

Fundamentals of Management and Entrepreneurship (FME)

By:

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Fundamentals of Management and Entrepreneurship

Course Objective:

1. To provide engineering and science students with an accelerated **introduction to the basics of management.**
2. The course provides a framework that will enhance a **person's effectiveness in the business world and make familiarize management language.**
3. To understand the **management concepts and applications of concepts** in practical aspects of business and development of managerial skills.
4. To provide the student with **a clear understanding of Entrepreneurship.**
5. To give hands on **experience on how to generate ideas, evaluate business model.**

Course Outcome:

1. The students understand the **significance of Management in their Profession.**
2. The **various Management Functions** like Planning, Organizing, Staffing, Leading, Motivation and Control aspects are learnt in this course.
3. The students can **explore the Management Practices** in their domain area and understand, adopt motivational theories and leadership styles and apply controlling techniques at right time for better decision making.
4. The student will be exposed to **the basic concepts of entrepreneurship and its development process.**
5. The student will be **able to evaluate business ideas and attain hands on experience in designing value proposition** and he will acquire the ability of developing a business plan / model.

UNIT–I: Introduction to Management: Definition, Nature and Scope, Functions, Managerial Roles, Levels of Management, Managerial Skills; **Evolution of Management Thought-** Classical Approach- Scientific and Administrative Management; The Behavioural approach; The Systems Approach; Contingency Approach.

UNIT– II: Planning and Organizing: Planning – Planning Process, Types of Plans, Decision making and Steps in Decision Making; Principles of Organization: Span of control, organizational Design & Organizational Structures; Departmentalization, Delegation; Centralization, Decentralization.

UNIT–III: Leading, Motivation and Controlling: Leadership, Power and Authority, Leadership Styles; Behavioral Leadership, Situational Leadership, Leadership Skills. Motivation – Types; Motivational Theories – Needs Hierarchy Theory, Two Factor Theory, Theory X and Theory Y. - **controlling** – basic control process – control techniques.

UNIT–IV: Nature of Entrepreneurship: Characteristics and skills of an entrepreneur, Entrepreneur scenario in India and abroad. Types of entrepreneur, types of ownership, Small business in Indian economy. Risk Reduction strategies. Strategies for growth. Financial aspects: sources of rising capital, schemes of Department of Industries (DIC), KVIC, SIDBI, NABARD, NSIC, IFCI and IDBI.

UNIT–V: Creating and Starting the venture: Creativity and the business idea (Self-discovery, Opportunity discovery); Developing the business plan (Business model – Lean canvas by Alexander Osterwalder); Marketing plan (Customer & Solution-Value proposition, Marketing & Sales); Financial plan (Validation, money), Human Resource Plan (Team).

TEXT BOOKS:

1. Management Fundamentals, Robert N Lussier, 5e, Cengage Learning, 2013.
2. Fundamentals of Management, Stephen P. Robbins, Pearson Education, 2009.
3. Principles and Practice of Management, L. M. Prasad, Sultan Chand & Sons, 2012
4. Entrepreneurship- Robert D Hisrich, Michael P Peters, Dean A Shepherd, TMH.2009

REFERENCES:

1. Essentials of Management, Koontz Kleihrich, Tata Mc – Graw Hill.
2. Management Essentials, Andrew DuBrin, 9e, Cengage Learning, 2012.
3. Entrepreneurship- Rajeev Roy, Oxford, 2011
4. Intellectual Property- Deborah E.Bouchoux, Cengage, 2012

Fundamentals of Management and Entrepreneurship

UNIT–I: Introduction to Management: Definition, Nature and Scope,

Functions, Managerial Roles, Levels of Management, Managerial Skills;

Evolution of Management Thought- Classical Approach- Scientific and

Administrative Management; The Behavioural approach; The Systems

Approach; Contingency Approach.

UNIT -1

After studying this chapter, you are able to understand

- The Management Concepts, Definition and Nature of Management
- Functions, Levels of Management and Management roles
- Evolution of Management thoughts
 - Classical Approach- Scientific and Administrative Management
 - The Behavioural approach
 - The Systems Approach; Contingency Approach..

During the last five- six decades, management as a discipline has attracted the attention of academicians and practitioners to a great extent, because growing importance of management in day-today life of people. **Today society has large and complex organizations with many changes.** Management is a vital aspect of the economic life of man, which is an organized group activity.

A central directing and controlling agency is indispensable for a business concern. **The productive resources** – material, labour, capital etc. are entrusted to the organizing skill, administrative ability and enterprising initiative of the management. Thus, management provides leadership to a business enterprise. Without able managers and effective managerial leadership, the resources of production remain merely resources and never become production. **Under competitive economy and ever-changing environment,** the quality and performance of managers determine both the survival as well as success of any business enterprise. Management occupies such an important place in the modern world that the welfare of the people and the destiny of the country are very much influenced by it.

As compared to older **master- servant relationship** making is more complex. **People have a greater expectations from their jobs. In order to solve the problems of people and organization are evolving some methods/ techniques, such attempts has given birth of management as a separate discipline.**

MANAGEMENT DEFINITIONS: It is very difficult to give a precise definition of the term ‘management’. Different scholars from different disciplines view and interpret management from their own angles. The economists consider management as a resource like land, labour, capital and organisation. The bureaucrats look upon it as a system of authority to achieve business goals. The sociologists consider managers as a part of the class elite in the society

In the Practitioners point of view Management is “What Manager does in an organization”

From the above mean we get two questions

□ Who is the manager ? What he does in the organizations ?

Management is the process of designing, maintain the environment in which individuals, working together in groups, efficiently accomplish selected aims.

The basic definition needs to be expanded

1. As managers, people carry out the managerial functions of planning, organizing, staffing, directing (leading), controlling
2. Management applies to any kind of organization
3. It applies to managers to all organizational levels
4. The aim of all managers is the same: to create a surplus
5. Managing is concerned with productivity, this implies effectiveness and efficiency

- ❑ **Management is the art of knowing what you want to do and then seeing that it is done in the best and cheapest way. —F.W. Taylor**
- ❑ **To manage is to forecast and to plan, to organise, to command, to coordinate and to control. —Henry Fayol**
- ❑ **Management is the art and science of organising and directing human efforts applied to control the forces and utilise the materials of nature for the benefit of man. —American Society of Mechanical Engineers**
- ❑ **Management is guiding human and physical resources into dynamic organisational units which attain their objectives to the satisfaction of those served and with a high degree of morale and sense of attainment on the part of those rendering service. —American Management Association**
- ❑ **Management is a multipurpose organ that manage a business and manages Managers and manages Workers and work. —Peter Drucker**

According to Koontz & O' Donnelly management is

"the art of getting things done through and with people in formally organized groups, it is the art of creation and maintenance of an internal environment in an organized group where individuals, working in groups, can perform effectively and efficiently towards the attainment of group goals."

According to Mc Farland defines management in more elaborate form:

"It is the process by which managers create, direct, maintain and operate purposive organizations through systematic, coordinated, cooperative human effort."

An important term in this definition is "Process". This term emphasizes the dynamic or ongoing nature of management, an activity over varying span of time. The dynamic nature implies that change is reality of organizational life.

Thus, management is the sum-total of activities which lay-down plans, policies, purpose & men, machine, money & material required for the completion purposes, put all of them into operations, supervise and provide incentives to them.

CONCEPTS OF MANAGEMENT

The term management has been interpreted in several ways; some of which are given below:

1. Management as an Activity: Management is an activity just like playing, studying, teaching etc. As an activity management has been defined as the art of getting things done through the efforts of other people. Management is a group activity wherein managers do to achieve the objectives of the group. **The activities of management are:**

- a. Interpersonal activities
- b. Decisional activities
- c. Informative activities

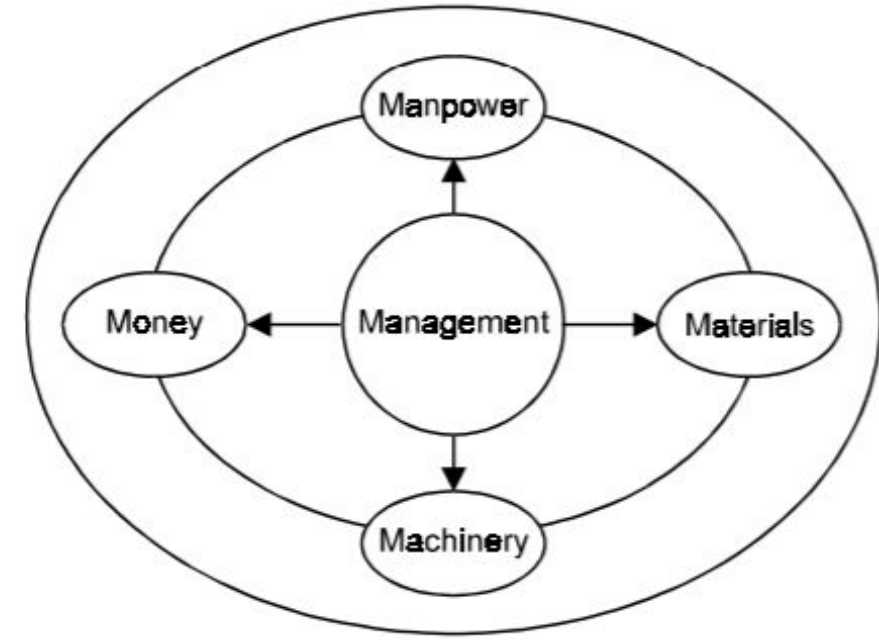
2. Management as a Process: Management is considered a process because it involves a series of interrelated functions. It consists of getting the objectives of an organisation and taking steps to achieve objectives.

The management process includes planning, organising, staffing, directing and controlling functions.

Management as a process has the following implications:

- (i) **Social Process:** Management involves interactions among people. Goals can be achieved only when relations between people are productive. Human factor is the most important part of the management.
- ii) **Integrated Process:** Management brings human, physical and financial resources together to put into effort. Management also integrates human efforts so as to maintain harmony among them.
- ii) **Continuous Process:** Management involves continuous identifying and solving problems. It is repeated every now and then till the goal is achieved.
- v) **Interactive process:** Managerial functions are contained within each other. For example, when a manager prepares plans, he is also laying down standards for control.

3. Management as an Economic Resource Like land, labour and capital, management is an important factor of production. Management occupies the central place among productive factors as it combines and coordinates all other resources.



4. Management as a Team: As a group of persons, management consists of all those who have the responsibility of guiding and coordinating the efforts of other persons. These persons are called as managers who operate at different levels of authority (top, middle, operating). Some of these managers have ownership stake in their firms while others have become managers by virtue of their training and experience.

5. Management as an Academic Discipline / Profession

Management has emerged as a specialised branch of knowledge. It comprises principles and practices for effective management of organisations. Management has become as very popular field of study as is evident from the great rush for admission into institutes of management. Management offers a very rewarding and challenging career.

6. Management as a Group Management means the group of persons occupying managerial positions. It refers to all those individuals who perform managerial functions. All the managers, e.g., chief executive (managing director), departmental heads, supervisors and so on are collectively known as management. For example, when one remarks that the management of Reliance Industries Ltd. is good, he is referring to the persons who are managing the company.

There are several types of managers which are listed as under. **(i) Family managers** who have become managers by virtue of their being owners or relatives of the owners of a company. **(ii) Professional managers** who have been appointed on account of their degree or diploma in management. **(iii) Civil Servants** who manage public sector undertakings.

Nature of Management: The study and application of management techniques in managing the affairs of the organization have changed its nature over the period of time

1. Multidisciplinary
2. Dynamic nature of principles/ flexible principle
3. Relative but not absolute principles
4. Management is a science or art
5. Management as profession
6. Universality of management
7. It is goal oriented
8. Management is a factor of production

Nature and Characteristics of Management

1. **Management is a group activity:** - Management is an essential part of group activity. As no individual can satisfy all his desires himself, he unites with his fellow-being and works in an organized group to achieve what he cannot achieve individually.
2. **Management is goal-oriented:** - Management aims to achieve economic and social objective. It exists to achieve some definite goals or objectives. Group efforts in management are always directed toward the achievement of some pre-determined goals.
3. **Management is a factor of production:** - Management is not an end in itself but a means to achieve the group objectives. Just as land, labour and capital are factors of production and are essential for the production of goods and services.
4. **Management is universal in character:** - Management is applicable in all types of organization. Whenever there is human activity, there is management. The basic principles of management are universal application and can be applied in all organizations whenever they are business, social, religious, cultural, sport, educational, politics or military.

5. **Management is needed at all levels of the organization:** - Another important feature of management is that it is needed at all levels of the organization, e.g. top level, middle level and supervisory level. The only difference is of the nature of task and the scope of authority.
6. **Management is a distinct process:** - Management is a distinct process performed to determine and accomplish started objective by the use of human beings and other resources. It is different from the activities technique and procedures.
7. **Management is a social process:** - Management is getting thing through others. This involves dealing with people. The efforts of the human beings have to be directed, co-ordinate and regulated by management in order to achieve the desired results.
8. **Management is a system of authority:** - Since management is a process of directing men to perform a task, authority to accomplish the work from others is implied in the every concept of management. Management cannot perform in the absence of authority.
9. **Management is a dynamic function:** - Management is a dynamic function and it has to be performed continuously. It is constantly engaged in the moulding of the enterprise in an over charging business environment.
10. **Management is an art as well as a science:** - Management is a science because it has developed certain principle which is of universal application. But the result of management depend upon the personnel skills of managers and in this sense management is an art.

Scope of the Management

It is very difficult to precisely state the scope of management. However, management includes the following aspects:-

- 1. Subject-matter of Management:** Management is considered as a continuing activity made up of basic management functions like planning, organizing, staffing, directing and controlling. These components form the subject-matter of management.
- 2. Functional Areas of Management:** Management covers the following functional areas:-
 - Financial Management:** Financial management includes forecasting, cost control, management accounting, budgetary control, statistical control, financial planning etc.
 - Human Resource Management:** Personnel / Human Resource Management covers the various aspects relating to the employees of the organisation such as recruitment, training, transfers, promotions, retirement, terminations, remuneration, labour welfare and social security, industrial relations etc.
 - Marketing Management:** Marketing management deals with marketing of goods, sales promotion, advertisement and publicity, channels of distribution, market research etc.
 - Production Management:** Production Management includes production planning, quality control and inspection, production techniques etc.
 - Material Management:** Material management includes purchase of materials, issue of materials, storage of materials, maintenance of records, materials control etc.

Purchasing Management: Purchasing management includes inviting tenders for raw materials, placing orders, entering into contracts etc.

Maintenance Management: Maintenance Management relates to the proper care and maintenance of the buildings, plant and machinery etc.

Office Management: Office management is concerned with office layout, office staffing and equipment of the office.

3. Management is an Inter-Disciplinary Approach: Though management is regarded as a separate discipline, for the correct application of the management principles, study of commerce, economics, sociology, psychology, and mathematics is very essential. The science of management draws ideas and concepts from several disciplines making it a multi-disciplinary subject.

4. Principles of Management: The principles of management are of universal application. These principles are applicable to any group activity undertaken for the achievement of some common goals.

5. Management is an Agent of Change: The techniques of management can be improved by proper research and development.

6. The Essentials of Management: The essentials of management include scientific method, human relations and quantitative techniques.

Functions of management

Management is an activity consisting of process which is **mainly concerned with important task of goal achievement**. No business enterprise can achieve its objective until all the members of the organization work in planned and integrated way .**Therefore the process of management involves the determination of objectives and putting them in action.**

According to G.R. Terry ‘Management is a distinct process consisting of planning, organizing, actuating and controlling, performed to determine and accomplish stated objectives by the use of human beings and other resources’

Management is considered a continuing activity made up of basic management functions which are Planning , Organising, Staffing, Directing and Controlling. The managers have to perform all these functions in order to achieve the desired organizational goals.

1. Planning: It is a process of precocious determination of future course of actions. Deciding what needs to happen in the future (today, next week, next month, next year, over the next 5 years, etc.) and generating plans for action. This step involves mapping out exactly how to achieve a particular goal.

| | | |
|---------------------------------------------|---------------------------------------|--------------------------------------|
| Laying down objectives | Developing planning premises | Search alternative course of actions |
| Evaluation of alternative | Formulation of policies and Procedure | |
| Preparing schedules, programmes and budgets | | |

Management Process



Five Functions of Great Management



Planning

When you think of planning in a management role, think about it as the process of choosing appropriate goals and actions to pursue and then determining what strategies to use, what actions to take, and deciding what resources are needed to achieve the goals.



Organizing

This process of establishing worker relationships allows workers to work together to achieve their organizational goals.



Leading

This function involves articulating a vision, energizing employees, inspiring and motivating people using vision, influence, persuasion, and effective communication skills.



Staffing

Recruiting and selecting employees for positions within the company (within teams and departments).



Controlling

Evaluate how well you are achieving your goals, improving performance, taking actions. Put processes in place to help you establish standards, so you can measure, compare, and make decisions.

2. Organizing: It is a process of dividing the total work into workable packages and assigning the work to the individual positions. (Implementation) making optimum use of the resources required to enable the successful carrying out of plans. After a plan is in place, a manager needs to organize their team and materials according to their plan. **Assigning work and granting authority are two important elements of organizing.**

Identifying the activities involved in achieving objectives

Grouping, Assigning activities

Delegation of authority & Responsibilities

Coordinating and communicating the activities

3. Staffing: The individual positions identified (through organization structure) in the organization are to be filled by human resources. Job Analysing, recruitment, and hiring individuals for appropriate jobs.

Manpower planning

Recruitment and selection of the suitable personnel

Placement, Training and development activities

Evaluation of Employees

Transfer, promotion, termination and layoff employees

4. Directing / Leading: Directing is concerned with the initiation of organized action and stimulating people to work. It involves issuance of orders, instructions and leading and motivating the employees to execute them. Directing is the inter-personal aspect of management which deals directly with influencing, guiding, supervising and motivating the subordinates for the accomplishment of pre-determined objectives. Planning, organizing, staffing are merely preparations for doing the work but the work actually initiates through directing function.

Actualizing of the members of the organization for the accomplishment of enterprise goals.

It involves issuing instructions to subordinates, guiding, motivating and supervising them.

That is determining what needs to be done in a situation and getting people to do it.

5. Controlling: Monitoring: Motivating: the process of stimulating an individual to take action that will accomplish a desired goal and checking progress against plans, which may need modification based on feedback.

- Continuously check results against goals and take any corrective actions necessary to make sure that the plans remain on track.
- All managers at all levels of every organization perform these functions, but the amount of time a manager spends on each one depends on both the level of management and the specific organization.

Managerial Roles

In addition to the functions of management , managers perform additional roles at various times and levels. Management expert Professor Henry Mintzberg has argued that a manager's work can be boiled down to ten common roles.

According to Mintzberg, these roles, or expectations for a manager's behavior, fall into three categories:

1. Informational (Managing By Information),
2. Interpersonal (Managing Through People), And
3. Decisional (Managing Through Action).

Mintzberg's Managerial Roles

| Category | Role | Activity | Examples |
|---------------|---------------------|------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|
| Informational | <i>Monitor</i> | Seek and acquire work-related information | Scan/read trade press, periodicals, reports; attend seminars and training; maintain personal contacts |
| | <i>Disseminator</i> | Communicate/ disseminate information to others within the organization | Send memos and reports; inform staffers and subordinates of decisions |
| | <i>Spokesperson</i> | Communicate/transmit information to outsiders | Pass on memos, reports and informational materials; participate in conferences/meetings and report progress |

| Category | Role | Activity | Example |
|---------------|-------------------|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| Interpersonal | <i>Figurehead</i> | Perform social and legal duties, act as symbolic leader | Greet visitors, sign legal documents, attend ribbon cutting ceremonies, host receptions, etc. |
| | <i>Leader</i> | Direct and motivate subordinates, select and train employees | Includes almost all interactions with subordinates |
| | <i>Liaison</i> | Establish and maintain contacts within and outside the organization | Business correspondence, participation in meetings with representatives of other divisions or organizations. |

| Category | Role | Activity | Example |
|------------|----------------------------|-------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| Decisional | <i>Entrepreneur</i> | Identify new ideas and initiate improvement projects | Implement innovations; Plan for the future |
| | <i>Disturbance Handler</i> | Deals with disputes or problems and takes corrective action | Settle conflicts between subordinates; Choose strategic alternatives; Overcome crisis situations |
| | <i>Resource Allocator</i> | Decide where to apply resources | Draft and approve of plans, schedules, budgets; Set priorities |
| | <i>Negotiator</i> | Defends business interests | Participates in and directs negotiations within team, department, and organization |

LEVELS OF MANAGEMENT

Every business organisation, irrespective of its size, has many managerial positions in its structure. These positions are created through the process of delegation of authority from top to lower levels. Each position is marked by authority, responsibility, functions, roles and relationships.

The contents and nature vary, depending in the level at which the position lies. As one moves upward in the organisation, the managerial position plays an important role, larger the contribution, greater the authority and higher the responsibility. These managerial positions lying in the chain of command may be classified into various groups or levels of management.

Broadly speaking, an organisation has two important levels of management, namely functional and operative.

The functional level is concerned with the process of determining primary objectives, formulating basic policies, making vital decisions and controlling and coordinating activities of personnel.

The operative level of management is related to implementation of plans and decisions, and pursuit of basic policies for achieving the objectives of the organisation.

People in all of the organization operate and work in a dynamic environment. But they do not operate at the same level. They operate at different level. The hierarchy of the operation in the organization is known as the levels of Management.

There are three levels of management :- **Top level of management, Middle level of management, Lower level of management**

Types of Managers

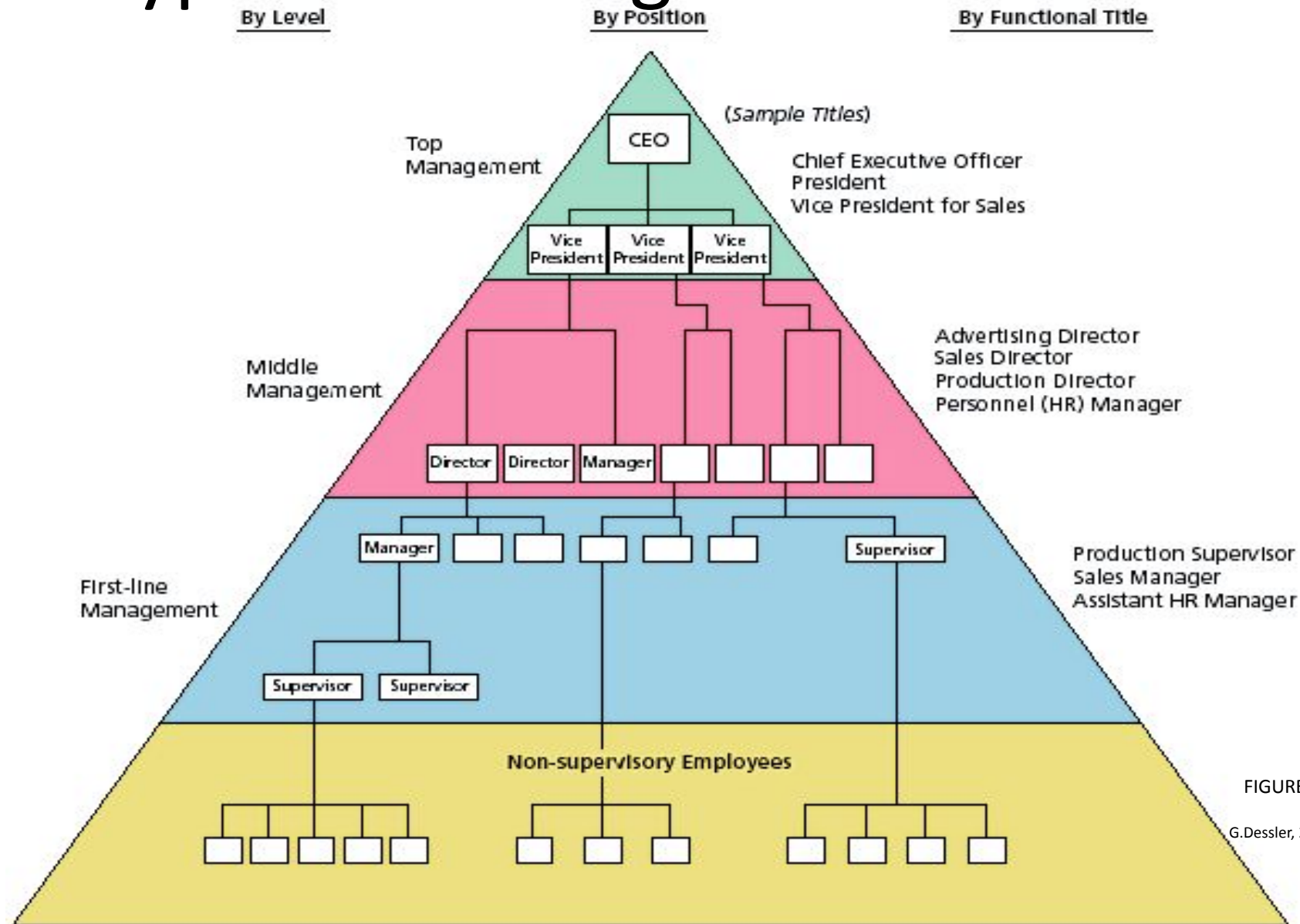
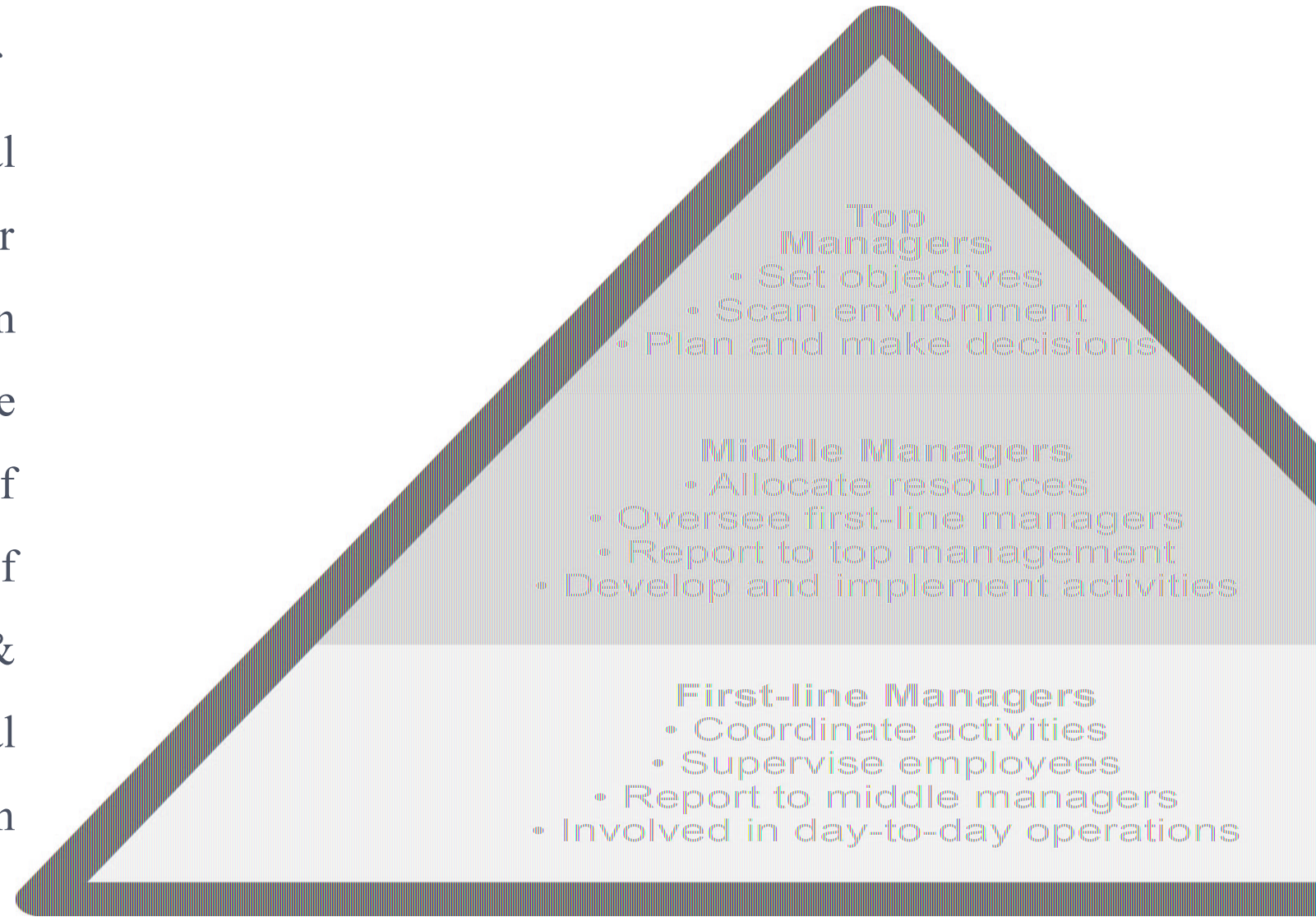


FIGURE 1–1

G.Dessler, 2003

The term “**Levels of Management**” refers to a line of demarcation between various managerial positions in an organization. The number of levels in management increases when the size of the business and work force increases and vice versa. The level of management determines a chain of command, the amount of authority & status enjoyed by any managerial position. The levels of management can be classified in three broad categories:



Top Level Management The top level management is **generally occupied by the ownership group**. In a joint stock company, equity shareholders are the real owners of the company. Thus, they elect their representatives as directors, form a board, known as board of directors, which constitutes the top level of management.

The top level managers are accountable to the owners and responsible for overall management of the organisation. The major functions of the top level management are as under:

- To **make a corporate plan for the entire organisation** covering all areas of operations.
- To decide upon the matters which are vital for the survival, **profitability and growth** of the organisation such as introduction of **new product, shifting to new technology and opening new plant etc.**
- To decide **corporate goals and decide structure of organisation**, creating various positions there in.
- To exercise overall **managerial control through the process of reviewing over all financial and operating results**, make decisions regarding disposal and distribution of profits.
- To **select key officials and executives for the company**, coordinate various sub-systems of the organisation.
- To maintain **liaison with outside parties having a stake in business such as government, trade union** and trade associations etc and formulate basic policies and providing direction and leadership to the organisation as a whole.

Middle Level Management In order to fill up the gap which exists between functional and operative level, some managerial positions are created at the middle level of management. Middle level management consists of departmental managers, deputy managers, foreman and administrative officers etc. These executives are mainly concerned with the over all functioning of their respective departments. They act as a link between top and lower level managers. The activities of middle level managers centres around determining departmental goals and devising ways and means for accomplishing them. The main functions performed by these managers are as under:

- (i) To prepare **departmental plan covering all activities of the department** within the basic framework of the corporate plan.
- (ii) To **establish departmental goals and to decide upon various ways and means** for achieving these goals to contribute to organisational goals.
- (iii) To perform all other managerial functions with regard to **departmental activities for securing smooth functioning of the entire department.**
- (iv) To **issue detailed orders and instructions to lower level managers and coordinate the activities** of various work units at lower level and **interpret policy decisions made at the top level to lower level managers.**

Lower Level or Supervisory Level Management

Lower-level management is known as supervisory management, because it is concerned mainly with personal oversight and direction of operative employees. It consists of factory supervisors, superintendents, foremen, sales supervisors, accounts officers etc. They directly guide and control the performance of rank and file workers. They issue orders and instructions and guide day to-day activities. They also represent the grievances of the workers to the higher levels of management.

Supervisory management performs the following functions:

- (i) Planning of day to day work
- ii) Assignment of jobs and issuing orders and instructions and Supervising and guiding workers
- ii) Maintaining close personal contacts with workers to ensure discipline and team-work
- v) Evaluating operating performance and sending reports and statements to higher authorities
- v) Communicating the grievances and suggestions of workers to higher authorities.

Managerial Skills

To be an effective manager, it is necessary to possess many skills. Not all managers have all the skills that would make them the most effective manager. As technology advances and grows, the skills that are needed by managers are constantly changing. Different levels of management in the organizational structure also require different types of management skills. Generally, however, managers need to have communication skills, human skills, computer skills, time-management skills, and technical skills.

Communication Skills Communication skills fall into the broad categories of oral and written skills, both of which managers use in many different ways. It is necessary for a manager to orally explain processes and give direction to workers. It is also necessary for managers to give verbal praise to workers. Managers are also expected to conduct meetings and give talks to groups of people.

Human Skills Relating to other people is vital in order to be a good manager. Workers come in about every temperament that can be imagined. It takes a manager with the right human skills to manage this variety of workers effectively. Diversity in the workplace is commonplace. The manager must understand different personality types and cultures to be able to supervise these workers. Human skills cannot be learned in a classroom

Computer Skills Technology changes so rapidly it is often difficult to keep up with the changes. It is necessary for managers to have computer skills in order to keep up with these rapid changes. Many of the processes that occur in offices, manufacturing plants, warehouses, and other work environments depend on computers and thus necessitate managers and workers who can skilfully use the technology.

Time-Management Skills Because the typical manager is a very busy person, it is important that time be managed effectively. This requires an understanding of how to allocate time to different projects and activities. A manager's time is often interrupted by telephone calls, problems with workers, meetings, others who just want to visit, and other seemingly uncontrollable factors.

Diagnostic Skills

Diagnostic skills include the ability to determine by analysis and examination the nature and circumstances of particular conditions. It is not only the ability to specify why something happened but also the ability to develop certain possible outcomes.

Technical Skills are different from computer skills, technical skills are more closely related to the tasks that are performed by workers. A manager must know what the workers who are being supervised are doing on their jobs or assistance cannot be provided to them.

Skills required for a manager

- 1. Communication and interpersonal skills**
- 2. Listening skills**
- 3. Relationship building skills**
- 4. Emotional intelligence**
- 5. Organization and project management**
- 6. Strategic thinking**
- 7. Decision making**
- 8. Trustworthiness and respect**
- 9. Teamwork**
- 10. Team orientation**
- 11. Problem solving**
- 12. Conflict resolution**
- 13. Time management**
- 14. Delegation**
- 15. Motivation**
- 16. Recognition**
- 17. Confidence**
- 18. Vision**
- 19. Functional skills**
- 20. Technological skills**
- 21. Adaptability**

Fig 1.1 explains the evolution of management thought.

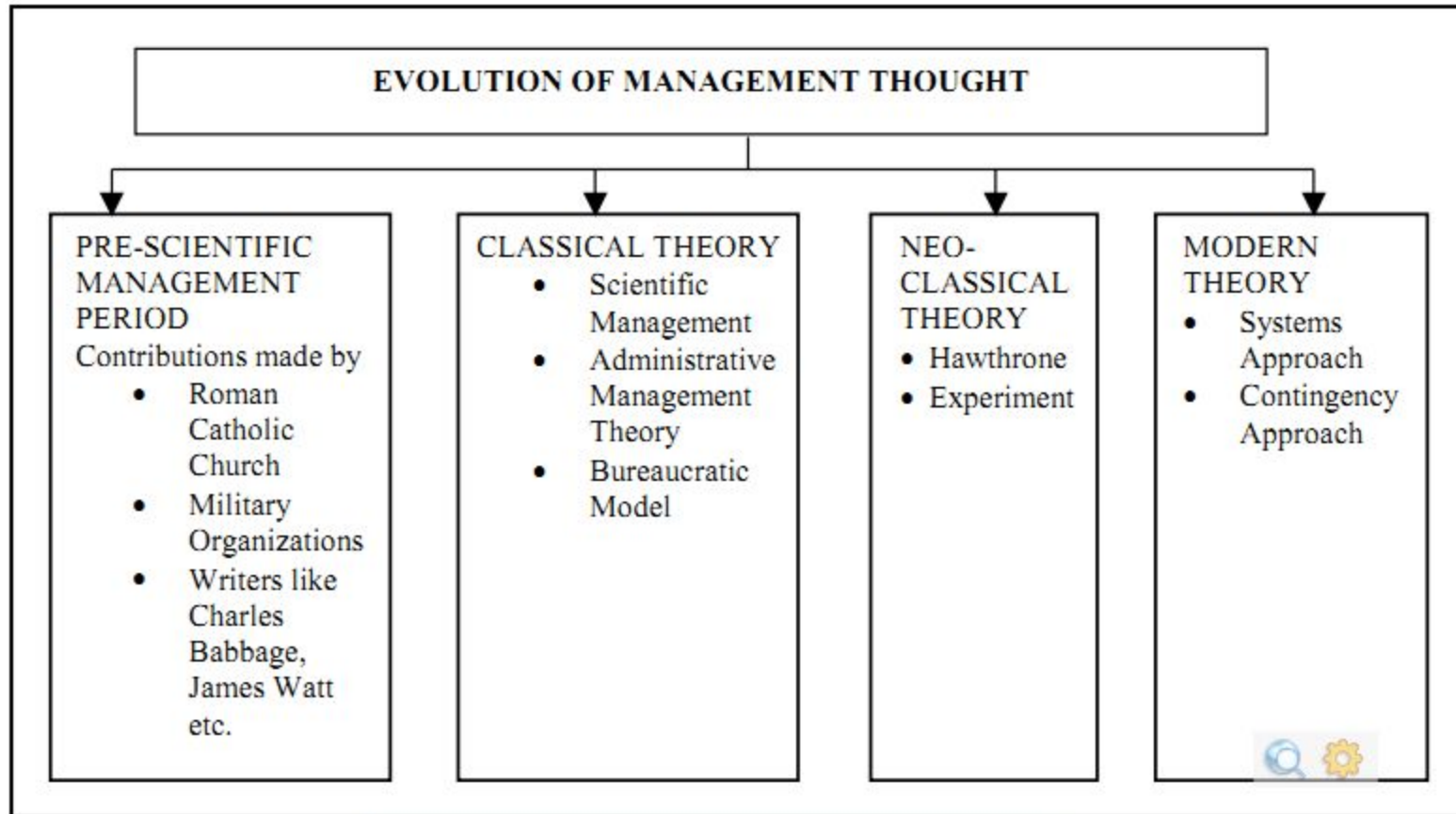


Figure 1.1: Evolution of Management Thought.

- Prof. Charles Babbage, James Watt Junior and Mathew Robinson Boulton, Robert Owen, Henry Robinson Towne and Rowntree were, no doubt, pioneers of management thought.
- But, the impact of their contributions on the industry as a whole was meagre. The real beginning of the science of management did not occur until the last decade of the 19th century. During this period, stalwarts like F.W. Taylor, H.L. Gantt, Emerson, Frank and Lillian Gilberth etc., laid the foundation of management, which in due course, came to be known as scientific management. This epoch in the history of management will be remembered as an era in which traditional ways of managing were challenged, past management experience was scientifically systematized, and principles of management were distilled and propagated. The contributions of the pioneers of this age have had a profound impact in furthering the management know-how and enriching the store of management principles.
- F.W. Taylor and Henry Fayol are generally regarded as the founders of scientific management and administrative management and both provided the bases for science and art of management.

Features of Management in the Classical Period:

1. It was closely associated with the industrial revolution and the rise of large-scale enterprise.
2. Classical organization and management theory is based on contributions from a number of sources. They are scientific management, Administrative management theory, bureaucratic model, and micro-economics and public administration.
3. Management thought focused on job content division of labour, standardization, simplification and specialization and scientific approach towards organization.

Henry Fayol - Administrative Management Theory

Henry Fayol, Luther Gulick, Lyndall Urwick, James D. Mooney have contributed to establish administrative management.

Henri Fayol, the French industrialist and management consultant of the early twentieth century. He has long been acknowledged as a founding father of the classical management school of thought.

One of his major work is "General and Industrial Management(1916)" His paper on " The Theory of Administration in the State" is considered as major contribution to the theory of public administration.

By Fayol, Administrative Theory: Universal without doubt, Fayol is the best remembered for a three-fold contribution to management thought.

1. Firstly, Fayol is credited with the belief that organizational and business life was an amalgam of six activities of an industrial undertakings.
2. Secondly, Fayol identified five key functions or elements that comprised managerial activity.
3. Finally, Fayol advocated fourteen principles designed to guide the successful manager.

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By Fayol, Administrative Theory: Universal without doubt, Fayol is the best remembered for a three-fold contribution to management thought.

1. Firstly, Fayol is credited with the belief that organizational and business life was an amalgam of six activities of an industrial undertakings.
2. Secondly, Fayol identified five key functions or elements that comprised managerial activity.
3. Finally, Fayol advocated fourteen principles designed to guide the successful manager.

Administrative Management Theory



Concept of Management: Henry Fayol is considered the father of modern theory of general and industrial management. He divided general and industrial management into six groups:

1. Technical activities - Production, manufacture, adaptation.
2. Commercial activities - buying, selling and exchange.
3. Financial activities - search for and optimum use of capital.
4. Security activities - protection of property and persons.
5. Accounting activities - stock-taking, balance sheet, cost, and statistics.
6. Managerial activities - planning, organization, command, co- ordination and control.

Henri Fayol: Elements of Management

Fayol classifies the key functions of management into five main elements:

- a) Planning:** Forethought to the operation of an organization. Experience, Unity, continuity, flexibility, precision are features of Good Planning.
- b) Organizing:** Material organization and human organization (leadership, organizational structure).
- c) Commanding:** Rests on certain personal qualities and knowledge of general management.
- d) Coordinating:** Coordinating by integrating subordinates and keeping balance among material, social and functional parts.
- e) Controlling:** Verifying whether activities take place in conformity with the plan adopted, instructions issued and principles established

Fayol's Principles of Management: The principles of management are given below:

- 1. Division of work:** Division of work or specialization alone can give maximum productivity and efficiency. Both technical and managerial activities can be performed in the best manner only through division of labour and specialization.
- 2. Authority and Responsibility:** The right to give order is called authority. The obligation to accomplish is called responsibility. Authority and Responsibility are the two sides of the management coin. They exist together. They are complementary and mutually interdependent.
- 3. Discipline:** The objectives, rules and regulations, the policies and procedures must be honoured by each member of an organization. There must be clear and fair agreement on the rules and objectives, on the policies and procedures. There must be penalties (punishment) for non-obedience or indiscipline. No organization can work smoothly without discipline - preferably voluntary discipline.
- 4. Unity of Command:** In order to avoid any possible confusion and conflict, each member of an organization must receive orders and instructions only from one superior (boss).
- 5. Unity of Direction:** All members of an organization must work together to accomplish common objectives.

6. Emphasis on Subordination of Personal Interest to General or Common Interest: This is also called principle of co-operation. Each shall work for all and all for each. General or common interest must be supreme in any joint enterprise.

7. Remuneration: Fair pay with non-financial rewards can act as the best incentive or motivator for good performance. Exploitation of employees in any manner must be eliminated. Sound scheme of remuneration includes adequate financial and non-financial incentives.

8. Centralization: There must be a good balance between centralization and decentralization of authority and power. Extreme centralization and decentralization must be avoided.

9. Scalar Chain: The unity of command brings about a chain or hierarchy of command linking all members of the organization from the top to the bottom. Scalar denotes steps.

10. Order: Fayol suggested that there is a place for everything. Order or system alone can create a sound organization and efficient management.

11. Equity: An organization consists of a group of people involved in joint effort. Hence, equity (i.e., justice) must be there. Without equity, we cannot have sustained and adequate joint collaboration.

12. Stability of Tenure: A person needs time to adjust himself with the new work and demonstrate efficiency in due course. Hence, employees and managers must have job security. Security of income and employment is a pre-requisite of sound organization and management.

13. Esprit of Co-operation: Esprit de corps is the foundation of a sound organization. Union is strength. But unity demands co-operation. Pride, loyalty and sense of belonging are responsible for good performance.

14. Initiative: Creative thinking and capacity to take initiative can give us sound managerial planning and execution of predetermined plans.

TAYLOR AND SCIENTIFIC MANAGEMENT THEORY

Fredrick Winslow Taylor and other contributors notably Frank Gilbreth, Lilian Gilberth, and Henry Gantt, investigated the effective use of human beings in industrial organizations, particularly at shop floor level. He has defined the basic problem of managing as the art of **“knowing exactly what you want to men do and then see in that they do it in the best and cheapest way.”** Since Taylor has put the problem of managing on a scientific way, he is often called as the father of scientific management and his contribution as the principles of scientific management.

Taylor joined Midvale steel company in U.S.A. As a worker and later on became supervisor. During this period, he continued his studies and eventually completed his M.E. subsequently, he joined Bethlehem steel company. At both these places, he carried experiments about how to increase the efficiency of people. Even after his retirement, he continued to develop scientific management.

Taylors' contributions can be described in two parts

- 1. Main features of scientific management**
- 2. Principles of Scientific management**

Taylor's Scientific Management

Frederick Taylor believed that organizations should study tasks and develop precise procedures. As an example, in 1898, Taylor calculated how much iron from rail cars Bethlehem Steel plant workers could be unloading if they were using the correct movements, tools, and steps. The result was an amazing 47.5 tons per day instead of the mere 12.5 tons each worker had been averaging. In addition, by redesigning the shovels the workers used, Taylor was able to increase the length of work time and therefore decrease the number of people shovelling from 500 to 140. Lastly, he developed an incentive system that paid workers more money for meeting the new standard. Productivity at Bethlehem Steel shot up overnight. As a result, many theorists followed management.

He tried to diagnose the causes of low efficiency in industry and came to the conclusion that much of waste and inefficiency is due to the lack of order and system in the methods of management. He found that the management was usually ignorant of the amount of work that could be done by a worker in a day as also the best method of doing the job. As a result, it remained largely at the mercy of the workers who deliberately shirked work. He therefore, suggested that those responsible for management should adopt a scientific approach in their work, and make use of "scientific method" for achieving higher efficiency. The scientific method consists essentially of

(a) Observation

(b) Measurement

(c) Experimentation and

(d) Inference.

TAYLOR 'S CONTIBUTIONS

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graph TD; A[TAYLOR 'S CONTIBUTIONS] --> B[Main Features or Elements of SM]; A --> C[Principles of SM]; B --> D["1. Separation of Planning and Doing<br/>2. Functional Foremanship (Specialization)<br/>3. Job Analysis<br/>4. Standardization<br/>5. Financial Incentives<br/>6. Economy<br/>7. Mental Revolution"]; C --> E["1. Science, not rule of thumb<br/>2. Harmony, not discord<br/>3. Co-operation, not individualism<br/>4. Maximum output, in place of restricted output<br/>5. Development of Workers"];
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Main Features or Elements of SM

1. Separation of Planning and Doing
2. Functional Foremanship (Specialization)
3. Job Analysis
4. Standardization
5. Financial Incentives
6. Economy
7. Mental Revolution

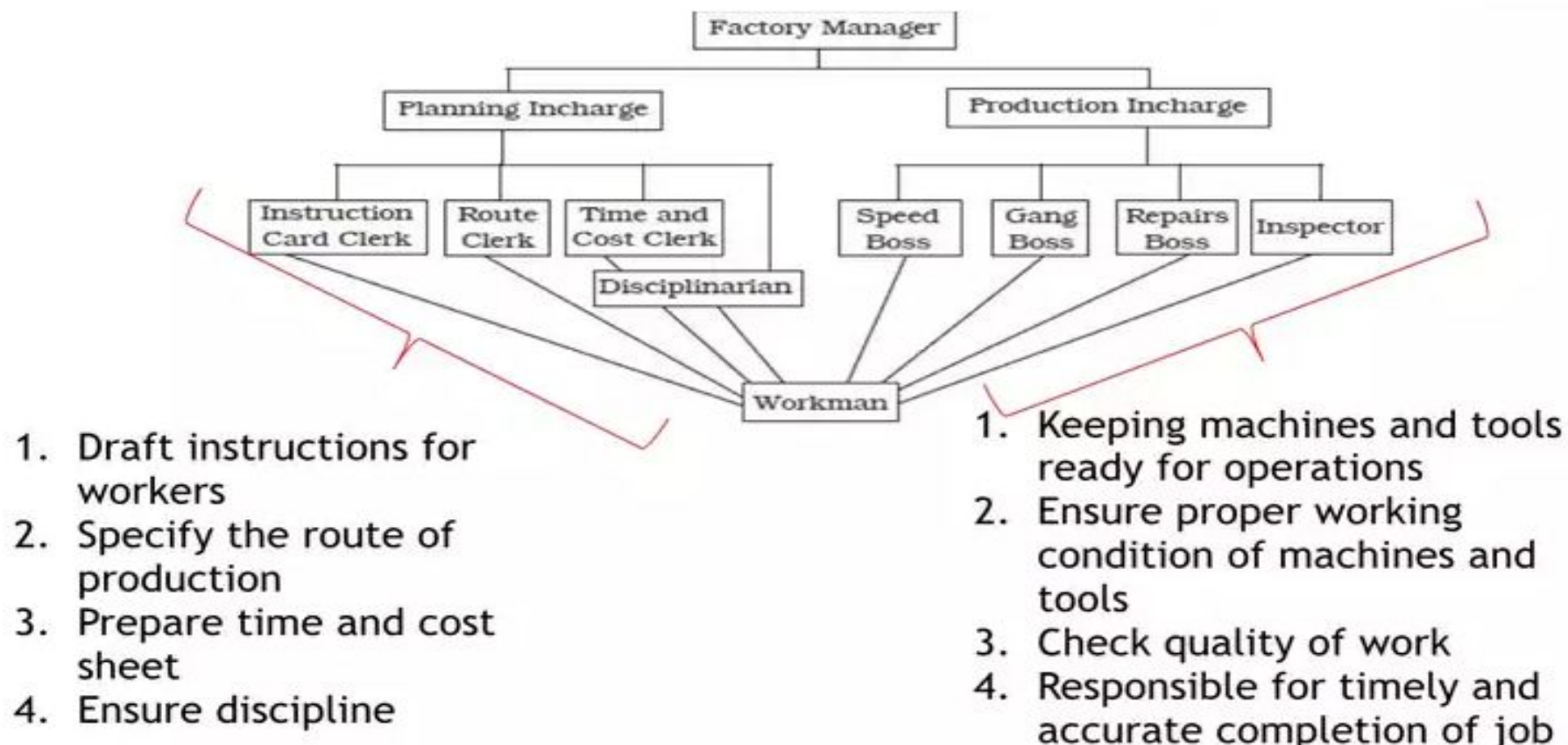
Principles of SM

1. Science, not rule of thumb
2. Harmony, not discord
3. Co-operation, not individualism
4. Maximum output, in place of restricted output
5. Development of Workers

Main Features or Elements of SM

1. Separating Planning and Doing: F.W. Taylor stressed on the splitting up of planning part from actual doing of the work. Prior to scientific management, a person used to plan about how he had to work as well as what equipment were essential for that. The worker remained under the supervision of a gang boss. This actually created a number of problems, and Taylor emphasized that planning should be left to the supervisor and the worker needs to emphasize only operational work.

2. Functional Foremanship: Separating planning from actual doing lead to development of supervision system that could take planning work effectively in addition to supervising workers. For this specific function, Taylor developed the thought of functional foremanship founded on specialization of functions.



Specialization: Scientific management will not be complete without the introduction of specialization. Under this plan, the two functions of 'planning' and 'doing' are separated in the organization of the plant. The 'functional foremen' are specialists who join their heads to give thought to the planning of the performance of operations in the workshop. Taylor suggested eight functional foremen under his scheme of functional foremanship.

- (a) **The Route Clerk:** To lay down the sequence of operations and instruct the workers concerned about it.
- (b) **The Instruction Card Clerk:** To prepare detailed instructions regarding different aspects of work.
- (c) **The Time and Cost Clerk:** To send all information relating to their pay to the workers and to secure proper returns of work from them.
- (d) **The Shop Disciplinarian:** To deal with cases of breach of discipline and absenteeism.
- (e) **The Gang Boss:** To assemble and set up tools and machines and to teach the workers to make all their personal motions in the quickest and best way.
- (f) **The Speed Boss:** To ensure that machines are run at their best speeds and proper tools are used by the workers.
- (g) **The Repair Boss:** To ensure that each worker keeps his machine in good order and maintains cleanliness around him and his machines.
- (h) **The Inspector:** To show to the worker how to do the work.

3. Job Analysis: Job analysis is carried out to uncover the best way of doing a task. The most effective way of performing a task is one, which usually demands least movements, as a result less time and expense. The best way of performing a task can be identified by taking up time-motion-fatigue studies.

- a) **Time study** includes the determination of time. This assists in determining the fair work for a period.
- b) **Motion study** includes the study of movements in parts, which are required in carrying out a task and thus getting rid of the inefficient movements and doing only essential movements. It minimizes the time consumed in doing a work and the exhaustion of employees.
- c) **Fatigue study** reveals the amount and frequency of rest necessary in doing the task. After a certain interval, employees feel exhausted and can't work with 100 % capacity. For that reason, they need rest in between

4. Selection and Training: Scientific Management requires a radical change in the methods and procedures of selecting workers. It is therefore necessary to entrust the task of selection to a central personnel department. The procedure of selection will also have to be systematized. Proper attention has also to be devoted to the training of the workers in the correct methods of work.

5. Standardization: Standardization may be introduced in respect of the following.

(a) Tools and equipment: By standardization is meant the process of bringing about uniformity. The management must select and store standard tools and implements which will be nearly the best or the best of their kind.

(b) Speed: There is usually an optimum speed for every machine. If it is exceeded, it is likely to result in damage to machinery.

(c) Conditions of Work: To attain standard performance, the maintenance of standard conditions of ventilation, heating, cooling, humidity, floor space, safety etc., is very essential.

(d) Materials: The efficiency of a worker depends on the quality of materials and the method of handling materials.

6. Mental Revolution: Simply stated mental revolution is concerned with bringing basic change in the mental attitude of workers and the management towards each other. Scientific approach means radical changes in the approach to solve problems regarding work and managerial control.

Mutual understanding and co-operation between management and workers was an essential aspect pleaded by Taylor.

So mental revolution on the part of workers and management was essential to improve the working of an enterprise.

Principles of Scientific Management by Taylor: F.W. Taylor or Fredrick Winslow Taylor, also known as the ‘Father of scientific management’ proved with his practical theories that a scientific method can be implemented to management. Taylor gave much concentration on the supervisory level of management and performance of managers and workers at an operational level. Let’s discuss in detail the five principles of management by F.W Taylor.

1. Science, not the Rule of Thumb: This rule focuses on increasing the efficiency of an organization through **scientific analysis of work and not with the ‘Rule of Thumb’ method**. Taylor believed that even a small activity like loading paper sheets into boxcars can be planned scientifically. This will save time and also human energy. This decision should be based on scientific analysis and cause and effect relationships rather than ‘Rule of Thumb’ where the decision is taken according to the manager’s personal judgement.

2. Harmony, Not Discord: Taylor indicated and believed that the relationship between the workers and management should be **cordial and completely harmonious**. Difference between the two will never be beneficial to either side. Management and workers should acknowledge and understand each other’s importance. Taylor also suggested the mental revolution for both management and workers to achieve total harmony.

3. Mental Revolution: This technique involves a shift of attitude of management and workers towards each other. Both should understand the value of each other and work with full participation and cooperation. The aim of both should be to improve and boost the profits of the organisation. Mental Revolution demands a complete change in the outlook of both the workers and management; both should have a sense of togetherness.

4. Cooperation, not Individualism: It is similar to 'Harmony, not discord' and believes in mutual collaboration between workers and the management. Managers and workers should have mutual cooperation and confidence and a sense of goodwill. The main purpose is to substitute internal competition with cooperation.

5. Development of Every Person to his Greatest Efficiency: The effectiveness of a company also relies on the abilities and skills of its employees. Thus, implementing training, learning best practices and technology, is the scientific approach to brush up the employee skill. To assure that the training is given to the right employee, the right steps should be taken at the time of selection and recruiting candidates based on a scientific selection.

The Behavioural Approach

As management research continued in the 20th century, questions began to come up regarding the interactions and motivations of the individual within organizations. **Management principles developed during the classical period were simply not useful in dealing with many management situations and could not explain the behavior of individual employees. In short, classical theory ignored employee motivation and behaviour.** As a result, the behavioral school was a natural outgrowth of this revolutionary management experiment.

Behavioral Approach is the most important approach in the study of management and administration that has emerged during 20th century. The group which has the greatest influence in the growth and development of this new field, consisted of Chester Brnard, J. G. March, Herbert Simon, Douglas McGregor, Abraham Maslow, Rensis Likert, Warren Bennis, etc. Behaviourist's empirical investigation based on systematic and detailed observation in organizations supported by findings of social sciences of human behavior, provided the basis for building uniformities and concepts, which could be utilized by managers for improved practises, instead of relying on personal experience which was often based on insufficient foundation in fact.

- ❖ The behavioral management theory is often called the human relations movement **because it addresses the human dimension of work**. Behavioral theorists believed that a better understanding of human behavior at work, such as motivation, conflict, expectations, and group dynamics, improved productivity.
- ❖ The theorists who contributed to this school viewed employees as individuals, resources, and assets to be developed and worked with — not as machines, as in the past. Several individuals and experiments contributed to this theory.

Elton Mayo's contributions came as part of the *Hawthorne studies*, a series of experiments that rigorously applied classical management theory only to reveal its shortcomings.

- ❖ **Human relations approach: basic philosophy of human relations approach is that a worker is not a rational economic being, when the workers are satisfied & motivated productivity and efficiency would increase. “the classical approach focused on the jobs of workers whereas the Human relations approach focused on the workers in these jobs. Elton Mayo laid the foundations for the human relations approach.**

The Hawthorne experiment

George Elton Mayo (1880–1949) was an Australian born psychologist, researcher and organizational theorist. Mayo is known as the founder of the Human Relations Movement. The research he conducted under the rubric of the Hawthorne Studies in the late 1920s and early 1930s showed the importance of groups in affecting the behavior of individuals at work. He carried out a number of investigations to look at ways of improving productivity.

The Hawthorne experiment were first conducted in November, 1924 at Western Electric Company's Hawthorne plant in Chicago. The initial tests were sponsored by The National Research Council (NRC) of the National Academy of Sciences. In 1927, a research team from Harvard Business School was invited to join the studies after the illumination test drew unanticipated results. A team of researchers led by George Elton Mayo from the Harvard Business School carried out the studies. The Hawthorne effect is named after a set of studies conducted at Western Electric's Hawthorne Plant in Cicero during the 1920s. The Scientists included in this research team were Elton Mayo (Psychologist), Roethlisberger and Whitehead (Sociologists) and William Dickson (company representative).

Part I - Illumination Experiments (1924-27): These experiments were performed **to find out the effect of different levels of illumination (lighting) on productivity of labour.** The brightness of the light was increased and decreased to find out the effect on the productivity of the test group. Surprisingly, the productivity increased even when the level of illumination was decreased. It was concluded that factors other than light were also important.

Part II - Relay Assembly Test Room Study (1927-1929): Under these test two small groups of six female telephone relay assemblers were selected. Each group was kept in separate rooms. **From time to time, changes were made in working hours, rest periods, lunch breaks,** etc. They were allowed to choose their own rest periods and to give suggestions. Output increased in both the control rooms, and changes to these variables (including returns to the original state) were accompanied by an increase in productivity. It was concluded that social relationship among workers, participation in decision-making, etc. had a greater effect on productivity than working conditions.

Part III - Mass Interviewing Programme (1928-1930): During experiments, about 20,000 interviews were **conducted between 1928 and 1930 to determine employees' attitudes towards company, supervision, insurance plans, promotion and wages.** Initially, these interviews were conducted by means of direct questioning such as “do you like your supervisor?” or “is he in your opinion fair or does he have favorites?” etc. this method has disadvantage of stimulating antagonism or the oversimplified ‘yes’ or ‘no’ responses which could not get to the root of the problem, the method was changed to non-directive interviewing where interviewer was asked to listen to instead of talking, arguing or advising. The interview programme gave valuable insights about the human behavior in the company. It was concluded that productivity can be increased if workers are allowed to talk freely about matters that are important to them.

Part IV - Bank Wiring Observation Room Experiment (1932): A group of 14 male workers in the bank wiring room were placed under observation for six months. A worker's pay depended on the performance of the group as a whole. The researchers thought that the efficient workers would put pressure on the less efficient workers to complete the work. However, it was found that the group established its own standards of output, and social pressure was used to achieve the standards of output.

The following were the main conclusions drawn by Prof. Mayo on the basis of Hawthorne studies:

1. Social Unit: A factory is not only a techno-economic unit, but also a social unit. Men are social beings. This social characteristic at work plays an important role in motivating people. The output increased in Relay Room due to effectively functioning of a social group with a warm relationship with its supervisors.

2. Group Influence: The workers in a group develop a common psychological bond uniting them as a group in the form of informal organisation. Their behaviour is influenced by these groups. Pressure of a group, rather than management demands, frequently has the strongest influence on how productive workers would be.

3. Group Behaviour: Management must understand that a typical group behaviour can dominate or even supersede individual propensities.

4. Motivation: Human and social motivation can play even a greater role than mere monetary incentives in moving or motivating and managing employee group.

5. Supervision: The style of supervision affects worker's attitude to work and his productivity. A supervisor who is friendly with his workers and takes interest in their social problems can get co-operation and better results from the subordinates.

6. Working Conditions: Productivity increases as a result of improved working conditions in the organisation.

7. Employee Morale: Mayo pointed out that workers were not simply cogs, in the machinery, instead the employee morale (both individual and in groups) can have profound effects on productivity.

Human relations approach has, however, been criticized on the following points.

1. It is unscientific; critics have questioned the scientific validity. - **Lacks Validity**
2. **More Importance to Human Aspects**
3. **More Emphasis on Group Decision-making**
4. **Over Importance to Freedom of Workers** It is short sighted; **it neglects the real issues of the work situation**
5. It is over concern with happiness.
6. It believes that conflict is always bad, they failed to realize conflict as a creative force.

The Systems Approach and Contingency Approach.

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

The system as a whole is affected by internal elements (aspects of the sub-units) and external elements. It is responsive to forces from the external environment.

The system is **considered open, as organizations** receive varied forms of inputs from other systems. For example, a company receives supplies, information, raw materials, etc. These inputs are converted to outputs that affect other systems.

Generally, the **systems approach assesses the overall effectiveness of the system rather than the effectiveness of the sub-systems**. This allows for the application of system concepts, across organizational levels in the organization - rather than only focusing upon the objectives and performances of different departments (subsystems).

Organizational success depends upon interaction and interdependence between the subsystems, synergy between the sub-systems, and interaction between internal components (closed system) and external components (internal system). This approach recognizes that an organization relies on the environment for essential inputs. Further, the environment serves as an outlet for its outputs.

Features or Concepts of Systems Approach:

Chester Bernard introduced the concept of Cooperative Systems in his book, Functions of an Executive (1938). Economist, Herbert Simon, introduced in his book, Administrative Behavior (1947), the concept of systems process in decision-making within organizations. Notably, he introduced concepts of bounded rationality and satisfying. Biologist, Ludwig von Bertalanffy, introduced principles of General Systems theory in 1950. **Drawing on the work from many fields including biology, the systems approach analysis the functions of the total enterprises in terms of systems – inputs, processing, and outputs – with a view to improving their operations.**

The significant features or concepts of systems approach may be outlined as follows:

- 1. Sub-Systems:** They are the parts that make up the whole. Each system may also be a sub-system of still larger whole. For example an electronic goods company is a system, but it becomes a sub-system of the electronic goods industry, which is a larger whole.
- 2. Interrelatedness of Sub Systems:** It is probably the distinguishing characteristics of a system, which means that a manager cannot change one sub-system without affecting the rest because the sub-systems interact with each other and therefore are dependent on each other.
- 3. Synergy:** It means that the whole is greater than the sum of its part. In other words, systems approach results in synergic effect which means that $2 + 2 = \text{More than } 4$.

4. Open System: Open system means that which interacts with its environment and closed system is that which does not interact with its environment being self-sustained. The emphasis of systems approach is an open system. It believes that most of the organizations are open systems because they depend for their inputs (i.e., money, materials, men, information etc.) on the society.

In addition, the organisation sells their outputs (i.e. goods and services) to the customers in the society. Thus, if an organisation wishes to survive, it must respond to its environment – customers and suppliers.

5. System Boundary: Each system has its boundary that separates it from the environment.

6. Environment: All systems operate, within an environment, which, for an organisation, might include customers or clients, competitors, suppliers, investors, government and regulatory government agencies, unions etc. Environment includes things that are significant to the organisation, but are largely beyond its control.

7. Flows: A system has flows of information, methods and energy including human energy. These enter the system as inputs, undergo transformation process and exit as outputs.

8. Feedback: It is the assessment of work done, identification of deviations and taking of corrective action.

9. Central Functions or Purpose: There is always a central function or purpose of a system against which the efforts of the organisation and its subsystem can be evaluated or measured.

Critical Evaluation of systems approach

The systems approach may be critically evaluation as follows:

A) Contributions (Advantages): Systems theory has made the following contributions.

1. It **provides a manager a way of thinking about the job of managing** and unfolds an opportunity to him for looking it the organization as a whole and for achieving overall effectiveness.
2. It provides a **unified focus to organizational efforts** – a direction towards which people should strive.
3. It draws attention of managers to an **important factor and that is the environment** in which an organization works. The interaction with the environment is dynamic.
4. It includes within it focus **both micro and macro aspects of the organizations**. Hence it serves a multi-level and multi-dimensional approach.
5. It implies that the modern manager **should have analytical orientation** should be expert in motivating to achieve goals and open mandate to receive and respect new ideas, i.e. creativity and innovation.
6. It also implies that management education must **seek to develop the ability to work with and motivate** others.
7. The feed back mechanism provides and opportunity to rearrange organizations part according to the change in the environment.

B) Limitations: The system theories have been criticized on the following grounds.

1. Systems theory is not a complete explanation of the whole organizational system. It **does not explain how the sub-system of the specific organization is uniquely related** in a given environment.
2. The conceptional framework for understanding organization provided by **system theory is too abstract**.
3. It does not really offer any new thing. Managers do **understand interrelationship between different parts and the influence of environment on organization and it sub-systems**.

CONTINGENCY APPROACH or SITUATIONAL APPROACH

The contingency theory of leadership was proposed by the Austrian psychologist Fred Edward Fiedler in his landmark 1964 article, "A Contingency Model of Leadership Effectiveness." The contingency theory emphasizes the importance of both the leader's personality and the situation in which that leader operates.

Definition: Their approach is to identify the conditions of a task (scientific management school), managerial job (administrative management school) and person (human relations school) as parts of a complete management situation and attempt to integrate them all into a solution which is most appropriate for a specific circumstance. Contingency refers to the immediate (contingent or touching) circumstances.

The contingency approach is a management theory that suggests the **most appropriate style of management is dependent on the context of the situation and that adopting a single, rigid style is inefficient in the long term.** Contingency managers typically pay attention to both the situation and their own styles and make efforts to ensure both interact efficiently.

The contingency approach to management is based on the idea that there is no single best way to manage. Contingency refers to the immediate contingent circumstances. Effective organizations must tailor their planning, organizing, leading, and controlling to their circumstances.

In other words, managers should identify the conditions of a task, the requirements of the management job, and people involved as parts of a complete management situation. The leaders must then work to integrate all these facets into a solution that is most appropriate for a specific circumstance.

Factors that influence the contingency theory are numerous. These include the following:

- 1. The size of the organization**
- 2. How the firm adapts itself to its environment**
- 3. Differences among resources and operations activities**
- 4. Assumption of managers about employees**
- 5. Strategies**
- 6. Technologies being used**

Features of Contingency approach:

The contingency approach believes that it is impossible to select one way of managing that works best in all situations like promoted by Taylor.

1. The contingency view approaches management from a totally different perspective than do the formal schools of management.
2. The classical, behavioural, and management science schools assumed a universal approach. They proposed the discovery of "one-best-way" management principles that applied the same techniques to every organization.
3. The **contingency perspective tells us that the effectiveness of various managerial practices, styles, techniques, and functions will vary according to the particular circumstances of the situation.**
4. **Management's task is to search for important contingencies. The main determinants of the contingency view relate to the external and internal environments of the organization.**
5. The contingency approach is not without its critics. **Its major problem is that it often is used as an excuse for not acquiring formal knowledge about management.**
6. This formal study of management **helps managers decide which factors are relevant in what situations and its certain elements should serve as a foundation for continued growth and developments.**
7. A contingency approach to the **management of innovation focuses on the influence of situational variables in a particular organization.**