

## **1.2 MANAGEMENT AND MANAGERS: FUNCTION OF MANAGEMENT**

### **1.2.1 Meaning of Management**

Many experts call management as a process. Some others call it as activity directed towards coordination of resources. Let us take following descriptions of the term 'management'. Stoner, Freeman, and Gilbert describe the term management as the process of planning, organizing, leading, and controlling the work of organisation members and of using all available organisational resources to reach stated organisational goals. Kimball states that management may be broadly defined as the art of applying the economic principles that underlie the control of men and materials in the enterprise under consideration.

Koontz defines management as the art of getting things done through and with people in formally organised group. According to Henry L. Sisk, management is the coordination of all resources through the process of planning, organizing, directing, and controlling in order to attain stated objectives.

Yet another view on management calls management as a body of personnel. The management plans the work, organizes and obtains the production. Emphasizing the importance of management for an organisation, Urwick states, No ideology, no political theory, can win greater output with less efforts from a given complex of human and material resources: only sound management. And it is on such greater output that a higher standard of life, more leisure, and more amenities for all must necessarily be founded.

In the recent era management has emerged as a prominent profession, as management fulfils the following characteristics of a profession:

- ✓ Management is a body of knowledge;
- ✓ There is formal teaching of that knowledge;
- ✓ There are representative associations and body of members in the field of management;
- ✓ There are ethical standards of conduct enforced by the profession;
- ✓ There is provision of suitable remuneration to the members in the service of management.

### **1.2.2 Functions of Management**

It may be interesting to note that the three terms, organisation, management, and manager are quite different from each other, yet for practical purposes they are inseparable. We need organisations for various purposes, as they fulfill different needs of society. Once an organisation exists, there is need for establishing sound principles of management for its efficient and effective functioning. Then for establishing sound principles of management, we need managers who have ability, required skills, proper motivation and satisfaction, and never ending zeal to achieve new heights.

Managers perform certain functions and certain roles. Though the terms function and role are used interchangeably, there is technical difference between these two terms. Functions of a manager include the assigned tasks according to the authority level as well according to the job description of the position of the manager. On the other hand roles indicate what a manager is expected to do as a person of conscientiousness. Let us learn some important functions of managers.

Main functions of managers include following activities:

1. Planning (including creating vision, mission, goal setting, setting objectives);
2. Organising;
3. Staffing
4. Directing;
5. Communicating;
6. Decision making;
7. Controlling. Let us describe them briefly.



**Planning:** The planning function includes those activities, which lead to the definition of ends and the determination of appropriate means to achieve the defined ends. Planning is the process by which a manager anticipates the future and discovers alternative courses of action open to him.

Vision refers to creating and articulating a realistic, credible, attractive position of the future of an organisation or organisational unit that grows out of and improves upon the present situation. Mission refers to the broad purpose that the society expects the organisation to serve. Mission statements are broad and value-driven.

Goals refer to a future state or condition which contributes to the fulfillment of the mission of the organisation; when they are realized. The goal is relatively more concrete than mission yet less concrete than objectives.

Objectives are derived from goals and are ordinary short-run, specific milestones towards goals.

**Organising:** Organising is the process by which the structure and allocation of jobs are determined. The organizing function includes all managerial activities, which are undertaken to translate the required activities of plans into a structure of tasks and authority. The organizing function involves four sub-functions:

1. Defining the nature and content of each job in the organisation;
2. Determining the bases for grouping the jobs together;
3. Deciding the size of the group;
4. Delegating authority to the assigned manager.

**Staffing:** It is the process by which managers select, train, promote, and retire subordinates. Staffing is concerned with entire human resource planning activities done by managers.

**Directing:** It is the process by which actual performance of subordinates is guided toward common goals. Supervising is one aspect of this function at lower levels of management.

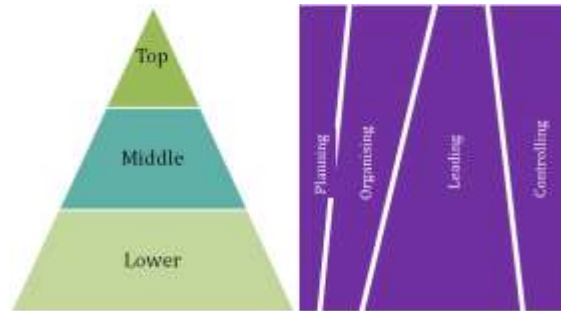
**Communicating:** It is the process by which ideas are transmitted to others for the purpose of achieving a desired result.

**Decision-making:** It is the process by which a course of action is consciously chosen from available alternatives for the purpose of achieving a desired result.

**Controlling:** It is the process that measures current performance and guides it toward some predetermined goal. The controlling function includes activities, which managers undertake to assure that actual outcomes are consistent with planned outcomes. Three basic conditions must exist to undertake control:

1. Standards;
2. Information;
3. Corrective action.

As explained earlier, functions of a manager directly emerge from the authority of his position as well as from the job description of the position held by the manager.



Now let us analyze some important roles of managers.

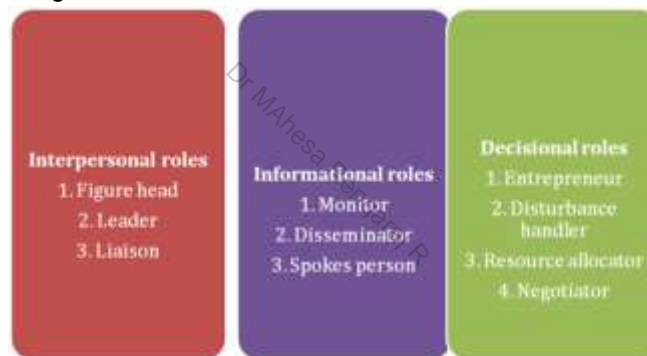
### 1.2.3 Manager's Role

Henry Mintzberg has identified ten roles (clubbed under three broad categories) of managers. The roles of managers are as follow:

#### Interpersonal Roles

1. Leading
2. Liaison
3. Symbol/Figurehead

In their interpersonal roles, managers act as figurehead, lead, and interact with members of the organisation, within the department or outside the department. Now let us understand the three roles: leading, liaison, and symbol/figurehead.



#### Leading

Leading is one of the important roles of a manager. A manager supervises a number of persons reporting to him/her. The manager is responsible for motivating and directing the subordinates. Through the role of leading, a manager helps subordinates to visualize the plan of action, and helps them to achieve the result through committed performance.

Liaison is another role of a manager. Liaison means maintaining a network of interaction with outsiders who matter. For example a manager heading a production unit need to maintain relationship with external members of the board, regulating authorities, government officials, police force, civil authorities etc. Through this role a manager establishes contact with those who matter in managing the activities at hand.

A manager is the symbolic head of a firm, or of an unit, or of a department. You are aware of the role of the head of a family. In the same way, a manager symbolizes the role of figurehead because he/she has to perform a number of duties of legal or social nature.

#### Informational Roles

1. Monitoring
2. Sharing information
3. Spokesperson

In their informational roles, managers seek information from others, provide information to others, and provide information to people outside the organisation, in the capacity of representative of the organisation. Now let us understand the three roles: monitoring, sharing information, and spokesperson.

A manager acts as nerve center for receiving all the external and internal information. Through the role of monitoring, a manager receives information. The manager utilizes such information appropriately. Once a manager has gathered information, he/she needs to share information among internal employees for proper execution of work. Through meeting, e-mail, circular, notice, office order etc. a manager acts as disseminator of information particularly to subordinates. As a spokesperson, a manager is authorized to share information about the organisation to outsiders. The manager may share information with outsiders about plans, strategies, and future direction of the organisation. The sharing of information may be through conference, meeting the press, board meeting, interview etc.

#### **Decisional Roles**

1. Taking initiative
2. Handling disagreement
3. Allocating resources
4. Negotiating

In their decisional roles, managers take proactive actions, sort out differences in opinion amicably, allocate resources to various departments in optimum way, and negotiate implementation of new projects. Now let us understand the four roles: taking initiative, handling disagreement, allocating resources, and negotiating.

A manager is required to take initiative and should lead from the front. A manager analyzes the future opportunities in the business, evaluates alternative opportunities, analyzes internal strength and weaknesses of the organisation, and also calculates risks before implementing a new idea. In a way a manager need to explore business opportunities through entrepreneurial skills.

Always going is not smooth in an organisation. At times due to various dissatisfactions among the subordinates, conflicts may arise. A manager is responsible for handling conflict and disturbances in a way that would reestablish the confidence of subordinates as well as good productive culture. Disagreements are handled through periodical meetings, review sessions, collective bargaining, grievance handling machinery etc.

Manager is custodian of organisational resource. He/she has to allocate resources to various departments in optimum way. For allocating resources the manager has to do budgeting, scheduling of tasks, authorization and sanctioning of resource, and approving of significant organisational decisions.

Negotiating is also an important role of a manager. Sometime manager has to negotiate with internal employees on the matter related to rights, benefits, and sharing of revenue. This is done through internal bargaining. Sometime negotiation is tripartite including, the management, the employees, and the appropriate government (Central or the State Government). Negotiation is also done on matter related to contract assignment, purchase of material etc. A manager plays important role in these activities.

#### **1.2.4 Types of Managers**

In order to coordinate various activities in an organisation, various levels of management are created. In general there are three levels of management:

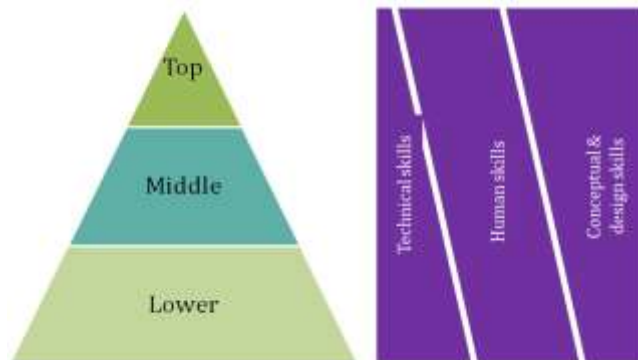
1. Top management;
2. Middle-level management
3. Supervisory or Junior level management.



Top level management consists of Board of Directors, Chairperson, Managing Director, and General Managers of functional areas like production, marketing, finance, and human resource management. Top level management gets involved in all activities like planning, organizing, directing, and controlling, however it focuses more on planning and organizing than the other levels of management. The prime concerns of top management include: enhancing shareholder values, providing vision and mission to organisation, upholding overall objectives of the organisation, taking policy decisions, review of budget and keeping organisation financially sound, maintaining progress, profit, and sustainability of the organisation, communicating goals of organisation to all the members, protecting integrity, and guiding the organisation through sound leadership. There are more requirements of conceptual skills than human skills or technical skills at the level of top management.

Middle-level management acts with guidance of top management to accomplish the objectives of the organisation. The prime concern of the middle management is to carry out organizing function in more detail, in order to keep top management free for doing planning level activities. Some of the functions of middle management include: creating coordination and cooperation among various departments of the organisation, to design and operate upon a system in the organisation which would keep various resources in smooth flow as well as which would ensure motivation and morale of people working in the organisation, to develop staff at various levels through training and developmental activities, and to creatively control and guide the personnel at junior level in order to achieve bottom line results. There are more requirements of human skills than conceptual or technical skills at the level of middle management.

At supervisory or junior level management, there are more requirements of technical skills than



conceptual skills or human skills. However in the modern era when role of service sector is increasing in the economy, the importance of human skills is increasing at the level of middle management also. People at junior level management are directly connected to the people who work at operational level. Hence junior level management is more concerned with direction and control of activities than planning and organizing functions.

All three levels of management: top, middle, and junior play crucial roles in achieving the organisational goal. The three levels differ only in terms of emphasis on certain activities. Top management is more concerned with planning and overall organizing, middle management is more

concerned with detailed out organizing, and junior level is more concerned with directing and controlling. However now we are witnessing appropriate empowerment at the level of middle level and junior level management, thus the roles of these two levels are enhancing in the modern organisations.

### **1.2.5 Evolution of Management Theory**

#### ***Organization Theory – An introduction:***

We are born in organisation, educated by organisations and most of us spend much of our lives working for organisations. An organisation is a coordinated social entity, grouped together and interacts for the achievement of the common goal. It refers to the process of identification and grouping of activities, defining and establishing the authority responsibility relationship and determining the manner in which the organisational activities are interrelated. Thus the organisation consists of a group of people working together for the achievement of the organisational goal. Various theories have been propounded which explain the organisation in terms of closed, open and dynamic system.

Traditionally organisation is viewed as a closed system which does not get affected by external environment. Here the focus is for designing sound organisational structure which facilitates people to accomplish its objectives smoothly. Contrarily the modern view of organisation accepts the environment as an integral part of organisational reality. Therefore to accomplish predetermined goals the organisation must adapt to external environment. The open system's view perceives the organisation as a social system which is composed of a number of sub-systems all of which are independent and interrelated.

Man and his organisations are interwoven. Man works in organisations and seeks great benefits from organisations. Successful organisations imply the well coordinated efforts of two or more persons. These persons may enhance their abilities and reap the benefits from organisational entities. In this Unit, you will learn the concept and the principles of organisation. You will further learn various theories of organisation. You will be also acquainted with the contemporary issues in organisation theory.

#### ***Concept of Organization:***

Organising refers to the process involving the identification and grouping of activities to be performed and defining and establishing the authority responsibility relationships. This enables people to work most effectively together in achieving the enterprise objectives. In a general sense, organizing consists of determining and arranging for men, materials, machines and money required by an enterprise for the attainment of its goals. In a restricted and operational sense, the term organizing means defining the duties and responsibilities of the people employed, and determining the manner in which their activities are to be interrelated. The end result of organizing is the creation of a structure of duties and responsibilities of people in different positions, grouped according to the similarity and interrelated nature of activities. In other words, the outcome of the organizing process is an Organisation consisting of a group of people working together for the achievement of one or more common objectives.

Robins has defined organisation as a consciously coordinated social entity, with a relatively identifiable boundary, that functions on a relatively continuous basis to achieve a common goal or set of goals. Thus, it can be concluded that an organisation is an economic and social entity in which a number of persons perform tasks to achieve a predetermined goals. This helps them to accomplish the personal goals like socio- economic satisfaction which they cannot achieve alone. Similarly it is a system of clearly defined structure of activities consciously designed to allow organisational participants to work effectively toward common goal. The characteristics of an organisation are as follow:

1. **Group of People:** An organisation comes into existence when a group of people combine their efforts for some common purpose and willingly contribute towards their common endeavor.
2. **Division of Work:** Setting of an organisation involves division of the total work into various activities and functions, and assigning the tasks to different persons according to their skill, ability and experience.
3. **Common Purpose:** Every organisation comes into existence on the basis of goals of the enterprise which are separate from the personal goals of the people employed. It is the common

purpose of the organisation which provides the basis of cooperation among the members of the organisation.

4. **Vertical and Horizontal Relationships:** An organisation creates cooperative relationships between different departments and divisions as well as between superiors and subordinates. Different functions and activities like production, marketing, financing etc. are integrated for the achievement of proper coordination. The duties and responsibilities of superiors and subordinates in each department or division are also unified so as to serve the purpose of their joint efforts.
5. **Chain of Command:** The superior-subordinate relationships established in an organisation are based on the authority which flows from the higher levels of management to the next lower levels, thereby forming a hierarchical chain. This is known as the chain of command, which also determines the line of communication.
6. **Dynamics of Organisation:** Besides the structural relationships among people which are based on their activities and functions, there exists an organizing interactions based on sentiments, attitudes and behaviour of individuals and groups. These aspects of relationship provide a dynamic element to the organisational functioning. They are subject to change from time to time.

### ***Importance of Organization:***

Sound organisation contributes greatly to the continuity and success of the enterprise. Its importance can be discussed below:

1. **Facilitates Administration:** Sound organisation facilitates management to relate resource flows continually to overall objectives. It provides an appropriate platform from where management can perform the functions of planning, direction coordination, motivation and control.
2. **Facilitates Growth and Diversification:** It helps in organisational elaboration. Growth and diversification of activities is facilitated by clear division of work, proper delegation of authority etc. As the organisation expands to a reasonable proportion, the functional types can be replaced by a more flexible decentralized organisation.
3. **Permits Optimum use of Resources:** Sound organisation permits optimum use of technical and human resources. The organisation can incorporate the latest technological improvements like computers, electronic data processing machines etc. It permits optimum use of human efforts through specialization. It also develops people by creating appropriate training and promotion opportunities. Thus, organisation gives a company the greatest possible strength for meeting predicted needs-changing conditions.
4. **Stimulate Creativity:** Specialization provides individuals with well-defined duties, clear lines of authority and responsibility. Sound organisation structure enables managers to turn over routine and repetitive jobs to supporting positions and concentrate on important issues where they can exploit their potential better. Thus, it encourages the creativity of the people.
5. **Encourages Humanistic Approach:** People can work in team and not like robots or machines. Organisation provides job rotation, job enlargement and enrichment. Jobs are designed to suit human needs and are made meaningful and interesting. Organisation adopts efficient methods of selection, training, remuneration and promotion of employees. Proper delegation and decentralization, conducive working environment and democratic and participative leadership provide higher job satisfaction to the employees. It enhances the interaction among different levels of the management.

Although we have discussed the importance of the organisation, a sound organisation structure by itself does not guarantee success. According to Drucker good organisation structure does not by itself produce good performance-just as a good constitution does not guarantee great presidents, or good laws or a moral society. But a poor organisation structure makes good performance impossible no matter how good the individuals may be.

### **Steps in Organization process:**

Organising involves the following interrelated steps:

**Determination of Objectives:** Organisation is always related to certain objectives. Therefore, it is essential for the management to identify the objectives before starting any activity. It will help the management in the choice of men and materials with the help of which it can achieve its objectives. Objectives also serve as the guidelines for the management and the workers. They will bring unity of direction in the organisation.

**Identification and Grouping of Activities:** If the members of the groups are to pool their efforts effectively there must be proper division of the major activities. Each job should be properly classified and grouped.

This will enable the people to know what is expected from them as members of the group and will help in avoiding duplication of efforts. For instance, the total activities of an individual industrial organisation may be divided into major functions like production, purchasing, marketing, and financing, and each such function is further subdivided into various jobs. The jobs then may be classified and grouped to ensure the effective implementation of the other steps.

**Allotment of Duties:** After classifying and grouping the activities into various jobs, they should be allowed to the individuals so that they could perform them effectively. Each individual should be given a specific job to do according to his ability and made responsible for that. He should also be given the adequate authority to do the job assigned to him.

**Developing Relationships:** Since so many individuals work in the same organisation it is the responsibility of management to lay down structure of relationships in the organisation. Everybody should clearly know to whom he is accountable. This will help in the smooth working of the enterprise by facilitating delegation of responsibility and authority.

**Integration of these Groups of Activities:** Integration can be achieved in all activities in following ways:

- (a) through authority relationships – horizontally, vertically, and laterally and
- (b) through organised information or communication systems, i.e., with the help of effective coordination and communication. We can achieve unity of objectives, team work and team spirit by the integration of different activities.

### **Principles of Organizing:**

The principles of organisation are guidelines for planning an efficient organisation structure. Let us discuss the important principles of organisation:

1. **Unity of Objectives:** An enterprise strives to accomplish certain objectives. The organisation and every part of it should be directed towards the attainment of objectives. Every member of the organisation should be familiar with its goals and objectives. There must be unity of objective so that all efforts can be concentrated on the set goals. The principle requires objectives to be clearly formulated and well- understood.
2. **Division of Work and Specialization:** The entire work in the organisation should be divided into various parts so that every individual is confined to the performance of a single job. This facilitates specialization which in turn leads to efficiency and quality. However, each area of specialization must be interrelated to the total integrated system by means of coordination of all activities of all departments.
3. **Definition of Jobs:** Every position in the organisation should be clearly defined in relation to other positions in the organisation. The duties and responsibilities assigned to every position and its relationship with other positions should be so defined that there is no overlapping of functions.
4. **Separation of Line and Staff Functions:** Whenever possible, line functions should be separated from staff activities. Line functions are those which accomplish the main objectives of the company. In many manufacturing companies, the manufacturing and sales departments are considered to be



accomplishing the main objectives of the business and so are called the line functions. Other functions like personnel, plant maintenance, financing and legal are considered as staff functions.

5. Chain of Command or Scalar Principle: There must be clear lines of authority running from the top to the bottom of the organisation. Authority is the right to decide, direct and coordinate. The organisation structure should facilitate delegation of authority. Clarity is achieved through delegation by steps or levels from the top position to the operating level. From the chief executive, a line of authority may proceed to departmental managers, to supervisors or foremen and finally to workers. This chain of command is also known as scalar principle of organisation.
6. Parity of Authority and Responsibility or Principle of Correspondence : Responsibility should always be coupled with corresponding authority. Each subordinate must have sufficient authority to discharge the responsibility entrusted to him. This principle suggests that if a plant manager in a multi plant organisation is held accountable for all activities in his plant, he should not be subject to seek orders from company headquarters for his day to day activities.
7. Unity of Command: No one in the organisation should report to more than one line supervisor. Everyone in the organisation should know to whom he reports and who reports to him. Stated simply, everyone should have only one boss. Receiving directions from several supervisors may result in confusion, chaos, conflicts and lack of action.
8. Unity of Direction: According to this principle a group of activities that have a common goal should be managed by one person. There should be one head and one plan for a common objective of different activities. This facilitates smooth progression towards the achievements of overall organisational goals.
9. Exception Principle: This principle suggests that higher level managers should attend to exceptional matters only. All routine decisions should be taken at lower level, whereas problems involving unusual matters and policy decisions should be referred to higher levels.
10. Span of Supervision: The term 'span of supervision' means the number of persons a manager or a supervisor can direct. No manager should be required to supervise more subordinates than he can effectively manage within the limits of available time and ability. The exact number may vary according to the nature of the job and the frequency of intensity of supervision needed.
11. Principle of Balance: There should be proper balance between various parts of the organisation and no function should be given undue importance at the cost of others. Balance should be maintained also between centralization and decentralization, span of supervision and lines of communication, and authority allocated to department and personnel at various levels.
12. Communication: A good communication network is essential to achieve the objectives of an organisation. No doubt the line of authority provides channels of communication downward and upward, still some blocks in communication occur in many organisation. The confidence of superior in his subordinates and two-way communication are the factors that unite an organisation into an effectively operating system.
13. Flexibility: The organisation structure should be flexible so that it can be easily and economically adapted to the changes in the nature of business as well as technological innovations. Flexibility of organisation structure ensures the ability to change with the environment without disrupting the basic design.
14. Continuity: Change is the law of nature. Many changes take place outside the organisation. These changes must be reflected in the organisation. For this purpose the form of organisation structure must be able to serve the enterprise to attain its objective for a long period of time.

## **CLASSICAL THEORY OF ORGANIZATION**

1. Bureaucracy
2. Administrative Theory
3. Scientific Management

## **Bureaucracy**

Bureaucracy is a social invention perfected during the industrial revolution to organize and direct the activities of a firm. It describes a system where the Government is run by officials, directly or indirectly. Bureaucracy is defined as a system of organisation in which roles, tasks and relationships among people and positions are clearly defined, carefully prescribed and controlled in accordance with formal authority and any deviations from rules and regulations is viewed very seriously. The bureaucratic theory was systematically developed by Max Weber (1864-1920). Weber termed his formulation of organisation as ideal type.

According to Max Weber, every organisation can be defined as a structure of activities (means) directed towards the achievement of certain objectives (ends). Every organisation develops a system of specialization (division of tasks) and a set of systematic rules and procedures to maximize efficiency and productivity.

Weber stressed that the bureaucratic form is capable of attaining the highest degree of efficiency, and is in this sense, formally the most rational known means of carrying out control over human beings in any organisation. It is superior to every other form in precision, stability, discipline and reliability. Weber tried to identify various factors and conditions that have contributed to the growth of bureaucracy in modern times. Development of modern Organisation and Corporation led to the development and considerable spread of bureaucracy in Organisations.

Bureaucracy is simply indispensable irrespective of its inherent evils for the running of complex organisations. Secondly, an important factor responsible for the superiority of bureaucracy is the role of expanding technical knowledge and the development of modern technology. Whether the economic system is capitalistic or socialistic a considerable degree of bureaucratic specialization is required to attain a high level of organisational efficiency. Thirdly, Weber repeatedly stressed the fact that the capitalist system has undesirably played a major role in the development of modern bureaucracy. The proper functioning of a capitalist system necessitated a stable state and a well organised administration. Besides, capitalism is considered the most rational economic basis for bureaucratic administration itself.

## **Characteristics of Bureaucracy**

The bureaucratic form of organisation is distinguished by the following structural and behavioral characteristics:

1. **Division of Labor and Specialization:** Specialization based on division of labor is the cornerstone of bureaucracy. It applies more to the job than to the individual. The roles of various officials based on the division of job work are clearly defined. This leads to the clear definition of the job-content of an individual and his position in the organisation set up which in turn leads to the clarity of the goals/objectives of the organisation and helps in designing the hierarchical structure of the organisation. It is based on a specified sphere of competence which involves: (a) a sphere of applications to perform functions which have been marked off as part of a systematic division of labor, (b) the provision of the incumbent with necessary authority, and (c) the necessary means of compulsion are clearly defined and their use is subject to definite conditions.
2. **Hierarchy:** Hierarchy is the second fundamental characteristic which is the feature of any bureaucratic form of organisation. There is a clear separation between superior and subordinate officers, i.e., each lower officer are under the control and supervision of a higher one. Remuneration is fixed in accordance with the nature of the job and the grade of responsibility. Promotion and career advancement is on the basis of seniority and merit.
3. **Rules:** Bureaucracy operates in accordance with a consistent system of abstract rules. The role of rules has been stressed by Weber so that personal favoritism, arbitrariness or nepotism may not hinder the working of an organisation. Every act of personal discretion of official must be justified by impersonal ends.
4. **Rationality:** Weber's ideas on efficiency and rationality are closely related to his ideal typical model of bureaucracy. He observed that bureaucracy is the most rational known means of achieving

imperative control over human beings. It is capable of obtaining a high degree of efficiency since the means used to achieve goals are rationally and objectively chosen towards the desired ends. An added factor of efficiency is that personal whims of the leaders and traditional pressures are no longer effective in such a system; it is run according to rules and there is a clearer demarcation between personal and official affairs. Rationality is also reflected by the relatively easier means of calculability of results in the organisation.

5. Impersonality: It should be observed by all officials in decision-making and in overall organisational life. The bureaucratic form has no place for personal whims, fancies or irrational sentiments. Official activity is conducted in a business like manner with a high degree of operational impersonality.
6. Rule Orientation: Rationality and impersonality are mainly achieved through formulation of rules and procedures which clearly define official spheres of authority and conduct. Employees are expected to follow the rules in discharging their duties.
7. Neutrality: Neutrality in decision making and their implementation are the cardinal principles of bureaucratic way of functioning. Bureaucracy is supposed to be a political and neutral in its orientation. It is committed only to the work it is meant to perform.

### **Administrative Theory**

Scientific management was primarily concerned with increasing the productive efficiency of individual workers at the shop floor. The role of managers and their functions in the total organisation were not given adequate attention. Around the same time, that is the first quarter of the 20th century Henri Fayol, director of a coal mining company in France, made a systematic analysis of the process of management. His approach to the study of management is also known as the process or Functional Approach.

According to Fayol, business activities in any organisation consist of six inter-dependent operations viz., technical, commercial, financial, security, accounting and administrative or managerial operations. He analyzed the nature of managerial activities and skill requirements which were so far given little attention by thinkers. He considered the process of management to be of universal application and distinguished among five elements of the process viz., to forecast and plan, to organise, to command, to coordinate, and to control. The concept of management was, thus, defined as the process of performing certain functions like planning, organizing, etc. These functions were expected to be performed by managers at all levels in the organisation as well as in all types of industries and in all countries.

Fayol emphasized that management involved the application of certain skills which could be acquired by persons on the basis of systematic instructions and training. Once acquired, the skills could be applied to all types of institutions including the church, schools, political as well as industrial organisations.

Besides a systematic analysis of the management process and management functions, Fayol formulated a set of fourteen principles as guidelines for implementing the process of management. These principles were stated in flexible terms and expected to be of use of managers under all circumstances. The skill and abilities required for effective management were stated to be dependent on the managers' position at different levels of organisation. According to Fayol, administrative skills were more essential for higher level managers', while technical abilities were required more at the lower level positions. He also believed that managerial training was essential for people in all walks of life. He stressed, for the first time, the necessity of formal education and training in management. In short, Fayol's analysis provides a set of means (viz., planning, organizing, commanding, coordinating and controlling) for viewing the management process and guidance (i.e., the principles for implementing the process).

The fourteen principles of management are as follow. You have already learnt them in Unit 1. Let us recapitulate them.

1. Division of work
2. Authority and Responsibility
3. Discipline
4. Unity of command

5. Unity of Direction
6. Subordination of individual interest to general interest
7. Remuneration of Personnel
8. Centralization
9. Scalar Chain
10. Order
11. Equity
12. Stability of Tenure
13. Initiative
14. Esprit de corps

The Administrative Theory of Management and Functional Approach to management may be said to have developed on the foundation laid by Fayol. He provided a conceptual framework for analyzing the process of management. At the same time, he isolated and analyzed management as a separate, distinct activity. Management as a body of knowledge gained immensely from Fayol's analysis of managerial skills of universal relevance, and principles of general management developed by him. Although some critics called it inconsistent, vague and pro-management based theory, still this theory expert's considerable influence on the practice as well teaching of management the world over.

### **Scientific Management**

The approach of scientific management was formulated by F.W. Taylor and others between 1890 and 1930 sought to determine scientifically the best method for performing any task, and for selecting, training, and motivating workers. Frederick Winslow Taylor and other contributors notably Frank Gilbreth, Lillian Gilbreth and Henry Gants investigated the effective use of human beings in industrial organisations, particularly at shop floor levels. Taylor (1856-1915) an engineer by training is regarded as the father of scientific management.

Taylor based his management system on production line time studies instead of relying on traditional work methods. He analyzed and tuned steel workers movements on a series of jobs. Using time study as his base, he broke each job down into its components and designed the quickest and best methods of performing each component. In this way he established how much should workers be able to work with the equipment and materials at hand and also encouraged employers to pay more productive workers at a higher rate, using a scientifically correct rate that would benefit both company and worker. Thus, workers were urged to surpass their previous performance standards to earn more money Taylor called his plan the differential rate system.

The modern production miracle is just one legacy of scientific management. In addition, its efficiency techniques have been applied to many tasks in non-industrial organisations, ranging from fast food service to the training of surgeons. Taylor relentlessly pursued the idea that efficiency at work could be improved through careful scientific analysis. He advocated an inductive, empirical, detailed study of each job to determine the one best way to organize work.

Taylor's concept of scientific management essentially consisted of a scientific approach to management. Its primary objective was to replace methods based on trial and error and rule of thumb. The new approach rested on the following principles.

1. Development and use of scientific methods in setting work standards, determining a fair day's work and best way of doing work.
2. Scientific selection and placement of workers best suited to perform the various tasks and provision of their training and development for maximum efficiency.
3. Clear cut division of work and responsibility between management and workers.
4. Harmonious relations and close cooperation with workmen to secure performance of work in accordance with the planned jobs and tasks.
5. A number of techniques were developed to facilitate scientific management. Taken together the following techniques constituted the mechanism of the new approach :

6. Time study to analyze and measure the time taken in doing the various elements of a job, and to standardize the operations as well as determining a fair day's work.
7. Motion Study involving close observation of the movements required to perform a job with a view to eliminate wasteful motions and decide on the best way of doing the job.
8. Standardization of tools, equipments and machinery and working conditions.
9. Incentive wage plan with differential piece rate of wages for efficient and inefficient workmen.
10. Functional Foremanship involving different specialist foremen supervising machine speed, group work, repairs, etc.
11. Taylor presented his ideas on scientific management as a systematic body of thought. His main contribution to management practices included the following aspects :
12. The importance of applying scientific methods of enquiry , observation and experimentation to the problems of management.
13. Separation of planning of work from its execution so as to enable workers to perform at his best and earn accordingly.
14. Emphasizing the aim of management to be the maximum prosperity of the employer along with the maximum welfare of each employee.
15. The necessity of a complete mental revolution on the part of both workmen and management to derive the benefits of scientific management through harmony and cooperation rather than individualism and discord.

**Merits:** The primary benefit of scientific management was conservation and proper use of every ounce of energy. Moreover specialization and division of labor have brought about the second industrial revolution. Time and motion techniques are important tools to organize the tasks in a more efficient and rational way. In short scientific management is not only a rational approach to solve organisational problems but it also facilitates the professionalization of management.

Although the basic principles of scientific management were originally developed by Taylor, several associates of Taylor like Gantt, Frank and Lillian Gilbreth, and Emerson further elaborated the ideas, developed new techniques and improved upon the new approach to management. In practice, scientific management proved to be so fruitful in increasing productivity and efficiency of operations that it was widely accepted in the USA and Western Europe.

**Limitations:** Scientific management has its limitations and was criticized on several grounds. Some critics argue that scientific management is concerned with the efficiency of workers in the technical sense, and it emphasizes only the importance of production. It assumes that workers are inherently lazy and they require strict supervision and exercise of authority by managers. It is believed that workers can be motivated by monetary rewards alone. No importance is attached to social and psychological aspects of work environment. Other critics have called it unscientific, antisocial, psychologically aspect of work environment. Other critics is unscientific antisocial, psychologically unfair and anti-democratic. It is unscientific because there is no valid and reliable method to measure the efficiency and wages of the workers. It is antisocial because workers are treated as glorified economic tools only. It is psychologically unfair because each worker is pitted against every other worker in an unhealthy competitive scheme to make more and earn more. It is anti-democratic because it overshadows the workers independence. Trade unions have been opposed to scientific management on the ground that it leads to autocratic management, and raises the workload of employees with a corresponding adverse impact on employment of men.

## NEO-CLASSICAL THEORY OF ORGANISATION

The neo-classical theory (also referred as the human relations school of thought) was built on the basis of classical theory. It is modified, added to and in some ways extended classical theory. Its basic assumption is that the psychological and social aspects of the worker as an individual and his work group ought to be emphasized. In classical view, organisation focused on structure, order, the formal organisation, economic

factors and objective rationality. Whereas neo classical view emphasized social factors and emotions at work. Human relation is frequently used as a general term to describe the ways in which managers interact with their employees. The essence of the human relations contributions is contained in two aspects: Organisational situation should be viewed in social terms as well as in economic and technical terms, and in terms of clinical method it is analogous to the doctor's diagnosis of the human organism.

### **The Hawthorne Experiments**

The human relations movement grew out of a famous series of studies conducted at the Western Electric Co. from 1924 to 1933. These eventually became known as the "Hawthorne Studies" because many of them were performed at Western Electric's Hawthorne plant near Chicago. The Hawthorne studies began as an attempt to investigate the relationship between the level of lighting in the workplace and worker productivity.

In some of the early studies, the Western Electric researchers divided the employees into test groups, who were subjected to deliberate changes in lighting, and control groups, whose lighting remained constant throughout the experiments. The results of the experiments were ambiguous. When the test group's lighting was improved, productivity tended to increase although erratically. When lighting conditions were made worse, there was also a tendency for productivity to increase in the test group. To compound the mystery, the control groups' output also rose over the course of the studies, even though it experienced no changes in illumination. Obviously, something besides lighting was influencing the workers' performance.

In a new set of experiments, a small group of workers was placed in a separate room and a number of variables were altered. Wages were increased, rest period of varying length were introduced, the workday and work weeks were shortened. The researchers, who allowed the groups to choose their own rest periods to have say in other suggested changes. Again the results were ambiguous. Performance tended to increase over time, but it also rose and fell erratically. Partway through this set of experiments, Elton Mayo (1880-1949) and some associates from Harvard, including Fritz J. Roethlisberger and William J. Dickson, became involved. In these and subsequent experiments, Mayo and his associates decided that a complex chain of attitudes led to increase in productivity. They had been singled out for special attention, so both the test and the control groups had developed a group pride that motivated them to improve their work performance. Sympathetic supervision had further reinforced their motivation. The researchers concluded that employees would work harder if they believed management was concerned about their welfare and supervisor paid special attention to them. This phenomenon was subsequently labeled as the Hawthorne Effect. Since the control group received no special supervisory treatment or enhancement of working conditions but still improved its performance, some people (including Mayo himself) speculated that the control group's productivity gains resulted from the special attention of the researchers themselves.

The researchers also concluded that informal work groups and the social environment of employee have a positive influence on productivity. Many of Western Electric's employees found their work dull and meaningless, but their associations and friendships with co-workers, sometimes influenced by a shared antagonism towards the bosses, imparted some meaning to their working lives and provided some protection from management. For these reasons, group pressure was frequently a stronger influence on worker productivity than management demands.

The findings of Hawthorne studies are as follows:

1. Physical environment at the work place do not have any material impact on the efficiency of work.
2. Favorable attitudes of workers and work-team towards their work were more important factors determining efficiency.
3. Fulfillment of the workers' social and psychological needs had a beneficial effect on the moral and efficiency of workmen.
4. Employee groups based on social interactions and common in the rest exercised a strong influence on workers' performance.

5. Workers cannot be motivated solely by economic rewards. More important motivators are job security, recognition by superiors, and right to express their opinion on matters which are of concern to them.

The human relations approach to management problems is based on the view that the modern organisation is a social system in which the social environment and interpersonal relations govern the behaviour of employees. It emphasizes that the authority responsibility relationship between superiors and subordinates should relate to the social and psychological satisfaction of employees. It is only by making employees happy; the organisation can secure their full cooperation and thus increase efficiency. Management should encourage the development of social groups on the job and provide opportunities for free expression of the employees' viewpoints. Managers should recognize the importance of democratic leadership, so that there is free flow of communication and subordinates may participate in decision-making.

It must be noted that the objective of human relations approach was to make workers more productive. But it was emphasized that employee satisfaction was the best means of achieving the goals of higher productivity and efficiency. For this purpose, it was necessary that managers must know why employees act and what social and psychological factors motivate them. Attempt should be made to create a satisfying work environment in which people may fulfill their own needs as well as contribute to the achievement of organisational goals.

According to Mayo, the concept of social man motivated by social needs, wanting, rewarding on the job relationships, and responding more to work-group pressures than to management control was necessary to complement the old concept of rational man motivated by personal economic needs. All these findings might seem unremarkable today. The neo-classical theory examines in detail and has made significant contributions in the field of human relations for structural adjustments in an organisation. The contribution of the neo-classical theorists can be categorized as the modification of the classical theory.

The theory recognizes the importance of co-ordination and communication for motivation of human resources. More attention was given on fatigue and monotony than division of labor. They are of the view that if human beings are not treated well, human problems arise. For example, if authority does not commensurate with responsibility it will lead to frustration or disfunctionality. The neo-classical theorists view that participation, recognition of human dignity and communication are the cornerstones of efficient management. Simultaneously the role of informal organisation should not be undermined in the formal setting of organisations.

The neo-classical theory is a definite improvement over the classical theory. It explains various new variables and concepts like informal organisation. However, the neo-classical viewpoint has also been criticized on the ground of too much cynical puppeteering of people, a short sighted perspective and lack of integration among many facets of human behaviour.

## **MODERN THEORY OF ORGANISATION [System theory & Contingency theory]**

### **System Theory**

Organisational realities have been investigated from different points of view. Divergent theories have thus emerged; a need has arisen of looking at the organisation as a whole. Advance in scientific knowledge in general have made possible the formulation of a general systems theory for the integration of scientific knowledge.

The systems approach is particularly relevant to the study of complex public organisation that have elaborate structures and that are embedded in larger social, political and economic environments. According to the open systems perspective, an organisation survives and grows by drawing inputs from the environment. which are processed internally to produce its output? It is through these input conversion-output processes that an organisation lives and develops. The systems thinking help us to have a total view of the organisation including its different parts and their interrelationships.

The systemic view of organisation was prominent in the writings of M.P. Follet and Chester Bernard. Herbert Simon's decision making scheme follows the systems approach which was further elaborated by him and his associates later. Philips Selznick has used the systems framework in his studies of governmental and other complex organisations. The most representative writings in this field are: "Organisation theory" by Haire Norbet Weiner pioneered in the field of Cybernetics. He gave the first clear view of an organisation as a system consisting of inputs, process, outputs, feedback and environment.

In simple words, a system may be defined as a set of interdependent parts forming an organised unit or entity. These parts, known as sub-systems, interact with each other and are subject to change. They are interrelated as well as interdependent. Thus, changes in any sub-system lead to changes in others. Any working organisation may be said to consist of three broad sub-systems :

1. Technical sub-system which represents the formal relationships among the members of an organisation;
2. Social sub-systems which provides social satisfaction to members through informal group relations, and
3. Power sub-system which reflects the exercise of power or influence by individual and groups.

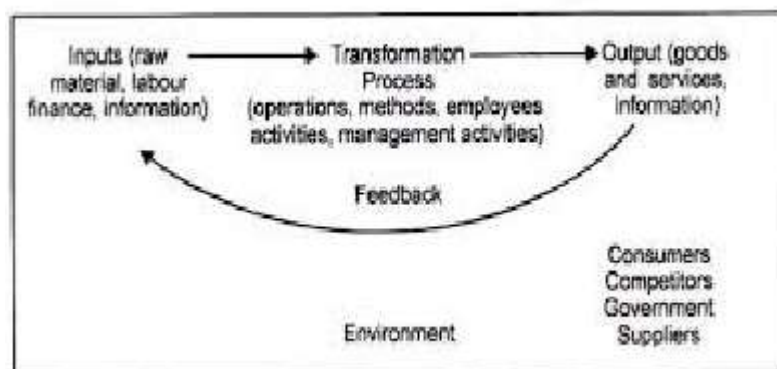
The total system emerges as a result of the interaction of the various sub-systems. The total system and sub- systems also interact with the environment, which may influence or be influenced by the system or the sub- systems.

The system approach has the following features:

1. System is a group of interrelated but separate elements.
2. The arrangement of all the elements must be orderly.
3. There must be proper communication facilitating interaction among the elements.
4. Finally the interaction should lead to achieve a common goal.

The enterprise operations are viewed in terms of basic elements engaged in procuring and transforming inputs into outputs. Money, employees and the managers themselves are parts of the system. Inputs are the materials, information and energy, flowing into the organisation. The outputs are products, services, and satisfaction provided by the organisation. The organisation transforms input into a variety of outputs (in the form of products, goods and services) and offers the same to the external environment. Sale of the outputs provides the necessary energy which is called feedback to repeat this systems cycle.

Organisation systems like social systems are considered to be Cybernetic in their behaviour with regard to the external environment. This means that they are self steering, using feedback to guide and control their behaviour. They develop mechanism to collect interpret and apply feed back in their decision making process so as to acquire the capacity to adapt, evaluate perform and to correct errors.



The systems approach to management view organisations as extremely complex entities subject to changes from within and outside. To meet various needs of such an organisation, a balanced and integrated approach to management is required. At the heart of the systems, approach lies a Management



Information Systems and communication network for collection, analysis and flow of information and quantitative data so as to facilitate planning and control. It emphasizes the importance of decision-making and the primary means of balancing the different parts of the organisation. Modern thinkers consider management as a system of integrating activities aimed at making the best use of scarce resources. Management is viewed also as a sub- system of the social system. As a sub-system management is required to adapt and cope with environmental changes. This systems approach has the following advantages:

1. It provides a unified focus to organisational efforts.
2. It provides managers an opportunity of looking at the organisation as a whole which is greater than the sum of its parts.
3. This theory treats the organisation as an open system. Moreover, the process of interaction between sub- systems is dynamic.
4. Modern theory is based on multilevel and multidimensional approach i.e., it includes both micro and macro aspect.
5. The system is based on multiple variables because an event may be the product of many factors which in turn may be interrelated and interdependent.
6. Feedback mechanism provides an opportunity to organisation to rearrange its parts according to the change in the environment.

The systems approach is now being widely used in organisational analysis. It has proved to be a very useful tool for the conceptualization of the organisation and its external and internal relationships. It has also facilitated the contingency or situational view of organisation which marks a radical departure from the traditional approach that emphasized generally the one best way of structuring organisations. Under the influence of systems theory the current view in organisations analysis is that the structure can vary from situation to situation depending on such factors as their environmental conditions and technology .Although system theory has given fascinating appeal still it has some limitation. In fact, this is not the complete explanation of the whole organisational system. It does not explain how are the sub-systems of a specific organisation uniquely related in a given environment.

### **Contingency Theory**

The modern approach to organisation theory underlines the importance of dynamic interaction with environment and other situational factors influencing organisational design.

Two important lines of thought are significant in this context as they seek to determine the key situational factors. One of these underlies the significance of technology in determining organisational design. The other line of thought suggests the importance of environment. Technology refers to the techniques used by organisations in work flow activities to transform inputs into outputs. Technology is a term that is applicable to all types and kinds of organisations. Irrespective of whether an organisation is production oriented or service-oriented the role of technology can be seen in the activities that result in the transformation of things. Looking into the role of environment in managerial functions, management ecology has been developed.

Individual and his organisational environment are in a complex state of interaction with each other and the organisation itself is in a state of interaction with its environment. Thus, managing an organisation effectively requires a thorough understanding of its environment.

Contingency approach is based on the view that there is no best way to manage. In fact there are many effective ways to perform various management functions. This theory emphasizes that the best way to lead, plans, organize and conduct managerial activities varies with the situation. A particular method may yield fruitful results in one situation but may drastically fail in other situations. There is no universal principles to be applied in all situations. Managers must analyze different situations and use the best approach which is best suitable in that particular situation. For example to improve productivity, supporters of scientific management may prescribe work simplification and additional incentives, the behavioral scientist may recommend job enrichment and democratic participation of employees in the decision-making process. But the supporters of contingency approach may offer a solution which is responsive to the characteristics of the total situation being faced. Work simplification would be ideal where there is limited

resources, unskilled labor, limited training opportunities and limited products offered to the local markets. Job enrichment would be ideal for that organisation where there is abundant skilled labour force. This shows that managerial action depends upon circumstances within a given situation. In this approach managers are supposed to diagnose a given situation and adopt to meet the conditions present. In short contingency approach emphasizes on two aspects,

1) It focuses attention on specific situational factors that influence the appropriateness of one managerial strategy over another,

2) It highlights the importance of developing skills for managers in situational analysis. Such skills will help managers find out important contingency factors which influence their managing approach.

### **Contingency approach has the following features:**

Management action is contingent on certain action outside the system or subsystem as the case may be. Organisational action should be based on the behaviour of action outside the system so that organisation should be integrated with the environment. Because of the specific organisation environment relationship, no action can be universal. It varies from situation to situation. Contingency theory concentrates on practical, day to day situational puzzle solving assignments the managers encounter. It has become popular because of several reasons which are as follow:

1. Conceptual framework: Contingency theory provides a conceptual framework within which managers can systematically study the characteristics of the major organisational components, as well as their interrelationship.
2. Linkage between theory and practice: Contingency theory is a practical way of studying and analyzing the organisations. This theory suggests a host of alternatives that might be applicable to a particular situation.
3. A basis for introducing changes: Contingency theory explains the dynamic process of organisational change. It provides information about the relevant changes that occur in the environment from time to time. It also provides the necessary information to maintain the dynamic equilibrium.
4. Wide applicability: Wherever there is a need to define or redefine the relationships in an organisation contingency theory may be useful.
5. New Micro phase: Contingency approach is called by Scott and Mitchell as new micro phase in management. Since the primary attention of contingency approach is on problem-solving puzzles and putting out fires, it has entirely pragmatic flavor. Contingency approach is considered as refreshing breeze in management literature that away the humanistic and general systems fog.

The main advantage of this contingency approach is that it compels us to be aware of the complexity in every situation and forces us to take an active and dynamic role in determining what best would work in each case. Like a system theory it does not only examines the relationships between sub-systems of a specific organisation in a given environment, but also offers solutions to particular organisational problems.

In spite of its towering appreciations the contingency theory is fraught with a number of limitations the scientist cannot ignore. This theory has been criticized on the ground of heavy theoretical complexity. For example a simple problem has to be analyzed on a number of organisational components, each of which having innumerable dimensions. So its empirical testing becomes very difficult. Therefore, it is criticized mainly on the grounds of its complexity, paucity of contents, difficulty in empirical testing, and its reactive nature.

### **Contemporary Trends in Management Thinking**

Different theories of organisation have been discussed which clearly state that there are three types of approaches; namely (i) Structural -Functional approach, (ii) Socio-Psychological approach and (iii) System-Contingent approach. All of them are mutually dependent as they have inherent relationships. Each theory is incomplete unless it is supplemented by other two approaches. However, at the same time, it is equally difficult to generalize a single theory of organisation which can explain the organisation in totality. As

mechanistic (structural) approach ignores human problems, the humanistic socio-psychological approach does not give weight age to closed and formal settings of an organisation. Thus the difference of these theories is that of focus and emphasis. It is being recognized to consolidate different views to understand an organisation in view of the recent/contemporary trends in organisation theory. Based on several scholars' research, a synoptic view of contemporary trends/issues in organisation theory has been presented in table

**Contemporary Trends in Organization**

From	To
Traditionalism	Social dynamics
Job task hierarchy	Social process
Efficiency as a human process	Efficiency as human person
Organization as a bureaucrat structure	Organization as social institution
Control through command	Control through communication
Authority from top	Authority from the group
Leadership by authority	Leadership by consent
Decision as an individual highly centralized	Decisional as collective and situational
Regimented work environment	Democratic work environment
Technological change by fear	Technology change b consultation
Job as subsistence	Job as satisfying experience
Planning as crisis technique	Planning as formulated process
Incomplete and delayed information	Complete and current information
Policy and administration dichotomy	Policy and administration continuum
Profiteering	Profit wit responsibility

The basic objective of organisation theory is to explain and predict. It attempts to understand social or human grouping that is designed as an organisation. The theory helps a researcher by providing him an opportunity to test his ideas about organisation and improve the theories further. In view of the environmental changes the contemporary issues to be addressed in organisational theory can be enumerated as under.

1. Impact of technology on human side of an organisation.
2. Impact of globalization on organisational designs.
3. Impact of different strategies on organisation.
4. Impact of behavioral change of human beings on organisation.
5. Impact of newer organisations on the society.
6. Environment organisation interface.
7. Cross cultural impact on organisation.
8. Impact of mobility of people and technology on Organisation and

## KEY WORDS

**Chain of Command:** The line of authority running from the top to the bottom of the organisation

**Departmentation:** Grouping of various activities on some well defined basis.

**Differential Piece Rate:** Piece rates of wages which apply differently to efficient and inefficient workers.

**Formation Organisation:** A planned structure which represents the officially established pattern of relationship among individuals, groups, sections, units, departments and divisions.

**Functional Foremanship:** Supervision of work by different specialist foremen.

**Hawthorne Studies:** Experimental studies conducted to find out what factors motivate workers on the shop floor for improved performance.

**Human Relations Approach:** Motivating employees with a satisfying work environment and fulfillment of their social and psychological needs.

**Information Organisation:** A network of relationship among the participants of an organisation which arises spontaneously on the basis of psychological needs.

**Motion Study:** Observation of the movements required to perform a job so as to eliminate wasteful motions and decide on the best way of doing the job.

**Scientific Management:** Application of scientific methods to resolve management problems in place of rule of thumb or trial and error methods.

**Span of Control:** The number of subordinates a manager can effectively supervise.

**Structure:** A framework of relationship among parts.

**Systems:** An arrangement and set of relationship among multiple parts operating as a whole.

**Systems Approach:** Understanding management as a balancing and integrating system.

**Time Study:** Technique used to analyze and measure the time taken in doing the various elements of job.

**Unity of Command:** The principle of every subordinate being under one supervisor.

Dr MAhesa Rengaraj R