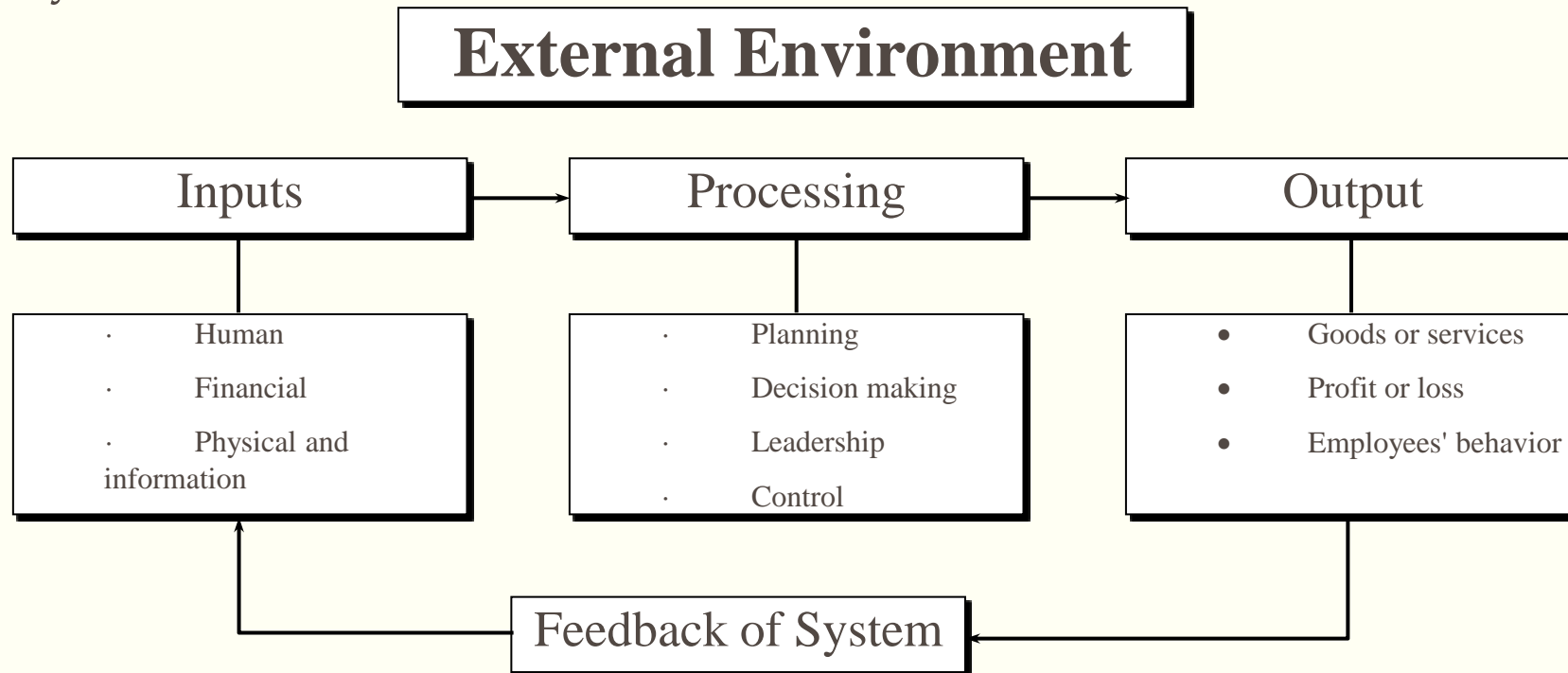
- The main contributions of behavioral science theory are as follows;
- This theory has identified the role of human elements in organization.
- It has recognized the quality of leadership as important factor for the success of management.
- It has emphasized on non-financial rewards.
- It has greatly 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.

Limitation 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 lacks scientific validity.

System Theory

- *A system is a set of interrelated and interdependent parts arranged in a manner that produces a unified whole.*
- System theory is a new thinking in management literature. A system is a set of interrelated and interdependent parts arranged in a manner that produces 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.



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- 1. Input:** An organization gets input from the external environment. Input consists of human, financial, physical and information.
- 2. Processing:** It is the action part of system approach. It involves conversion of raw materials into finished products in support of other resources. While converting raw materials into finished products or services it is essential to do many activities in each stage of process.
- 3. Output:** Output is ultimate outcome of system perspectives. It may be obtained in terms of products or services, profit or loss, and employees' behavior. Organizations are established to produce goods or services. Goods and services are supplied in the market and response is received.
- 4. Feedback:** Management is a continuous process up to the functioning and existence of the organization. Therefore, it is necessary to evaluate the outcomes of management functions. If expected output is gained it would provide guidance to the manager for future performance.

Decision Theory

- *Decision theory emphasizes that the main responsibility of a manager is to take rational decisions*
- 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 of an organization greatly depends on the decision-making ability of the manager.

This theory consists of the following characteristics:

- Management is basically a decision making process.
- Managers of an organization are decision makers and problem 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.
- **Contribution of Decision Theory**
- The following are the important contributions of decision theory:
- This theory is helpful in developing problem solving skills.
- It helps to develop different mathematical and quantitative tools for decision making.
- It emphasizes on the knowledge of economics in decision making.
- It has contributed much in information management.

Management Science Theory

- *Management science theory emphasizes on application of mathematics and statistics for taking decisions and for solving management problems*
- 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.
- **Contributions of Management Science Theory**
- It encourages disciplined thinking while defining the problems and establishing relations among variables.
- 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 focuses on situational factors. It is based on the premise that there is probably no one best way to solve management problem in all organizations and in every situation.*
- This theory is also called situational or practical approach to management. It is 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, developed it. And the popular among them were Paul Lawrence, Jay Lorsch, Tom Burns, John Woodard, James Thompson etc. This approach is based on the premise that there is probably no best way to solve management problems in all organizations. There are four contingency variables that determine management practice.

1. Organization size

2. Routine of task technology

3. Environmental uncertainty

4. Individual differences

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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 specified.
- It ignores human behavior aspects.

Emerging Management Concepts



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- 1. Workforce Diversity:** Workforce diversity is concerned with involvement of heterogeneous types of employees in an organization who represent different age, gender and cultural values. Diversity is increasing in organizations today because of changing population dimensions, to improve workforce, official pressure and increased globalization.
- 2. Outsourcing:** Outsourcing is the process of subcontracting some of the jobs to other organizations to bring quality and get the benefit of specialization. It is an important means of reducing cost and improving quality.
- 3. Knowledge management:** Knowledge is concerned with experience, values, contextual information and expertise. It provides a framework for evaluating and incorporating new experience and information. Knowledge management refers to all systematic activities for creation and sharing of knowledge.
- 4. Learning organization:** Learning organization involves the institution where there is the provision of continuous learning to adapt with the changing environment of the business. Business environment is ever changing process. To bring new concept in the business, the innovation of new idea, concept, model, design, structure and technology is essential.

