



# Philosophical Aspects of Management

## Chapter 2

# Learning Objectives

*After studying this chapter, the students are expected to:*

- understand the early development of management;
- understand the classical, behavioral, system and contingency philosophies of management;
- explain the emerging issues and challenges in Nepalese business.



# Early Development of Management

The study of management as a discipline began only after the industrial revolution that took place in the 18th century. With the passage of time and the emergence of large and global organizations, management has come a long way as a multidisciplinary discipline and different management theories have been developed.



# Classical Philosophy

Classical management philosophy advocates specialization of labor, centralized leadership and decision making, and profit maximization. Some of the influential classical theories of management are:

- Scientific Management Theory
- Administrative Management Theory
- Bureaucratic Theory



# Scientific Management Theory

Scientific management is an art of knowing exactly what you want your men to do and seeing that they do it in the best and cheapest way.



# Principles of Scientific Management Theory

The following are the principles of scientific management theory propounded by Taylor.

1. Development of science for each part of individual job (replacement of rule of thumb)
2. Scientific selection, training, and development of workers
3. Cooperation between management and workers (harmony not discord)
4. Division of work and responsibility
5. Mental revolution
6. Maximum output in place of restricted output



# Contributions/Advantages of Scientific Management Theory

Scientific management has contributed a lot in the field of management. They are listed below.

1. Increase in production by effective planning and controlling, use of modern machines and tools, and by optimum utilization of resources.
2. Minimize cost of production and increase profit.
3. Develop workers' efficiency through modern machines and tools and proper remuneration.
4. Maximize the degree of cooperation between the employer and employees.
5. Improve living standard of workers through proper remuneration.
6. Employee development through training and development.



# Limitations/Disadvantages of Scientific Management Theory

The following are the major limitations of scientific management:

1. It assumes one best way of organizing activities. Hence, it is not applicable in modern dynamic and complex organization
2. It focuses on individual performance over group efforts. It further divides the workers into efficient and inefficient workers. It leads to conflicts between them.
3. It focuses on specialization of jobs for productivity, which reduces innovation and creativity in the long run.
4. It neglects the human factor since it uses monetary benefits for employee motivation.
5. It is not suitable for small firms because they are not able to invest huge funds in developing scientific methods of production.





# Administrative Management Theory

Henri Fayol developed the theory of administrative management which attempts to find a rational way to design an organization as a whole. It calls for a formalized administrative structure, a clear division of labor, and delegation of power and authority to administrators.



# Principles of Administrative Management Theory

There are 14 Principles of Management Theory described by Henri Fayol.

1. Division of labor (work)
2. Authority and responsibility
3. Unity of command
4. Unity of direction
5. Equity (Justice)
6. Order
7. Discipline
8. Initiative
9. Fair remuneration
10. Stability of tenure
11. Scalar chain
12. Subordination of individual interest to general interest
13. Centralization and decentralization
14. Esprit de Corps



# Contributions/Advantages of Administrative Management Theory

The following are the main contributions of administrative management theory.

1. Development of the universal theory of management.
2. Defined management in terms of functions such as planning, organizing, staffing, directing, and controlling.
3. Provided a comprehensive framework for the study and development of management.
4. Recognized the essential qualities for managers and divided the industrial activities.



# Limitations/Disadvantages of Administrative Management Theory

The following are the major limitations of administrative management theory.

1. The administrative management theory is management oriented. It does not give much attention to the problems of the workers.
2. It does not give any importance to informal organization or groups.
3. It has a mechanical approach since it does not deal with some of the important aspects of management such as motivation, communication, and influencing.
4. It is costly and time consuming to bring into practice all of the factors associated with administrative management theory.



# Differences between the Taylor's Scientific Management and Fayol's Administrative Management Theory

The following are some of the notable differences between the scientific management theory and administrative management theory.

Bases of Difference	Scientific Management Theory	Administrative/ General Management Theory
1. <b>Emphasis</b>	It focuses the low level management for increasing productivity.	It focuses the top level management and works downwards.
2. <b>Applicability</b>	This theory is applicable to specialized organizations only.	This theory is universally applicable.
3. <b>Basis of development</b>	The scientific management theory was developed by Taylor based on observation and experimentation.	The administrative management theory was developed by <u>Fayol</u> based on personal Experience
4. <b>Orientation</b>	It mainly focuses on production and engineering functions.	It focuses on managerial functions of planning, organizing, staffing, <u>directing</u> and controlling.
5. <b>System of wage payment</b>	It adopts a differential payment system for high and low outputs.	It advocates sharing of profit with managers.
6. <b>Scope</b>	The scientific management theory has the narrower perspective of management.	The administrative management theory has a wider perspective of management.



# Bureaucratic Management Theory

The bureaucratic theory of management contains two essential elements: structuring an organization into a hierarchy and having clearly defined rules and procedures to run the organization.



# Characteristics of Bureaucratic Organization

A bureaucratic organization has the following key characteristics.

1. Division of work
2. Administrative hierarchy
3. Impersonal relationship
4. Official rules
5. Official record
6. Work system
7. Technical competency
8. Job security
9. Fixed remuneration



# Principles of Bureaucratic Management Theory

Max Weber described the following principles of the bureaucratic management theory.

1. Formal hierarchical structure
2. Division of labor/functional specialization
3. Formal/impartial selection process
4. Career orientation (Focus on technical quality)
5. Formal rules and regulations
6. Impersonality (Impersonal relationship)
7. Formal record management





# Contributions/Advantages of Bureaucratic Management Theory

The following are some of the notable contributions of bureaucratic management theory.

1. Rational decisions
2. Maximum efficiency
3. Proper control
4. Removal of ambiguity
5. Specialized services
6. Clear career path
7. Reference



# Limitations/Disadvantages of Bureaucratic Management Theory

The bureaucratic management theory has some limitations. They are:

1. Ignorance of human aspects
2. Lack of strategic vision
3. Minimum performance
4. Discourage in the acceptance of responsibility
5. Delay in communication and decision making
6. Lack of personal initiation
7. Not suitable for business organizations



# Behavioral Philosophy

According to the behavioral science theories, the competent managers respect the difference in culture, concepts, opinions, and needs of human.



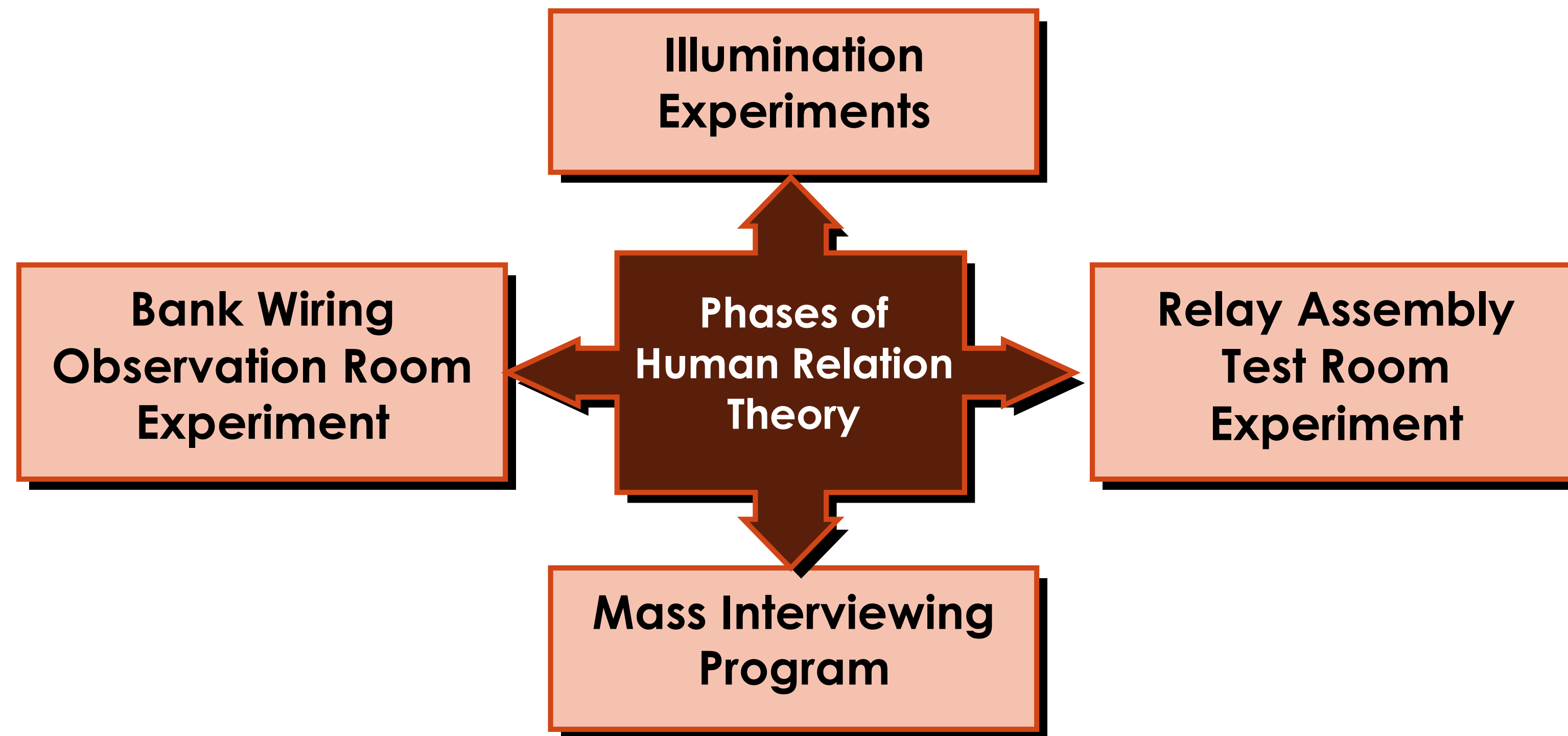
# Human Relations Movement-Hawthorne Studies

As the name suggests, the human relations theory puts human beings at its center. The human relation theory highlighted the importance of social and psychological factors for workers' productivity and job satisfaction: not only good physical working conditions. The informal relations among workers influence the workers' behavior and performance more than the formal relations in the organization.



# Phases of Human Relations Theory Experiments

The experiment was conducted in the Hawthorne plants of the Western Electricals in the spring of 1927 in Chicago, USA. The study was conducted in four phases:



# Contributions/Advantages of Human Relations Theory

The following are some of the notable contributions of the human relations theory.

1. The human relation theory highlighted the importance of social and psychological factors for workers' productivity and job satisfaction, not only good physical working conditions.
2. The informal relations among workers influence the workers' behavior and performance more than the formal relations in the organization.
3. Employees will perform better if they are allowed to participate in decision making affecting their interests.
4. When employees are treated with respect and dignity, their performance will improve.
5. Financial incentives alone cannot increase the performance. Social and psychological needs must also be satisfied in order to increase productivity.
6. Good communication between the superiors and subordinates can improve the relations and the productivity of the subordinates.
7. Special attention and freedom to express workers' views to improve their performance.



# Limitations/Disadvantages of Human Relations Theory

The following are some of the major limitations of the human relation theory.

1. The Hawthorne experiments were conducted under controlled situations. Hence, the findings may not be applicable in real organizational situations.
2. They have given too much importance to human aspects of productivity improvement. However, productivity also depends on technological and other factors.
3. The Hawthorne experiments have placed much emphasis on group decision making. In many situations, organizations are compelled to make individual decisions.



# Emergence of Organizational Behavior/Behavioral Science Approach

The behavioral scientist advocated the importance of peoples' behavior for effectiveness of management. They developed the concepts of motivation, leadership, communication, teamwork, and reward.

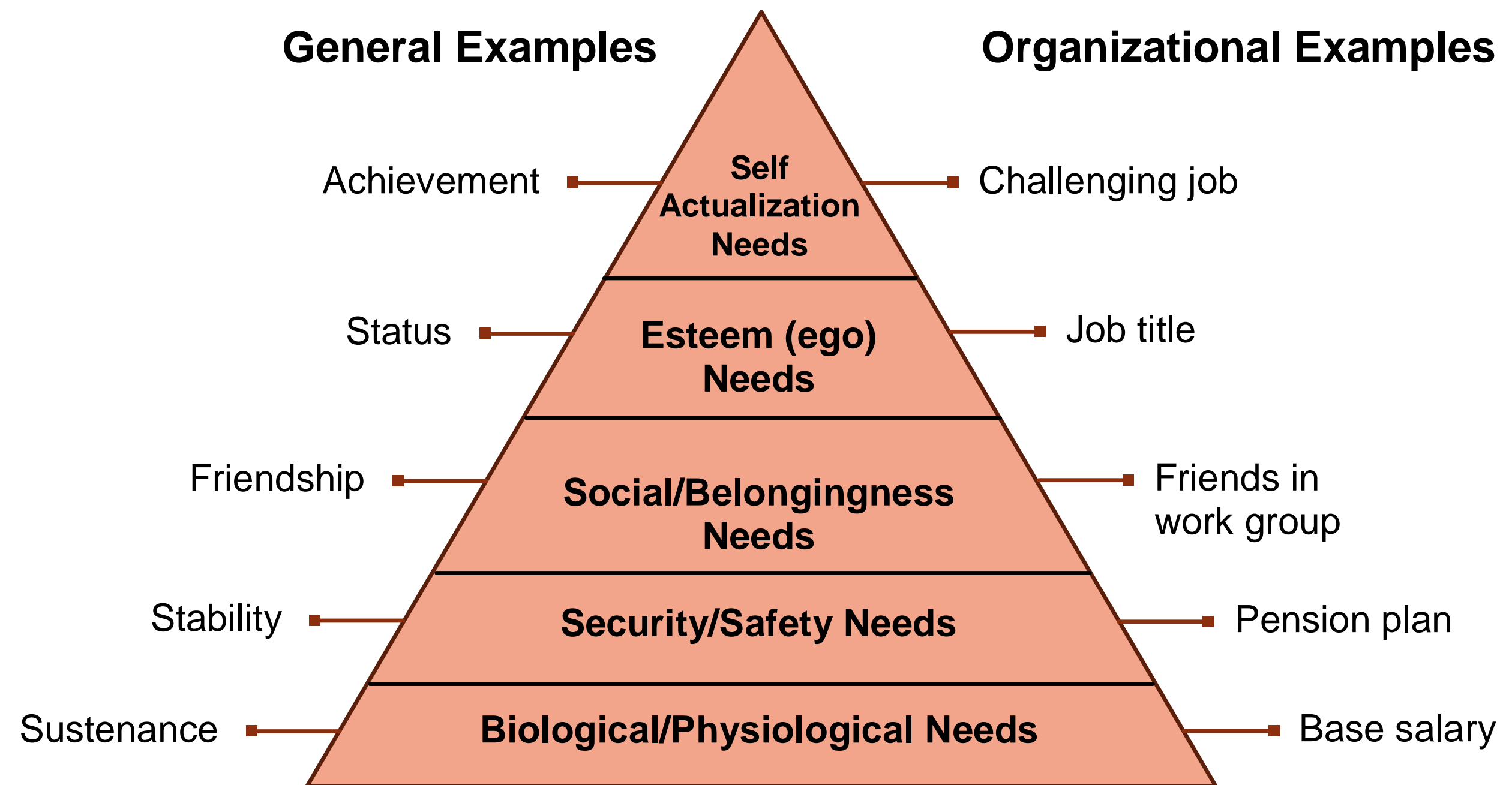




# Maslow's Needs Hierarchy Theory

This theory is based on the human needs comprising a five tier model depicted as hierarchical levels within a pyramid. The needs lower down in the hierarchy must be satisfied before individuals can attend to the needs higher up.

1. Biological/physiological needs
2. Security/safety needs
3. Social/belongingness needs
4. Esteem/ego needs
5. Self actualization needs



# Contributions of Maslow's Theory

The following are the major contributions of Maslow's need hierarchy theory.

1. Clear explanation
2. Comprehensive
3. Clear prescriptions



# Limitations of Maslow's Theory

The following are the main limitations of Maslow's need hierarchy theory are as:

1. It is almost a non testable theory. It must be viewed as a theoretical statement or base rather than an abstraction from field research.
2. It is clinically derived theory and its unit of analysis is individual. This model is based on a relatively small sample of subjects.
3. The need classification is somewhat artificial. Needs cannot be classified into 5 steps hierarchy.
4. The need priority model may not apply at all times in all places.
5. In case of some people, the level of need may be permanently lower (individual differences).



# Herzberg's Two Factor Theory

According to Herzberg, there are some job factors that result in satisfaction while there are other job factors that prevent dissatisfaction.

1. **Hygiene factors:** Herzberg used the term 'hygiene' to describe factors that may cause dissatisfaction in the workplace.
2. **Motivating factors:** These are intrinsic. They include responsibility, job satisfaction, recognition, achievement, opportunities for growth, and advancement.



# Contributions of Herzberg's Two Factor Theory

The following are the contributions of Herzberg's two factor theory.

1. This theory provides the tools of satisfy as well as motivate the employees.
2. This theory states that financial benefits are not only the motivating factors.
3. It advocates the concept of job enrichment in motivation.



# Limitations of Herzberg's Two Factor Theory

The following are the limitations of Herzberg's two factor theory.

1. This theory provides an explanation of job satisfaction. Hence, it is not really a theory of motivation.
2. This theory does not utilize the overall measure of satisfaction. In other words, a person may dislike part of his or her job, yet still think the job is acceptable.
3. This theory ignores situational variables.



# Comparison of Maslow and Herzberg Model

Maslow's Model vs. Herzberg's Model		
Issue	Maslow's Model	Herzberg's Model
Order of needs	Sequential arrangement of needs.	No such hierarchical arrangement.
Emphasis	Descriptive.	Prescriptive.
Essence of theory	Unsatisfied needs energize behavior; this behavior causes performance.	Gratified (unsatisfied) needs cause performance.
Motivator	Any <u>need</u> can be a motivator if it is relatively unsatisfied.	Only higher order needs serve as motivators.
Applicability	Takes a general view of the motivational problems of all workers.	Takes a micro view and deals with work oriented motivational problems of professional workers.



# McGregor's Theory X and Y

In 1960, Douglas McGregor, an American social psychologist, developed theory X (negative) and theory Y (positive) suggesting two aspects of human behavior at work.

Theory X is the traditional theory of management philosophy. According to this theory people want to avoid work as much as possible meaning that they do not wish to take responsibility. Contrary to Theory X, theory Y assumes that people are inherently happy to work. They are motivated to pursue objectives. There is no need for rewards and punishments system.





# *Contributions/Advantages of Douglas McGregor's Theory X and Y*

The following are some of the notable contributions of Douglas McGregor's Theory X and Y.

1. It guides the management to develop motivational techniques.
2. It helps the management to carry managerial activities from human point of views.
3. It provides practical assumptions about human behavior.
4. This theory is easy to understand and apply.



# Limitations/Disadvantages of Douglas McGregor's Theory X and Y

The following are some of the limitations of Douglas McGregor's Theory X and Y.

1. People cannot be only put into two extremes of theory X and theory Y.
2. The job itself may not be the key to motivation for the employees.
3. Human behavior is variable. Hence, the employees may behave according to both theory X and theory Y.



# Contributions/Advantages of Behavioral Science Theory

The main contributions of behavioral science theory are as follows;

1. Identification and recognition of the role of human elements in organization
2. Recognition of leadership as important component of effective management.
3. Emphasis on the role of non financial rewards for employee motivation.
4. Provides base for organizational behavior which is very important for management success.
5. Important for self direction of subordinates.



# Limitations/Disadvantages of Behavioral Science Theory

The following are the main limitations of behavioral science theory:

1. Lays over emphasis on behavioral aspect. Neglects the economic dimension of job satisfaction.
2. Not much useful since it is very difficult to identify, analyze and predict human behavior.
3. Does not consider the situational variables
4. Not applicable universally to all organizations



# Comparison between Human Relations and Behavioral Approach

Bases of Comparison	Human Relations Approach	Behavioral Approach
1. Focus	The focus is on individual needs and behavior and emphasizes interpersonal relationships.	The focus is on group needs and behavior and emphasize group relationships.
2. View toward worker	It views worker as a social man	It views worker as 'a self actualizing man'.
3. Scope	The scope is narrow as it is based on Hawthorne studies.	The scope is wide as it is based on human relations movement.
4. Emphasis	It lays emphasis on motivation, morale and job satisfaction.	It lays emphasis on group dynamics, informal organization and motivation through job enrichment.
5. System	It views organizations as social systems.	It views the organization as socio technical systems.
6. Decision making	The decision making is limited to routine decisions only.	The decision making is effective for both routine and important matters.
7. Human behavior	It lacks scientific vision to study human behavior.	It provides scientific understanding of human behavior.



# System Philosophy

The system theory of management assumes that an organization should be viewed as an open system. Organization is an open system since it constantly interacts with the environment.



# Components of System Theory

The system theory has the following components.

1. Inputs
2. Processing
3. Outputs
4. The environment
5. Feedback



# Elements of System Theory

The system theory has the following elements:

1. Goal oriented
2. Subsystems
3. Synergy
4. System boundary
5. Flow
6. Feedback
7. Open or closed system





# Contributions/Advantages of System Theory

The following are some of the remarkable contributions of the system theory.

1. The system theory provides a conceptual framework for viewing an organization.
2. It enhances the interrelationship and coordination among the various parts or subsystem of the organization.
3. It gives equal importance to both internal and external contexts of an organization.
4. It provides a good basis for planning, executing and controlling.



# Limitations/Disadvantages of System Theory

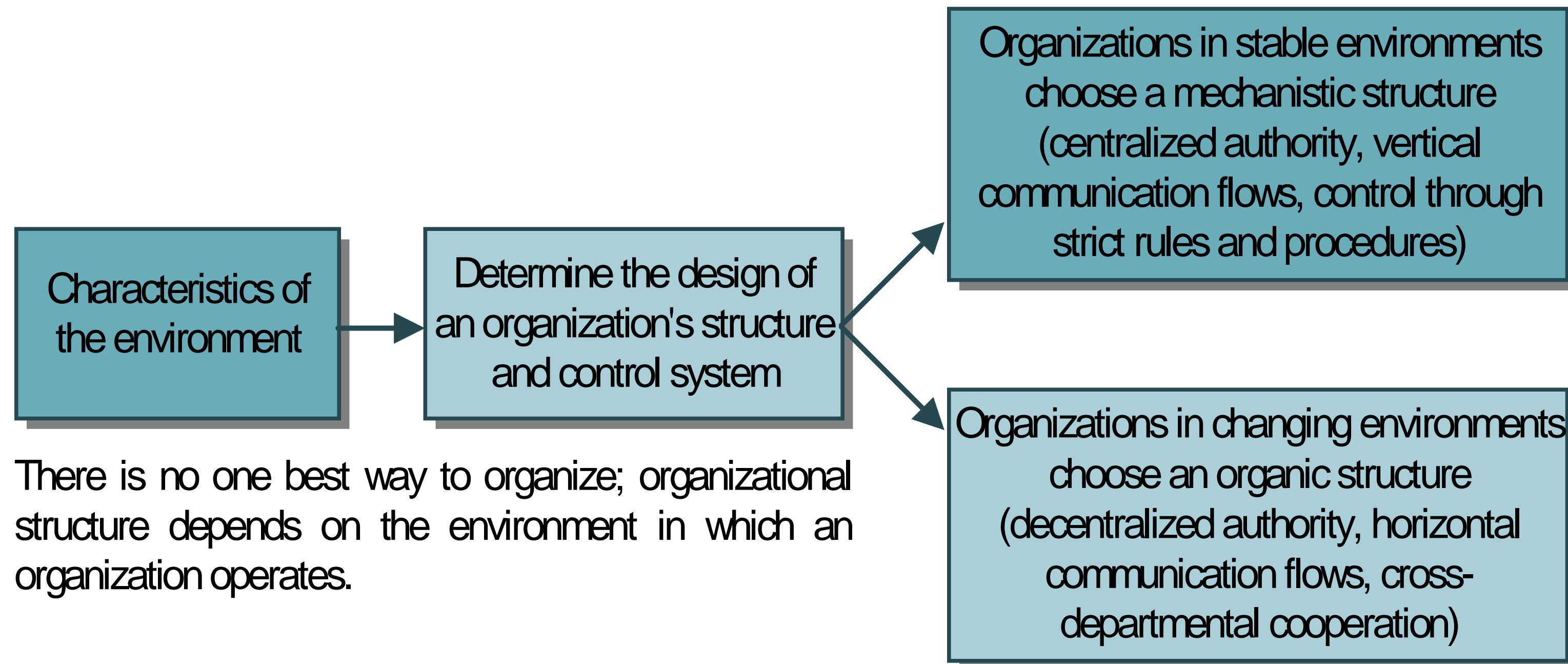
The following are some of the notable limitations of the system theory.

1. The system theory does not offer specific tools and technique for practicing managers.
2. It is criticized as being too abstract and vague. So, it cannot be applied into practical problems.
3. It fails to specify the nature of interaction and interdependence between organization and its environment.



# Contingency Philosophy

The contingency theory believes management is situational in nature. It assumes that management principles are not universal in nature as there is no best style of management. It is the 'if and 'then 'approach to management. 'If' is independent variable and 'then' is the dependent management variable or the technique to be adopted to deal the situation.



# Major Contingency Factors

The major contingency factors are as follows:

1. Organization size
2. Nature of task and technology
3. Environmental uncertainty
4. Geographical spread of the organization



# Contribution/Advantages of Contingency Theory

The contributions of the contingency theory are as follows.

1. It integrates different schools of thoughts and applies them as per the needs of situations.
2. It brings pragmatic solution to every problem based on situation analysis.
3. It depends on multivariate analysis. Hence, it takes all the possible variables or factors that affect the situation are into consideration.
4. It does not follow a pre designed organizational structure. The organizational structure is developed based on situation or environment.
5. It helps to devise motivational and leadership approaches to motivate the workers.



# Limitations/Disadvantages of Contingency Theory

The contingency theory of management suffers from a number of limitations.

1. It does not follow the principle of universality of principles which are often applied to management situations.
2. It is argued that contingency approach was already asserted by Fayol. He also advocated flexibility in management. Therefore, the theory has added nothing new to management thought.
3. It may be costly and time taking to analyze the situation.
4. It is not possible for managers to determine all the factors relevant to the decision making situation. Moreover, it is difficult to establish a perfect relationship among these factors.





# Emerging Issues and Challenges in Nepalese Business

The emerging issues and challenges in Nepalese business in Nepalese business may be explained in the following way.

1. Increased private investment in core business
2. Growing urban population
3. Rising informed and educated customers
4. Changing role of the government
5. Rising economic agenda
6. Use of modern technologies
7. Integration to the world economy
8. Shifting socio cultural values
9. Shift towards service industry
10. Workforce diversity

