

8/2017

Management

Meaning: * Management ^{is} one of the important activity of human life.

* Management applies in all kinds of organisations.

Example: Government, military, social and educational institutions

Definition: Management is the ~~heart~~ of getting things done through people.

Management is the process ^{of} ~~consisting~~ planning, organising, actuating and controlling performed to determine an accomplished use of people and resources.

Nature and characteristics of Management

Production process involves

- * labour
- * Capital
- * Organisation
- * Entrepreneurship

Production depends on the effective combination and co-operation of the above.

Important characteristics of Management

- 1) It should be stable
- 2) It should be applicable to all kinds of organisation
- 3) It should be transparent
- 4) The approaches should be clear and goal oriented
- 5) It should be simple and effective
- 6) It should be responsive to many external elements like economic, social, political and ethical factors that affects the area of operation.
- 7) It should have a well defined goals and effective means to accomplish this goal.

- 8) It should have good planning, organising, staffing, leading and controlling function.
- 9) It should have a good atmosphere to work.

SCOPE

Management plans the activities, co-ordinates and utilises the available resources effectively and efficiently at a minimum cost.

The Scope of Management is not limited only for business but it is extended to business establishments, hospitals, educational institutions, government offices, service organisations, security organisations, financial organisations, store managements, etc.

Management is not limited only to industries but its scope is extended to following important areas.

- Developing Management
- Distribution Management
- Financial Management
- Personnel Management
- Production Management
- Office Management
- Transport Management
- Purchase Management
- Sales Management
- Supply chain Management
- Business Management

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Functional Areas of Management

- 1) Planning
- 2) Organising
- 3) Staffing
- 4) Leading or directing

5) Controlling

Planning

Planning is a executive function that is referred as decision making. It involves machines and actions to achieve them.

- * In planning, setting short and long-term goals for organisation
- * Selecting strategies and policies to accomplish plan goals
- * Deciding in advance
 - what to do
 - how to do
 - who has to do
 - when to do
 - where to do
- * Planning bridges the gap from where we are now to where we want to be in future.

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Organising

Organising is a part of Management that involves in establishing an intentional structure of roles for people to fill in an organisation. It includes raw materials, tools, capital and personal. The purpose of organisation structure is to help in creating an environment for human performance. It involves

- * determination of activities required to achieve goals
- * grouping these activities into departments
- * assigning such group of activities to manager
- * forming delegation of authority
- * making provisions for co-ordination of activities

Staffing

Staffing is considered as an important function which makes



provision for a manpower to fill different position.

This is done by identifying workforce requirements, people availability, recruiting new staff, selecting, placing, promoting, appraising, planning their career, training the staffs effectively and efficiently. Staffing involves

- 1) Finding a right person for right job
- 2) Selecting the personnel
- 3) Placement, training and developing new skills required for present and future jobs
- 4) Creating new position
- 5) Appraising the staff and planning their growth and promotions.

Directing

After planning, organising and staffing the next important function of management is leading or directing.

Directing involves three subfunctions:

- 1) Communication
- 2) Leadership
- 3) Motivation

Communication is the process of passing information from one person to another.

Leadership is the process by which a manager guides and influences the work with subordinates.

Motivation means identifying employees' dedication, loyalty and the task which is assigned to him effectively.

There are two types of motivation.

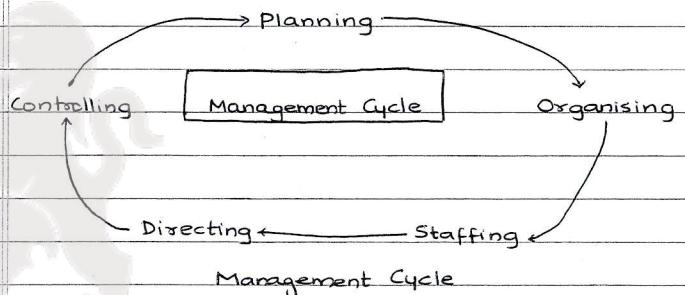
⇒ Financial (salary, bonus, rewards etc)

⇒ NonFinancial (job security, promotion, recognition, felicitation etc)

Controlling

Controlling is measuring and correcting of activities of subordinates to make sure that work is going on as per the plans. Controlling involves three elements:

- 1) Establishing the standards of performance
- 2) Measuring the performance and comparing with established standards.
- 3) Taking necessary corrective actions to meet the set standards.



11/08/2017 Roles of Management (Goals of Management)

Three important roles played by a manager are:

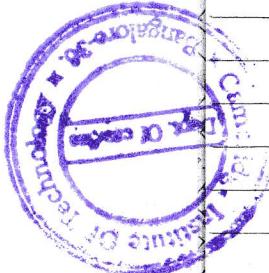
- ⇒ Interpersonal roles
- ⇒ Decision roles
- ⇒ Information roles

1) Interpersonal roles

- These include
- a. figurehead roles
 - b. leader roles
 - c. liaison roles

a. figurehead roles

The manager will perform some duties that are casual and informal ones, receiving and greetings visiting dignitaries, attending social functions, entertaining customers by offering



parties and lunches

b. Leader roles

Leader motivate, direct and encourage subordinates

c. Liaison roles

The role of liaison is between top management and subordinate staff.

2) Decision roles

These include a. Resource allocator

b. Arbitrator

c. Entrepreneur

d. Negotiator

a. Resource allocator

Manages divides the work, provide the required resources and facilities to carryout the allocated work among his subordinates. He decides who has to do what and who gets what.

b. Arbitrator

A manager works as a problem solver within and outside the organisation

c. Entrepreneur

Looks for new ideas and tries to improve the organisation

d. Negotiator

Negotiates with the employees and tries to resolve internal problems like agreements, strikes and grievances

3) Information roles

These include a. Monitor

b. Spokesman

c. Disseminator

a. Monitor

A manager monitors his environment and collect information through his personal contacts with colleagues and subordinates.

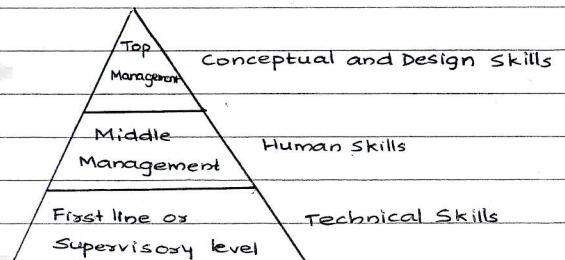
b. Spokesman

He communicates the information to his staff and progress the work to his superiors

c. Disseminator

The manager passes some of the information directly to his subordinates and to his bosses.

Levels of management



Skills at different Management level

Although all managers perform almost same functions of management - planning, organising, staffing, leading and controlling, there are levels among them. They are : 1) Top Management 2) Middle Management 3) First line or Supervisory

The top management consists of chairman, directors, company presidents, vice presidents, CEO's. These are the people who makes policies for company, set goals and targets. They should possess conceptual and design skills.

Middle management is essentially a vast and diverse group that includes finance manager, sales manager, marketing manager, departmental heads etc.

The lower managers are supervisors and foremen. They



are basically one step above the workers

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Chapter 2 : PLANNING

Planning is the most basic function of management. It is referred as "deciding in advance". As what to do, how to do, when to do, who has to do.

Planning is a continuous process. A manager should continuously watch the progress of the plans, thus planning bridges the gap from where we are to where we want to be. A plan is to be rigid in the sense that it should not be modified or altered under the influence of disturbances.

A plan should be flexible to change, to adapt, to the changing situations without changing the cost.

Flexibility includes in the areas like technology, market, finance, personnel and organisation.

Toplevel management planning involves 2-5 years.

Middlelevel managing planning involves few months to one year.

Lowlevel managers planning involves daily or weekly upto 1 month.

Nature of planning ^{involves} indicates four essential qualities:

- * It must contribute to accomplish purpose and objective
- * It must be considered as a parent exercise in all the process
- * It must spread through all management functions.
- * It must be efficient in such a manner to achieve the desired goals at a least cost.

18/08/2017 * Importance of Planning

- i) Uncertainty and minimize Risk

- ii) Effective control

Focuses attention and Concentration on the objective of the enterprise.

- iii) Economic operation and leads to success

- iv) Bridge between present and future.

Without planning, decisions would become difficult. Planning is importance because

- v) Uncertainty and minimize the risk

Planning provides logical facts and procedure for making decisions. This logical decision making is based on plans to minimize the uncertainty and risk.

- vi) Effective Control

Planning sets goals, targets and means to accomplish this goals. These goals and plans become standards or benchmarks against which performance can be measured.

- vii) Focus attention and concentration on the objective of the enterprise

Planning helps the manager to focus their attention on the goals and activities of organisation. This makes the entire organisation to walk towards the goal and create coordination in accomplishing the goals.

- viii) Economic operation and leads to success

Merely planning doesn't ensure success, but planning leads to success. This is because if the work is planned in advance there will be no confusion arising and things will happen as per the plan and achieve goals.

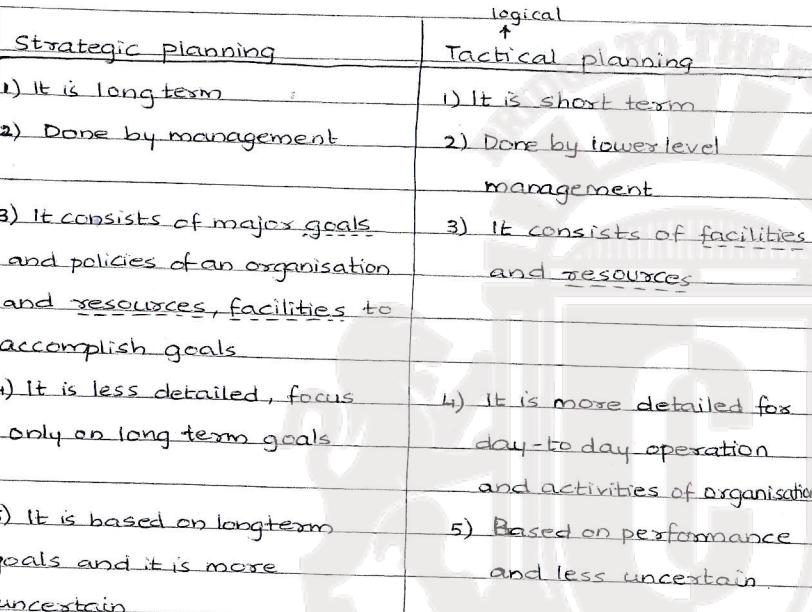
- ix) Bridge between the present and future

Planning bridges the gap between present and future.

There is a vast gap between what we are today and what we want to be in future. A proper planning bridges the gap, without planning it is very difficult to accomplish the goal.

* Types of planning

Based on nature of planning, planning is classified as strategic planning and tactical planning.



Single use plans

Plans based on are classified as single use plans which is developed to achieve a specific planning. After reaching the target, the plan becomes useless.

* Standing plans

- Policies
- Procedures
- Rules
- Method

Policies

"Overall guide"

- * Setting up boundaries
- * Limits

Direction in which action will be taken place

Policies, in general, is a general guideline for decision making. It deals with how to do the work. They only provide framework within which decision must be made by the management. There are several policies uses different functions like personal policy, promotional policy, marketing purchase, pricing policies, training policy, recruitment policy, distribution, payment, wages, incentives etc.

Policies are classified on basis of sources like original policies, appealed policies, implied, external. Policies can also be classified at the levels of organisation like

- * top level policy
- * departmental policy
- * shop level policy

Procedure

Procedures are the detailed guidelines that are used to carryout the policies

The procedure provides detailed set of instruction for performing sequence of actions involved in doing piece of work.

Procedures are to be followed every time when that activity is performed.

Procedures may also exist for conducting meetings for directors, stakeholders, issuing raw materials from stores, packaging of finished goods, packing of finished goods.

Difference between Policy and Procedure

Policy	Procedure
1) General guidelines of	1) General guidelines of

- | | |
|--|--|
| the organisation | action level |
| 2) Top level activity | 2) Departmental level activity |
| 3) Policies fulfill the objectives of an organisation | 3) Procedures guide the way to implement the policies |
| 4) Policies are often made without any study or analysis | 4) Procedures are always made through study and analysis of work |

Rules

Rules are detailed and recorded instructions that has specific action, must or may not do under the given instruction

Eg:- Reporting time to office, lunch time, Availing of leaves, using the facility by following the rules.

A rule is different from a policy or procedure

Methods

A method is a prescribed way in which one step of a procedure is to be carried out. Thus method is a part of procedure.

A procedure has a number of steps, each step has number of methods.

Method helps in increasing the effectiveness of procedure.

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* Steps in Planning

- 1) Being aware of opportunities
- 2) Establishing objectives
- 3) Developing planning premises
- 4) Determination of alternative course
- 5) Evaluating and selecting the best alternative course
- 6) Formulating derivative planning
- 7) Monitoring and controlling the plan

- 1) Being aware of opportunities :-

This is very first step and starting point for planning. Once we are aware of opportunities we can think of setting realistic objectives.

2) Establishing objectives :-

It is very important to establish objectives for the entire enterprise and the objectives for each subordinate work units.

That is the major objectives are broken down into department and individual objectives. It is a very crucial step in planning

3) Developing planning premises :-

The third step in planning is to establish planning premises. It is the process of creating assumptions about the future on the basis of which the plan will be ultimately formulated. Planning premises are important for the success of planning as they reveal facts and information relating to the future such as economic condition, production cost, computation, availability of materials, resources, capital, government policies etc. These are 3 types of planning premises:

- (i) Internal and external premises
- (ii) Tangible and Intangible premises

- (iii) Controllable and Uncontrollable premises

(i) Internal and External premises :

Internal premises are premises within organisation. Some of the example are policies, investments, funds, force, availability of equipments etc.

External premises are premises outside organisation. They include government policies, technology changes, business environment, economy changes, population etc.

(ii) Tangible and Intangible premises :

Tangible premises are measurable premises.

Eg: population, investment, demand etc.

Intangible - business environment, economic condn, technology

(iii) Controllable and Uncontrollable premises

Some of the premises are controllable like technical, manpower, input technology, machinery, financial investment etc.

Some premises like strikes, nonavailability of materials, change in government policies, social-economic change, war are uncontrollable by the organisation.

4) Determination of alternative course:-

Next step is to search and identify some alternative course of action. It is very rare to have an alternative plan.

5) Evaluating the alternative and selecting the best course of action :-

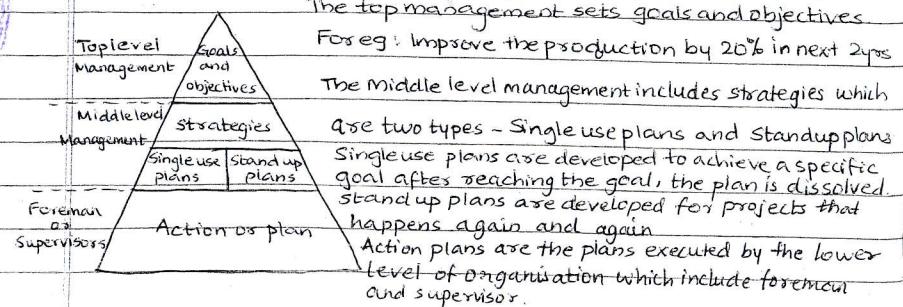
Once the alternatives are found then the next step is to evaluate them with respect to premises and goals. A desired and best suitable alternative is selected.

6) Formulating derivative plan

In order to complete the task, the selected plans must be translated into programs.

7) Monitoring and Controlling the plan

This is the last step in planning. Each activity of plan is monitored on a continuous basis. If any fault occurs the manager will initiate corrective actions.

Hierarchy of Plans

21/03/2017 Chapter 3 : ORGANIZING ORGANISATION

Organizing is a grouping of activities necessary to attain objectives. The assignment of each grouping to manager is necessary for proper organizing. An organization should be designed to clarify who is to do what and who is responsible for.

Organization removes all the obstacles which leads to confusion and affect the performance.

Organization can be used to denote whether it is an enterprise, whether it is a company or it is a firm.

Organization provides the structure, the frame on which management based enterprise.

The term Organization is used in two different sense. The first sense is that it denotes the process of organizing and second denotes the result of process. There are two types of organization - formal and informal.

Formal Organisation :

It is nothing but ⁱⁿ flexible.

If the manager is to organize well the structure must furnish an environment in which individual performance both present and future contribute more effectively for group goals. Formal organization must be flexible and there should be room for ~~decisions~~ taking advantage of talents.

Informal Organisation :

It is a joined personal activity for joint purpose that contribute to joint results. Manager must be aware of Informal Organization.

Purpose of Organizing

It includes the following logical components:

- 1) Establishes the pattern of relationships by giving duties and responsibilities to a individual or group
- 2) Provides the authority, responsibility of individual or group
- 3) It tells each manager where his accountability lies and who are all present in that group
- 4) Provides adequate communication.
- 5) Coordinates or integrates and controls the activities of individual or groups to achieve common objective of the enterprise.

Principles of Organizing

Objectives:

- 1) Objectives of an enterprise should first be clearly defined (goals, aim)

2) Specialization :

Enterprise activities should be divided according to the function and assign to the person according to their specialization. Effect organization must promote specialization.

3) Span of Control :

Span of Control ^{should} ~~must~~ be minimum in any organization.

Limit the no. of persons.

Eg: Supervisor having only 6 subordinates

4) Exception :

Exception remove all complex problems in Organization at lower levels.

Eg: Crucial Issues

5) Scalar principles

This is also known as Chain of Command.

All the activities

From top executive to the line supervisor at the bottom

must be clearly defined

6) Unity of Command

Each subordinate should have one supervisor and all should

follow his command.

7) Delegation :

Proper authority should be delegated at the lower level of organization. Carry out the work efficiently.

8) Responsibility :

The supervisor should be responsible for the act of subordinates

9) Authority :

Authority is a tool by which a manager accomplishes the desired objectives which should be clearly defined

10) Efficiency :

The organisation structure should help the enterprise to function efficiently, to accomplish the objective at lower cost.

11) Simplicity :

The organization structure should be simple as minimum as possible

12) Flexibility :

Should be flexible, adapt to the changing circumstances without replacement of basic design.

13) Balance :

There should be reasonable balance in size of various department

14) Unity of direction :

There should be one objective and one plan that should be followed and coordinated at various levels

15) Personability :

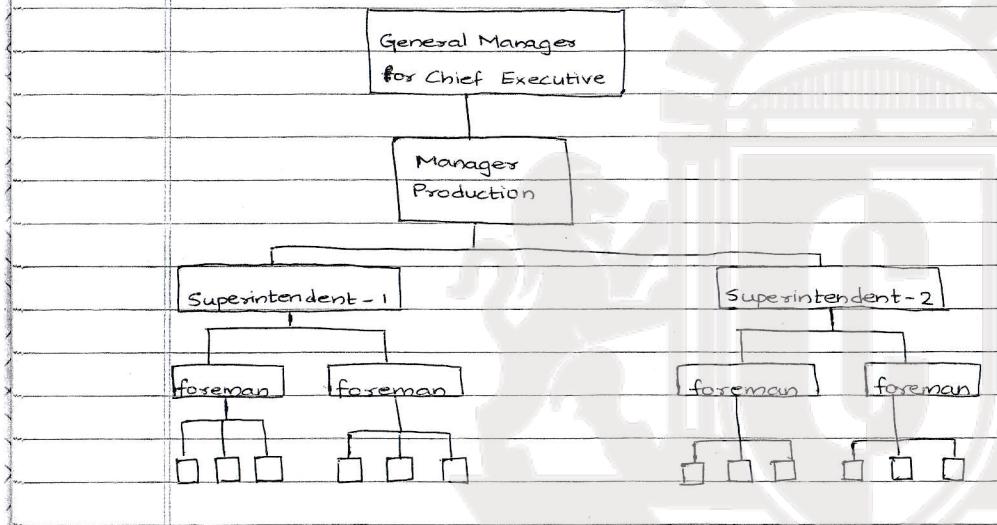
People should constitute to organization by proper selection, placement and training of staff by optimizing use of human resources and encourage the management

Types of organizing

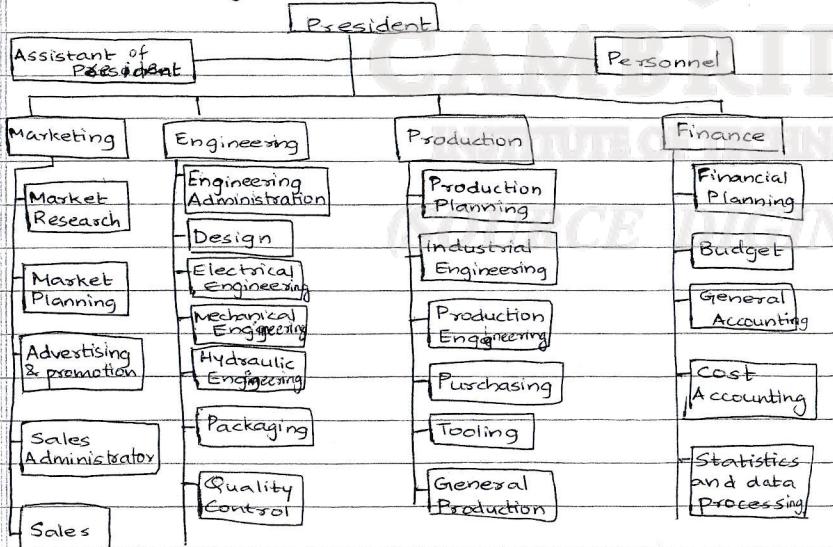
i) LINE organizing

- 2) Functional or staff Organizing
- 3) Line and staff Organizing
- 4) Committee Organizing
- 5) Matrix Organizing

* * Line Organizing for Medium Size Manufacturing Company



* * Functional Organization



i) Line Organizing :

It is also called as scalar organization and it is the simplest form of organising structure. Authority flows from man at the top to the lowest man vertically. In other words directions issued by man-in-charge of the whole organisation are directly conveyed to the person responsible for the execution of work. This makes line of authority straight and vertical. It is the authority through the channels directs plans, policies, procedures and goals. Line authority does relationship in which supervisor supervise all the subordinates.

Three important principle are:

- a) Command should be given to subordinate through ^{the} immediate superior. There should be no skipping of levels
- b) There should be only one chain, that is, command should be received from one immediate superior
- c) Number of subordinates should be limited.

Advantages :

- i) simple and easy to understand
- ii) flexible - easy to expand and contract
- iii) makes clear division of authority
- iv) clear channel of communication with no confusion
- v) encourages speedy action
- vi) it has fixed responsibility of individual
- vii) it has all-round executives at higher levels

Disadvantages :

- i) Neglects specialists
- ii) Overload only few executives
- iii) Require high level supervisor
- iv) Limited to very small industry
- v) encourages pictorial way of working
- vi) Rigid and inflexible



vii) Lack of specialisation leads to more wastage of material and manpower.

Applications:

Small companies like paper, sugar, textile etc.

2) Functional Organizing or Staff Organizing: (F W Taylor)

We can find the sound persons (specialists) qualified to work at middle level management in the organization.

Functional authority is delegated through an individual or a department. It includes all the specified processes, practices, policies which is undertaken by the personnel in the other departments. All the authority of activities should be exercised by the line supervisors.

Due to many reasons like lack of special knowledge, lack of ability leads to danger by not following the policies. The whole task of manufacturing and direction of subordinates should be divided according to the type of work involved.

Eg: Almost all business organisation have separate departments to look after production, sales and general office.

It also include production, R&D, personnel, purchasing, finance etc.

Personnel department usually recruit, train the people according to the departments.

While dividing the management, department should care and exercise the following:

- i) The entire work should be divided into various departments so that no work is left.
- ii) There should be no duplications, that is, not allotting the same one to different departments.
- iii) The work allotted to one department should be consistent

irrelevant to other departments.

Advantages:

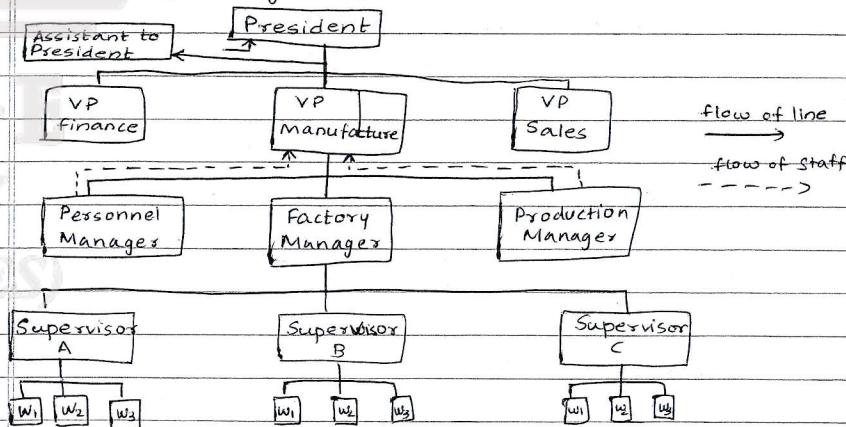
- i) It is a logical reflection of functions
- ii) It ensures greater division of labour
- iii) It makes a higher degree of efficiency since the workers perform limited numbers of operations.
- iv) It provides mass production
- v) Quality work is improved
- vi) Simplifies training.

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Disadvantages:

- i) Co-ordination among the foreman is difficult
- ii) It is unstable because there are several different bosses
- iii) It is difficult for the management to fix the responsibility
- iv) Workers always remain confused about the authority and relationship.
- v) Economic growth of a company is difficult
- vi) It limits general manager.

3) Line and Staff Organisation.



Line Organisation gradually developed along staff Organisation.

Line Executives could not perform properly all other

functions such as R&D, planning, distribution, quality control etc. Line executives adopt staff functions.

Line functions are those that have direct responsibility.

Staff functions are those that help line to work more effectively.

Line authority gives supervisor a line of authority and control over the subordinates.

The function of people is to investigate, do research and give advice to line managers.

The final decision whether to accept or implement is in the hand of line executive.

The staff executive function is to think, supervises and subordinates ^{should} know whether they are acting on staff or line executive.

Advantages:

- Expert advice from specialists can be made use of
- Line executives reveal some of the loads and thus able to devote more attention towards production.
- Less wastage of material, man and machine hours.
- Quality of product is improved
- Greater ^{chance} availability of jobs.

Disadvantages:

- Product cost will increase because of higher salaries
- Line ^{and} Staff organisation may bring in confusion.
- FriCTION and jealous may develop
- Complex in nature
- Not effective for small organisation.

Application:

Medium and large enterprises.

4) Committee Organisation

In complex business world some of the administrative task cannot be performed by a single person. Such

situation we call two or more people to perform such task. This calls for the committee organisation.

A committee is a group of people pooled or grouped to carry out defined objectives.

The various function of a committee organisation are:

- Collect the necessary information from different source.
- Collected information is examined and analysed
- Draft report containing all the purpose of implementation is collected.
- Framing the policies

- Select the personal, directing and controlling officers to achieve the goal.

Advantages:

- Unnecessary decisions can be avoided
- Committee members are experienced to take the decision.
- Committee decisions are many times better
- Implementation is ^{faster}
- Decisions are faster from different groups
- Departments are made easy
- Committee members have authority to implement decisions.

Disadvantages:

- Many times decisions are delayed
- Increased expenses on administration
- Secrecy of decision cannot be maintained.
- Sometimes decisions are made on compromise
- Sometimes ideas lead to heated arguments

Matrix Organisation

These are several department under Matrix Organisation. Each department is assigned with a task, also the available resources with the best coordination along with other departments.

Matrix organisation have different patterns.



This type of organisation is best suited for large number ~~and~~ of small projects.

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Advantages:

- Matrix organisation function effectively with the following condition:
- i) Scalar chain of command is not followed
 - ii) Project manager will give report to several superiors
 - iii) The Physical, financial and human resources are shared between different project
 - iv) Sharing the resources may lead to conflict if it is not understood properly

Advantages:

- i) Matrix Organisation combine both line and functional Organisation.
- ii) It ensures achievements with technical specialisation
- iii) It ensures effective utilisation of available resources
- iv) It is easily adapted for the external changes
- v) Highly flexible
- vi) Motivation can be effectively applied
- vii) Makes room for training and development of people

Disadvantages:

- i) Matrix Organisation does not follow scalar chain of command.
- ii) Since too many supervisors, controlling is difficult and work may be delayed
- iii) Sometimes resources are unavailable because of priority.

EARLY CLASSICAL APPROACHES

Scientific Management

Frederick Winslow Taylor (1856–1915) is considered to be the Father of Scientific Management. He exerted a great influence on the development of management thought through his experiments and writings.⁴ During his career spanning a period of 26 years, he conducted a series of experiments in three companies: Midvale Steel, Simonds Rolling Machine and Bethlehem Steel.

While serving as the Chief Engineer of Midvale Steel Company, Taylor made several important contributions which are classified under scientific management.

1. Time and Motion Study Since Taylor had been a machinist himself, he knew how piece-work employees used to hold back production to its one-third level because they feared that their employers would cut their piece rate as soon as there was a rise in production. The real trouble, Taylor thought was that no one knew how much work it was reasonable to expect a man to do. He, therefore, started time and motion study, under which each motion of a job was to be timed with the help of a stop watch and shorter and fewer motions were to be developed. Thus the best way of doing a job was found. This replaced the old rule-of-thumb-knowledge of the workman.

2. Differential Payment Taylor introduced a new payment plan called the differential piece work, in which he linked incentives with production. Under this plan a worker received low piece rate if he produced the standard number of pieces and high rate if he surpassed the standard. Taylor thought that the attraction of high piece rate would motivate workers to increase production.

3. Drastic Reorganisation of Supervision Taylor suggested two new concepts: (i) separation of planning and doing and (ii) functional foremanship. In those days it used to be customary for each worker to plan his own work. The worker himself used to select his tools and decide the order in which the operations were to be performed. The foreman simply told the worker what jobs to perform, not how to do them. Taylor suggested that the work should be planned by a foreman and not by the worker. Further, he said that there should be as many foremen as there are special functions involved in doing a job and each of these foremen should give orders to the worker on his speciality.

4. Scientific Recruitment and Training Taylor emphasised the need for scientific selection and development of the worker. He said that the management should develop and train every worker to bring out his best faculties and to enable him to do a higher, more interesting and more profitable class of work than he has done in the past.

5. Intimate Friendly Cooperation between the Management and Workers Taylor said that for the above suggestions to succeed, "a complete mental revolution" on the part of management and labour was required. Rather than quarrel over whatever profits there were, they should both try to increase production. By doing so, profits would be increased to such an extent that labour and management would no longer have to compete for them. In short, Taylor believed that management and labour had a common interest in increasing productivity.

⁴ Taylor wrote two books *Shop Management* and *The Principles of Scientific Management*. Both appear in his *Scientific Management* (N.Y.: Harper & Bros. 1947).

Taylor's concept of scientific management developed into a movement and dominated the industrial management scene for several decades after him. His principles and concepts were refined and enlarged by several of his followers, notable among them being Henry L. Gantt and the Gilbreths.

Gantt insisted that willingness to use correct methods and skills in performing a task was as important as knowing the methods and having the skills in the first place. Thus he saw the importance of the human element in productivity and propounded the concept of motivation as we understand it today. He introduced two new features in Taylor's incentive scheme which was found to have too little motivational impact. First, every worker who finished a day's assigned workload was to win a 50 per cent bonus for that day. Second, the foreman too was to earn a bonus for each worker who reached the daily standard, plus an extra bonus if all the workers reached it. This, Gantt reasoned, would spur a foreman to train his workers to do a better job. Gantt also developed the idea of rating an employee's work publicly. Every worker's progress was recorded on individual bar charts, inked in black on days he or she completed the standard, and red on days he or she fell below. Going beyond this, Gantt originated a charting system for production control. This system, called the "Gantt chart" is still in use today. It reflects each man's daily performance in relation to a predetermined quota or standard of performance.

Frank and Lillian Gilbreth made their contribution to the scientific management movement as a husband and wife team. They made motion and fatigue study their lifework. Using motion picture cameras, Frank Gilbreth tried to find the most economical motions for bricklaying. He classified all movements employed in industrial work into 17 basic types, called "Therbligs", and provided a shorthand symbol for each so that the analyst could easily and quickly jot down each motion as he observed the worker in action. According to Gilbreths, motion and fatigue studies raised workers' morale, not only because of their obvious physical benefits but also because they demonstrated management's concern for the workers.

Contributions and Limitations of Scientific Management

First, the time and motion studies have made us aware that the tools and physical movements involved in a task can be made more efficient and rational. Second, the stress which scientific management placed on scientific selection of workers has made us recognise that without ability and training a person cannot be expected to do his job properly. Finally, the importance that scientific management gave to work design encouraged managers to seek that "one best way" of doing a job. Thus, scientific management not only developed a rational approach to solving organisation problems but also contributed a great deal to the professionalisation of management.

Scientific management is, however, severely criticised on the following grounds:

1. Taylor's belief that economic incentives are strong enough to motivate workers for increased production proved wrong. No man is entirely an "economic man", that is, a man's behaviour is not always dictated by his financial needs. He has many other needs also, such as security needs, social needs or egoistic needs which motivate him far more potently than his desire for money, at least after he has risen above the starvation level.
2. Taylor's time and motion study is not accepted as entirely scientific. This is because two time studies done by two separate individuals may time the same job entirely differently. There is no such thing as "one best way" so far as the component motions are concerned, because no two individuals can be expected to work in the same way at the same rhythm, with the same attention and the same learning speed.

3. Separation of planning and doing and the greater specialisation inherent in the system tended to reduce the need for skill and produce greater monotony of work. Having a man take orders from 7 to 8 different bosses resulted in confusion, besides increasing the overhead cost.
4. Advances in methods and better tools and machines eliminated some workers, who found it difficult to get other jobs. This caused resentment among them.

Administrative Management

While Taylor is considered the Father of Scientific Management, Henri Fayol (1841–1925) is considered the Father of Administrative Management theory with focus on the development of broad administrative principles applicable to general and higher managerial levels. He was a French mining engineer turned a leading industrialist and successful manager. He wrote a monograph in French in 1916, entitled "General and Industrial Administration". Until this book was translated into English in 1929, little was known about him by the western world.⁵

In his treatise, Fayol provided a broad analytical framework of the process of administration. (He used the word "administration" for what we call management.) His perspective, unlike that of Taylor, extended beyond the shop level and the physical production processes and was of a macro nature, covering the general administrative and managerial functions and processes at the organisational level.

Fayol wrote that all activities of business enterprises could be divided into six groups: technical, commercial, financial, accounting, security and administrative or managerial. Fayol's primary focus, of course, was on this last managerial activity because he felt managerial skills had been the most neglected aspect of business operations. He defined management in terms of five functions: planning, organising, commanding, coordinating and controlling.

Fayol's five management functions are similar to the functions of planning, organising, directing and controlling that we have described in Chapter 1. Many management theorists and even practitioners have found this classification very useful and realistic. Further, the process of management as a series of functions originated with Fayol. He emphasised repeatedly that this process is the same at every level of an organisation and is common to all types of organisations.

Fayol also presented 14 principles of management as general guides to the management process and management practice. These are as under:

Division of Work Division of work in the management process produces more and better work with the same effort. Various functions of management like planning, organising, directing and controlling cannot be performed efficiently by a single proprietor or by a group of directors. They must be entrusted to specialists in related fields.

Authority and Responsibility As the management consists of getting the work done through others, it implies that the manager should have the right to give orders and power to exact obedience. A manager may exercise formal authority and also personal power. Formal authority is derived from his official position, while personal power is the result of intelligence, experience, moral worth, ability to lead, past service, etc. Responsibility is closely related to authority and it arises wherever authority is exercised.

⁵ The original French title of the book is *General and Industrial Administration*. But in English translation the word "management" replaces the "administration".

An individual who is willing to exercise authority, must also be prepared to bear responsibility to perform the work in the manner desired. However, responsibility is feared as much as authority is sought after.

Discipline Discipline is absolutely essential for the smooth running of business. By discipline we mean, the obedience to authority, observance of the rules of service and norms of performance, respect for agreements, sincere efforts for completing the given job, respect for superiors, etc. The best means of maintaining discipline are (a) good supervisors at all levels, (b) clear and fair agreements between the employees and the employer, and (c) judicious application of penalties. In fact, discipline is what leaders make it.

Unity of Command This principle requires that each employee should receive instructions about a particular work from one superior only. Fayol believed that if an employee was to report to more than one superior, he would be confused due to conflict in instructions and also it would be difficult to pinpoint responsibility to him. (Note that the importance of such a restriction was not realised by F.W. Taylor when he recommended that there should be as many foremen as there are special functions in doing a job and each of these foremen should give orders to the worker on his speciality.)

Unity of Direction It means that there should be complete identity between individual and organisational goals on the one hand and between departmental goals *inter se* on the other. They should not pull in different directions.

Subordination of Individual Interest to General Interest In a business concern, an individual is always interested in maximising his own satisfaction through more money, recognition, status, etc. This is very often against the general interest which lies in maximising production. Hence the need to subordinate the individual interest to general interest.

Remuneration The remuneration paid to the personnel of the firm should be fair. It should be based on general business conditions, cost of living, productivity of the concerned employees and the capacity of the firm to pay. Fair remuneration increases workers' efficiency and morale and fosters good relations between them and the management.

Centralisation If subordinates are given more role and importance in the management and organisation of the firm, it is decentralisation. The management must decide the degree of centralisation or decentralisation of authority on the basis of the nature of the circumstances, size of the undertaking, the type of activities and the nature of organisational structure. The objective to pursue should be the optimum utilisation of all faculties of the personnel.

Scalar Chain Scalar chain means the hierarchy of authority from the highest executive to the lowest one for the purpose of communication. It states superior-subordinate relationship and the authority of superiors in relation to subordinates at various levels. As per this principle, the orders or communications should pass through the proper channels of authority along the scalar chain. But in case there is need for swift action, the proper channels of authority may be short-circuited by making direct contact (called gang plank) with the concerned authority.

In Fig. 2.1 we find two ladders of authority—one from E to A and the other from P to A. In a strict observance of the scalar chain, any communication from D to O would go all the way up to A and down the other side of the triangle to O. This is a time consuming procedure. Fayol suggested that if there is need for swift action D and O may be authorised by their respective superiors (C and N) to have direct

contact with each other. A gang plank can be thrown across between *D* and *O*. By this method, the scalar principle is safeguarded and at the same time the subordinate officers are enabled to take swift action.

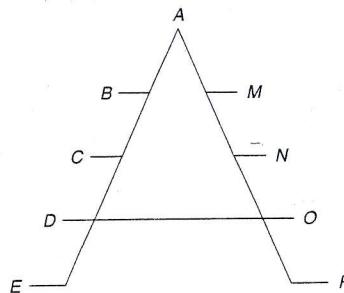


Fig. 2 1 Gang plank

Order To put things in an order needs effort. Disorder does not need any effort. It evolves by itself. Management should obtain orderliness in work through suitable organisation of men and materials. The principle of "right place for everything and for every man" should be observed by the management. To observe this principle, there is need for scientific selection of competent personnel, correct assignment of duties to personnel and good organisation.

Equity Equity means equality of fair treatment. Equity results from a combination of kindness and justice. Employees expect management to be equally just to everybody. It requires managers to be free from all prejudices, personal likes or dislikes. Equity ensures healthy industrial relations between management and labour which is essential for the successful working of the enterprise.

Stability of Tenure of Personnel In order to motivate workers to do more and better work, it is necessary that they should be assured security of job by the management. If they have fear of insecurity of job, their morale will be low and they cannot give more and better work. Further, they will not have any sense of attachment to the firm and they will always be on the lookout for a job elsewhere.

Initiative Initiative means freedom to think out and execute a plan. The zeal and energy of employees are augmented by initiative. Innovation which is the hallmark of technological progress, is possible only where the employees are encouraged to take initiative. According to Fayol, initiative is one of the keenest satisfactions for an intelligent man to experience, and hence, he advises managers to give their employees sufficient scope to show their initiative. Employees should be encouraged to make all kinds of suggestions to conceive and carry out their plans, even when some mistakes result.

Esprit de Corps This means team spirit. Since "union is strength", the management should create team spirit among the employees. Only when all the personnel pull together as a team, there is scope for realising the objectives of the concern. Harmony and unity among the staff are a great source of strength to the undertaking. To achieve this, Fayol suggested two things. One, the motto of divide and rule should be avoided, and two, verbal communication should be used for removing misunderstandings. Differences grow more bitter when cleared through written communication.

Contributions and Limitations of Administrative Management

Both Taylor and Fayol had essentially the same goal of increasing production but they tried to reach this goal from different directions. Taylor worked from the bottom of the hierarchy upward, whereas Fayol worked from the apex downwards.

Fayol's principles met with widespread acceptance among writers on management and among managers themselves. In the United States the most important acceptance of his principles came from two General Motors executives—James D. Mooney and Alan C. Railey. These executives wrote a book *Onward Industry* in 1931, later revised and renamed *Principles of Organisation*.

The real explosion in the number of principles of management came with Colonel L. Urwick, a distinguished executive and management consultant in U.K. He wrote a book, *The Elements of Administration* in which he tried to assemble the concepts and principles of Taylor, Fayol, Mooney, Railey and other early management theorists. Some of the several dozen principles he advocated are:

1. There should be clear line of authority, as in the military, from the top management down to the lowest employee.
2. The authority and responsibility of each employee should be communicated to him in writing.
3. Each individual should perform one function only.
4. The span of control of a manager should never exceed six.
5. Authority can be delegated, but not responsibility.

Drawing inspiration from Fayol, a new school of thought known as the Management Process School came into existence. Harold Koontz and Cyril O'Donnell are the champions of this school. They believe that management is a dynamic process of performing the functions of planning, organising, staffing, directing and controlling. They also believe that these functions and the principles on which they are based have general or universal applicability. Managers, whether they are managing directors or supervisors, perform the same functions of planning and control although the degree of complexity may differ. Similarly, management functions are not confined to business enterprises alone but are applicable to all organisations wherever group effort is involved. Management theory, as a body of knowledge, is not culture-bound but is transferable from one environment to another. This approach is also referred to as the universalist approach.

Ideas of Fayol and his followers have come to be criticised as under:

1. Fayol's principle of specialisation produces the following dysfunctional consequences:
 - (a) It leads to the formation of small work groups with norms and goals often at odds with those of management. Each individual carries out his assigned part as something apart from the overall purpose of the organisation as a whole. He does not care to know how his job fits into the entire picture.
 - (b) It results in the dissatisfaction of workers because it does not provide them the opportunity to use all their abilities.
 - (c) It results in an increase in the overhead cost because the more the specialisation develops at one level, the greater becomes the need for coordination at a high level.
2. For many of Fayol's principles one can find an equally plausible and acceptable contradictory principle and there is nothing in Fayol's writings to indicate which is the proper one to apply.

Simon⁶ substantiated this criticism by referring to the principle of unity of command and the principle of specialisation or division of labour. Both the principles, he said, cannot be followed simultaneously. For example, if an accountant in a marketing department is subordinate to the marketing manager and if unity of command is observed, then the finance department cannot issue direct orders to him regarding the technical, accounting aspects of his work. Similarly, the principle of limited span of control (advocated by Gulick, Urwick, and others) does not go hand in hand with another of their principles which says that the number of organisational levels should be kept at a minimum because on limiting the span of control, number of levels of management increases. In this way, many of these principles are full of contradictions and dilemmas. This provoked Simon to remark that these principles are no better than proverbs which give opposite messages.

3. These principles are based on few case studies only and have not been tested empirically. Indeed, whenever these principles have been tested empirically, they have fallen like autumn leaves. For example, Dale⁷ found considerable variation in the span of control of the chief executive even among highly successful firms as against the limit of six by Urwick.
4. These principles are often stated as unconditional statements of what ought to be done in *all* circumstances when what is needed are conditional principles of management. For example, it is not correct to say that the authority and responsibility of an employee should be explicitly described in all types of environments because as shown by Burns and Stalker,⁸ in a technologically turbulent environment an employee's job should be as little defined as possible, so that it can shape itself according to the changing needs of the situation.
5. These principles (viz., the principle of specialisation, chain of command, unity of direction and span of control) result into the formation of mechanistic organisation structures which are insensitive to employees' social and psychological needs. Chris Argyris⁹ contends that such structures inhibit the employees' self-actualisation and accentuate their dependence on superiors. They also develop among employees an orientation towards their own particular departments rather than towards the whole organisation.
6. These principles are based on the assumption that organisations are closed systems. But this is not so. Organisations are open systems. Hence the rigid structures which these principles tend to create, do not work well under unstable conditions.

Bureaucracy

Max Weber¹⁰, a German sociologist, is known as the Father of Bureaucracy. About 1910 he made a study of different types of business and government organisations and distinguished 3 basic types of administration in them: leader-oriented, tradition-oriented and bureaucratic. Leader-oriented administration is one in which there is no delegation of management functions. All employees serve as

⁶ Herbert Simon, *Administrative Behaviour*, (N.Y.: The Free Press, Second ed.) p. 20.

⁷ Ernest Dale, *Planning and Developing the Company Organisation Structure* (N.Y.: American Management Association, 1952).

⁸ T. Burns and G.M. Stalker, *The Management of Innovation* (London: Tavistock, 1961).

⁹ Chris Argyris, *Integrating the Individual and the Organisation*. (N.Y.: Wiley, 1964).

¹⁰ Max Weber, *The Theory of Social and Economic Organisation*, (N.Y. Oxford University Press Inc. 1947).

loyal subjects of a leader. In tradition-oriented administration managerial positions are handed down from generation to generation. Who you are rather than what you can do, becomes the primary criterion for work assignment. In bureaucratic administration delegation of management responsibilities is based on the person's demonstrated ability to hold the position. No person can claim a particular position either because of his loyalty to the leader or because the position has been traditionally held by members of his family. People earn positions because they are presumed to be best capable of filling them. Weber considers this last type as the ideal type of administration.

Important Features of Bureaucratic Administration

1. **There is Insistence on following Standard Rules** Weber believed that the authority in an organisation should not be governed by the personal preferences of the employer but it should be governed by standard rules. In other words, the institutional cult should replace the personality cult. He said that this would provide equality in the treatment of subordinates and continuity and predictability of action. This would also obviate the need for searching *ad hoc* solutions to problems.
2. **There is a Systematic Division of Work** This increases production by improving efficiency and saving time in changing over from one job to another.
3. **Principle of Hierarchy is Followed** Each lower officer is under the control and supervision of a higher one.
4. **It is Necessary for the Individual to have Knowledge of and Training in the Application of Rules** because these form the basis on which legitimacy is granted to his authority.
5. **Administrative Acts, Decisions and Rules are Recorded in Writing** This makes the organisation independent of people besides making people's understanding more accurate.
6. **There is Rational Personnel Administration** People are selected on the basis of their credentials and merit and are paid according to their position in the hierarchy. Promotions are made systematically. There is emphasis on winning people's loyalty and commitment.

Contributions and Limitations of Bureaucracy

Contributions Bureaucracy can be viewed as the logical extension of management when it becomes impossible for one person to fulfill all management functions. The concept has enabled most modern large scale organisations which require functionally specialised staff to train and control the people with heterogeneous backgrounds and to delegate specific responsibilities and functions to them.

Limitations During the past few years however, bureaucracy has come in for a lot of criticism. Researches by Merton¹¹, Selznick¹² and Gouldner¹³ have revealed several dysfunctional consequences of bureaucracy. Bennis and Thompson are among the severest critics of bureaucratic organisations. In

¹¹ Merton, R.K. (1940), *Bureaucratic Structure and Personality*. Social Forces, No. 18.

¹² Selznick, P. (1949), *TVA and The Grass Roots*, Berkeley.

¹³ Gouldner, A.W. (1954), *Patterns of Industrial Bureaucracy*, Free Press.

fact, Weber himself in his own life time became so much disenchanted with these organisations that he later on began to attack the concept which at one time he had helped to immortalise.

Important *dysfunctional consequences* of bureaucracy are as follows:

1. Overconformity to rules In a bureaucratic organisation employees observe "stick to the rule" policy because they fear being penalised for the violation of these rules. They therefore follow only the letter of the law without going into its spirit. For example a doctor in the emergency ward spends precious time in filling up various forms before helping the accident victim. Violation of rules begets more rules to take care of the violations.

2. Buck-passing In a bureaucratic organisation the employees' initiative is stifled. In situations where there are no rules, employees are afraid of taking decisions independently lest they may be punished for the wrong decisions. They, therefore, either shift decisions to others or postpone them. As a result office work increases and the Parkinson's law comes into operation.

3. Categorisation of queries In a bureaucratic organisation probable queries coming from outside are generally classified in advance into a few broad categories. Answers for each category are also prepared in advance. Differences, if any, between queries within a category are ignored. On receiving a query the employee's job is simply to determine its category and tick the reply applicable to that category.

4. Displacement of goals This is a very common phenomenon in a bureaucratic organisation. It was first discovered some 80 years ago by the German sociologist, Robert Michels¹⁴ and is extensively described by him in his book. Goal displacement takes place when an organisation substitutes for its legitimate goal some other goal for which it was not created, for which resources were not allocated to it, and which it is not known to serve. Displacement of goals can occur in several ways. Some of them are as under:

- (a) After some time the leaders of an organisation may begin to devote more and more of their attention and resources to preserve and maintain the organisation itself rather than its initial purpose. This occurs because several interest groups develop in and outside the organisation which begin to use the organisational goals as means to serve their own individual goals.
 - (b) After some time the employees of an organisation may so intensively internalise the rules that the goals which these rules were originally framed to achieve are totally forgotten. The means thus become more important than the ends. This type of behaviour is called '*professional automation*'.
- There can be many examples of this behaviour. A stranger enters an office and seeks some information from an employee sitting there. But the employee, instead of supplying him the required information asks him to follow the rules and to go to the enquiry counter.

Employees develop "*professional automation*" when the management insists on following a certain way of doing things and praises or punishes employees on the basis of their adherence to that prescribed way (and not on the basis of their achievement of goals.) If a librarian is praised for the neat and orderly look of the library and not for the increase in the number of book borrowers, if a factory worker is praised for his regular attendance and not for the quality of his performance and if a teacher is praised for the pass percentage of his students

and not for the quality of his instruction, it is not surprising if they begin to feel after some time that the orderly look of the library, regular factory attendance and high pass percentage are all what are demanded of them. Story is told of a transport spokesman who countered complaints that buses often whizzed past waiting commuters by arguing that picking up passengers upset timetables. In fact, appraisals in many organisations are based on information that is easy to collect rather than that which is intrinsically important.

- (c) After some time, the secondary goals of an organisation may completely subordinate its primary goals, so that the latter are no longer served effectively. A university may initiate certain social or extra-curricular activities to attract students to classes, but if the social activities consume the greater proportion of the university's time and resources or become the major focus of the participants' commitments, then they undermine the achievement of the teaching goal. A company may decide to put in a secret detective force in order to cut down on losses due to theft and carelessness. The net result may be that the cost of the service is greater than the amount of theft prevented and that production drops due to a lowering of the morale among the workers.
- (d) After some time, sectional interests may develop among the sub-units of an organisation and the heads of these units may become so much enamoured with their sectional goals that they may forget organisational goals.
- 5. No real right of appeal** The clients of a bureaucratic organisation generally feel dissatisfied because they have no real right of appeal. Superiors very often side with the viewpoint of their subordinates.
- 6. Neglect of informal groups** Man is imbued with sentiments. Being a social creature, he forms informal groups which play a very important role in all organisations. An entirely new discipline called "group dynamics" has now come into existence which provides us with deep insight into the formation and working of these groups. Bureaucratic organisations often ignore the existence of informal groups which usually carry out a big chunk of organisational work.
- 7. Rigid structure** Precise description of roles and overconformity to rules make bureaucratic structures rigid. Such structures, though they work well in stable environments, do not cope well with today's changing environment. Organisations today need flexible structures to be able to frequently interact with their environment for collecting, processing and monitoring information and changing the job descriptions and the roles of their employees.
- 8. Inability to satisfy the needs of mature individuals** The maturity-immaturity theory, propounded by Chris Argyris¹⁵, explains in great detail how bureaucratic organisations are unable to meet the needs of mature individuals who work in them. According to this theory, a mature individual wants independence, initiative, self-control, opportunity to use all his skills and information to plan his future. But the hierarchy and control features of a bureaucratic organisation work against these needs.

NOTES

¹⁴ Robert Michels, *Political Parties*, Dover, N.Y., 1959.

¹⁵ Chris Argyris, *Personality and Organisation*, N.Y.: Harper and Brothers, 1957.

NEO-CLASSICAL APPROACHES

These approaches are called neo-classical because they do not reject the classical concepts but only try to refine and improve them.

The Human Relations Movement

The human relations movement emerged in part because managers found that Taylor's scientific management and Fayol's administrative management did not quite achieve complete production efficiency and work place harmony. Managers still faced difficulties because employees did not always follow predicted or rational patterns of behaviour. Thus, there was an increased interest in helping managers deal more effectively with the "people side" of their organisations. The real inspiration for the movement however, came from the Hawthorne experiments which were done by Prof. Elton Mayo¹⁶ and his colleagues at the Western Electric Company's plant in Cicero, Illinois from 1927 to 1932. The plant employed 29,000 workers to manufacture telephone parts and equipment. We briefly describe these experiments in the following four parts:

1. Illumination Experiments.
2. Relay Assembly Test Room.
3. Interviewing Programme.
4. Bank Wiring Test Room.

We will briefly examine these experiments and their results.

Illumination Experiments This was the first phase of this study. In this phase, the popular belief that productivity is positively correlated with illumination was tested. Experiments were done on a group of workers. Their productivity was measured at various levels of illumination. But the results were erratic. Puzzled with this phenomenon, researchers improved their methodology. This time, they set up 2 groups of workers in different buildings. One group called the control group worked under constant level of illumination and the other group called the test group worked under changing levels of illumination. The post-test productivity of the two groups was then compared and it was found that illumination affected production only marginally.

Relay Assembly Test Room In this phase, the object of the study was broadened. It now aimed at knowing not only the impact of illumination on production but also of such other factors as length of the working day, rest pauses, their frequency and duration and other physical conditions. A group of six women workers, who were friendly to each other, was selected for this experiment. These women workers were told about the experiment and were made to work in a very informal atmosphere with a supervisor-researcher in a separate room. The supervisor-researcher acted as their friend, philosopher and guide. During the study, several variations were made in the working conditions to find which combinations of conditions was most ideal for production. Surprisingly, the researchers found that the production of the group had no relation with working conditions. It went on increasing and stabilised at a high level even

when all the improvements were taken away and the poor pre-test conditions were reintroduced.¹⁷ Now this phenomenon came about, nobody knew. The workers were also not able to explain this phenomenon. They were neither closely supervised, nor motivated by extra reward. Obviously, something else was happening in the test room which was responsible for this. Researchers then attributed this phenomenon to the following factors:

- (a) Feeling of importance among the girls as a result of their participation in the research and the attention they got.
- (b) Warm informality in the small group and tension-free interpersonal and social relations as a result of the relative freedom from strict supervision and rules.
- (c) High group cohesion among the girls.

Interviewing Programme The knowledge about the informal group processes which was accidentally acquired in the second phase made researchers design the third phase. In this phase, they wanted to know as to what were the basic factors responsible for human behaviour at work. For this purpose they interviewed more than 20,000 workers. At first, direct questions were asked relating to the type of supervision, working conditions, living conditions and so on. But since the replies were guarded, the technique was changed to non-directive type of interviewing, in which workers were free to talk about their favourite topics related to their work environment. This study revealed that the workers' social relations inside the organisation had an unmistakable influence on their attitudes and behaviours. The study brought to light the all-pervasive nature of informal groups which had their own culture and production norms which their members were forced to obey.

Bank Wiring Observation Room This phase involved an in-depth-observation of 14 men making terminal banks of telephone wiring assemblies, to determine the effect of informal group norms and formal economic incentives on productivity. It was found that the group evolved its own production norms for each individual worker, which were much lower than those set by the management. Workers would produce that much and no more, thereby defeating the incentive system. This artificial restriction of production saved workers from a possible cut in their piece rates or an upward revision of their standards by the management and protected weaker and slower workers from being reprimanded or thrown out of the job—these being the days of the Great Depression.

Those workers who in their "foolishness" tried to produce more than the group norm were isolated, harassed or punished by the group in several ways and were called "*rate busters*". Those who were too slow were nicknamed as "*chisellers*", those who complained to the supervisor against their co-workers were called "*squealers*". The study also revealed that the members of an informal group gave informal rankings to each other, which decided the internal social structure of the group and its informal leaders.

The experience of the Hawthorne studies produced a profound impact on the luminaries of the human relations movement. They came to realise the important role played by informal groups in the working of an organisation. Research scholars now began to concentrate on the human aspect of management and the principle, that when people work together to accomplish group objectives, "people should understand people."

Contributions and Limitations of the Human Relations Movement

Contributions The contributions of the movement may be summarised as follows:

¹⁶ Elton Mayo, *The Human Problems of an Industrial Civilisation* (Macmillan, N.Y.: 1933).

1. A business organisation is not merely a techno-economic system but is also a social system. Hence it is as important for it to provide social satisfaction to the workers as to produce goods.
2. There is no correlation between improved working conditions and high production.
3. A worker's production norm is set and enforced by his group and not by the time and motion study done by any industrial engineer. Those who deviate from the group norm are penalised by their co-workers.
4. A worker does not work for money only. Non-financial rewards (such as the affection and respect of his co-workers) also significantly affect his behaviour and largely limit the effect of economic incentive plan.
5. Employee-centred, democratic and participative style of supervisory leadership is more effective than task-centred leadership.
6. The informal group and not the individual is the dominant unit of analysis in organisations.

Limitations

1. It is a swing in the opposite direction and is as much incomplete as the scientific management and administrative management approaches. If Taylor and Fayol viewed task and structure as their central tenets and ignored the human variable, the human relations writers saw only the human variable as critical and ignored other variables.
2. The implicit belief of this approach that an organisation can be turned into one big happy family where it is always possible to find a solution which satisfies everybody is not correct. Every organisation is made up of a number of diverse social groups with incompatible values and interests. These groups might cooperate in some spheres and compete and clash in others. Two groups within the organisation whose interests frequently come into conflict are management and the workers. Thus in a recession, the management of a company may clash with the workers if it decides to lay off some of them. No amount of "human relations" can sugarcoat this reality indefinitely. Management can only put off its decision for some time.
3. This approach over-emphasises the importance of symbolic rewards and underplays the role of material rewards. One must realise that for symbolic rewards to be effective, the recipient must first identify with the granting organisation and, even more important, the symbols must be appreciated by the recipient's "significant others", i.e., his wife, friends, neighbours, etc. Many times a worker in a factory is ridiculed by his coworkers on receiving a symbolic reward from his employer. Hence such rewards generally fail to achieve their objective of higher production.
4. This approach provides an unrealistic picture about informal groups by describing them as a major source of satisfaction for industrial workers. Many organisational researchers¹⁷ have shown that the workers do not come to the factory to seek affection and affiliation and that the formation of informal groups among them is not very common. Moreover, informal groups, wherever they exist, can only make the worker's day more pleasant and not his task, which continues to remain repetitive, monotonous and uncreative.

¹⁷ Robert Dubin, *Industrial Workers' Worlds: A Study of the Central Life Interests of Industrial Workers*. *Social Problems* (1956) C.R. Walker & R.H. Guest, *The Man on the Assembly Line* (Harvard University Press, Cambridge, 1952). H.M. Volmer, *Employer Rights and the Employment Relationship* (Univ. of California Press, 1960).

5. This approach is in fact production-oriented and not employee-oriented as it claims to be. Many of its techniques (such as granting the workers inexpensive symbols of prestige, arranging picnics for the employees, running subsidised canteens, socialising with workers, etc.) trick workers into a false sense of happiness but there is no improvement in their well-being.
6. The leisurely process of decision-making of this approach cannot work during an emergency. How far, for example, can a platoon commander, under orders to capture a hill, practise human relations in the thick of the battle? When decisions have to be made very quickly, when secrecy is important, when work is reduced to a routine, or when subordinates do not particularly care to be consulted, this approach may not work.
7. This approach makes an unrealistic demand on the superior. It wants him to give up his desire for power. A desire for power is one of the main reasons why people want to become managers.
8. This approach is based on a wrong assumption that satisfied workers are more productive workers. Attempts to increase output by improving working conditions and the human relations skills of a manager, generally do not result in the dramatic productivity increases that are expected.

Behavioural Approach

This approach is an improved and a more mature version of the human relations approach to management. Douglas McGregor, Abraham Maslow, Kurt Lewin, Chester Barnard, Mary Parker Follett, George Homans, Rensis Likert, Chris Argyris, and Warren Bennis¹⁸ are some of the foremost behavioural scientists who made significant contributions to the development of the behavioural approach to management. These scientists were more rigorously trained in various social sciences (such as psychology, sociology, and anthropology) and used more sophisticated research methods. Thus, these people came to be regarded as "behavioural scientists" rather than members of the "human relations" school. The findings of these people have enormously helped us in understanding organisational behaviour.

Behavioural scientists are highly critical of the classical organisation structures which are built around the traditional concepts of hierarchical authority, unity of command, line and staff relationships and narrow spans of control. They argue that in these organisations there is lot of domination of the work place by managers which causes subordinates to become passive and dependent on them. Behaviourists prefer more flexible organisation structures and jobs built around the capabilities and aptitudes of average employees.

The behavioural approach recognises the practical and situational constraints on human rationality for making optimal decisions. It says that in actual practice, the decision-making is done in a sub-optimal manner. Also, behavioural scientists attach great weightage to participative and group decision-making because it is felt that business problems are so complex that it is neither fair nor feasible to make individuals responsible for solving them.

Behaviourists underline the desirability of humanising the administration of the control process and encouraging the process of self-direction and control instead of imposed control. They also favour

¹⁸ See Douglas McGregor, *The Human Side of Enterprise* (N.Y.: McGraw-Hill, 1960); Abraham Maslow, *Motivation and Personality* (N.Y.: Harper & Row, 1954); Chester Barnard, *The Functions of the Executive* (Cambridge, Mass.: Harvard University Press, 1938); Rensis Likert, *New Patterns of Management* (N.Y.: McGraw-Hill, 1961); Chris Argyris, *Integrating the Individual and the Organisation* (N.Y.: Wiley, 1964).

participation in the establishment, measurement and evaluation of standards of performance, prompt information feedback to those whose performance is off the mark and the need for positive and reformative measures instead of punitive measures.

Behavioural scientists consider organisations as groups of individuals with certain goals. They have, therefore, made wide-ranging studies of human groups—big and small. They have studied such issues as why individuals join groups, group size, structure and process, group cohesiveness, and so on.

Behavioural scientists have made extensive studies on leadership. Their view is that while in general, the democratic-participative style is desirable, the autocratic, task-oriented style may also be appropriate in certain situations.

To behavioural scientists, the realistic model of human motivation is *complex man*. This model suggests that different people react differently to the same situation or react the same way to different situations. No two people are exactly alike, and the manager should tailor his attempts to influence people according to their individual needs.

The behavioural approach to organisational conflict and change is quite pragmatic. It recognises that conflict is inevitable and sometimes is even desirable and should be faced with understanding and determination, that every organisational change involves technological and social aspects and that it is generally the social aspect of a change which people resist.

MODERN APPROACHES

Quantitative Approach

This approach is also called the management science approach. It gained momentum during the Second World War when UK and USA were desperately trying to seek solutions to a number of new, complex problems in warfare. The interdisciplinary groups of scientists who were engaged for this purpose were known as Operations Research (OR) teams because their work consisted of analysing operations and carrying out applied scientific research.

In later years, when the war ended, people made use of this technique in solving problems of industry also. Today OR works in approximately the following manner. A mixed team of specialists from relevant disciplines is called in to analyse the problem and to propose a course of action to the management. The team constructs a mathematical model to simulate the problem. The model shows, in symbolic terms, all the relevant factors that bear on the problem and how they are interrelated. By changing the values of the variables in the model (such as increasing the cost of raw materials) and analysing the different equations of the model generally with a computer, the team can determine what the effect of each change would be. Eventually, the OR team presents the management with a rational base for making a decision.

It is clear from the above description that the focus of the quantitative approach is on decision-making—to provide quantitative tools and techniques for making objectively rational decisions. Objective rationality implies an ability and willingness to follow a reasoned, unemotional, orderly and scientific approach in relating means with ends and in visualising the totality of the decision environment.

This approach facilitates disciplined thinking, while defining management problems and establishing relationships among the variables involved. The keynote of this approach is precision and perfection which is achieved by expressing relationships and facts in quantitative terms. The approach has been widely used in planning and control activities where problems can be precisely identified and defined in

quantitative terms. But its use is still uncommon in such areas as organising, staffing and leading the organisation where the problems are more human than technical in nature.

Systems Approach

A common pitfall of the classical, behavioural, and quantitative schools is that they stress one aspect of the organisation at the expense of others. Whereas the classical approach emphasises the "task" and "structure", the behavioural approach emphasises "people" and the quantitative approach emphasises "mathematical decision-making".

However, it is difficult to know which aspect is most useful and appropriate in a given situation. What is needed is one broad, detailed, conceptual framework that can help a manager diagnose a problem and decide which tool or combination of tools will best do the job. The systems approach provides him this integrated approach to management problems.

Some important advocates of the systems approach are Chester Barnard, George Homans, Philip Selznick and Herbert Simon. The following are the *key concepts* of this approach:

1. *A system is a set of interdependent parts* which together form a unitary whole that performs some function. An organisation is also a system composed of four interdependent parts, namely, task, structure, people and technology. The task subsystem refers to the main purpose, the *raison de'etre* of the organisation. The structure refers to the formal division of authority and responsibility, communication channels and work flow. The people subsystem refers to the employees with their motives, attitudes and values and the informal organisation. The technology subsystem refers to the tools and equipment as well as techniques which are used by the organisation to perform its task.

2. *Central to the systems approach is the concept of "holism"* which means that no part of the system can be accurately analysed and understood apart from the whole system. Conversely, the whole system cannot be accurately perceived without understanding all its parts. Each part bears a *relation of interdependence* to every other part. This means that rather than dealing separately with the various parts of one organisation, the systems approach tries to give the manager a way of looking at the organisation as a whole. It tells him that to understand, for example, the operations of the research and development or manufacturing or the marketing division of a company, he must understand the company as a whole, for the activity of any one part of the company affects the activity of every other part. This concept is called "Gestalt" in the field of psychology.

The above concept facilitates more effective diagnosis of complex situations and increases the likelihood of appropriate managerial actions. Perhaps the best example of the application of this concept can be found in the study of 12 restaurants in Chicago by William Foote Whyte and his 3 associates.¹⁹ The employees of these restaurants were facing the common problem of sudden overwhelming load of orders during rush hours. That was when the waitresses broke out in tears because they mixed up the orders and could not execute them in proper sequence, cooks grew sentimental and walked off the job because they could not match their output rate with the sudden increase in the input rate and the managers lost their temper and dismissed employees summarily because of the customers' complaints.

¹⁹ *Human Relations in the Restaurant Industry*, N.Y.: McGraw-Hill Book Co., 1948.

The researchers diagnosed all the components and concluded that the real problem was the flow of information which needed to be redesigned to make every body's job easier. They suggested that a mechanical device "spindle" be installed and waitresses instead of interacting with the cooks face to face should put their order slips on clips on this spindle. The spindle acted:

- As a queuing device* The waitresses could place their order slips on clips as they received them, and the cook could take each of them in its turn. Thus the orders, and not the waitresses waited in line.
- As a visual sorting device* The cook could see if there were several orders of the same type which could be prepared together.
- As a record of what went wrong* When a mistake occurred, correction could be made and the blame, if necessary, be correctly apportioned.

Had researchers limited their analysis only to the "people" component, this would have led them to exploring such inappropriate answers as incentive schemes, human relations training, selection procedures and time and motion studies.

3. A system can be either open or closed. An open system is one which interacts with its environment. A closed system is one which is independent of the environment. The classicists regarded organisations as closed systems. They ignored the effect of the environment. But all the living systems, whether biological organisations or social or business organisations are actually dependent upon their external environment for information, material and energy. These enter the system from the environment as inputs and leave the system as outputs. Hence they are rightly conceived as open systems by modern writers. The inputs of a business organisation are raw materials, power, finance, equipment, human effort, technology and information about market, new products, government policies, etc. The organisation changes these inputs into outputs of goods, services and satisfaction. This transformation process is known as "throughput".

In general, transformation processes can be categorised as follows:

- Physical (as in manufacturing),
- Location (as in transportation),
- Exchange (as in retailing),
- Storage (as in warehousing),
- Physiological (as in health care),
- Informational (as in telecommunications).

These transformations are not mutually exclusive. For example, a retailer can (a) allow customers to compare prices and quality (informational), (b) hold items in inventory until needed (storage), and (c) sell goods (exchange).

It should be remembered that the output of a system is always more than the combined output of its parts. This is called "synergy". In organisational terms, synergy means that as separate departments within organisation cooperate and interact, they become more productive than if they had acted in isolation. For example, it is obviously more efficient for each department in a small firm to deal with one financing department than for each department to have a separate financing department of its own.

One important mechanism which enables a system to adapt and adjust to the changing conditions of its environment and to exercise control over its operations is "feed back". As operations of the system

proceed, information is feedback to the appropriate parts so that the work can be assessed and if necessary, corrected. This is shown in Fig. 2.2. A system will be more effective when there is a match between the information processing requirements facing its parts and their information processing capacity.

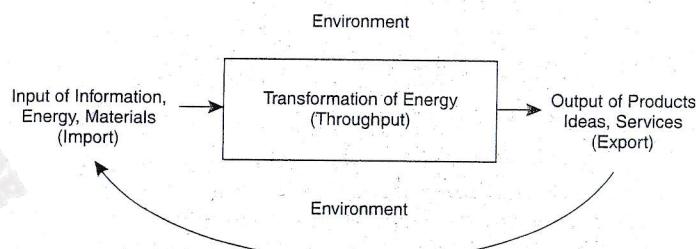


Fig. 2.2 Organisation as an open system

4. Every system has a boundary. Boundaries can be more clearly observed and therefore more precisely defined in the case of physical and biological systems than in the case of social systems. For example, we can define the physical boundaries of the human body or a plot of land very precisely. But it is difficult to define the boundary of an organisation. Organisations being social systems do not have clearly observable boundaries. Generally, the activities necessary for their transformation process define their boundaries. The concept of boundary is useful in several ways:

- It helps a system in determining where it ends and the other system begins.
- It divides those elements that are a part of a system from those that are a part of its environment.
- It enables a system to protect its transformation process from the vagaries of its environment. Manufacturing organisations protect their core operations from fluctuations in market conditions by creating several units on the input and output sides of their boundaries. These units are known as *boundary-spanning units*. Examples of such units on the input side are the purchase and personnel departments. Purchase departments ensure a steady flow of standardised inputs into the production process. They protect the process against several unforeseen events such as a strike in a supplier's plant. Similarly, a personnel department's constant hiring and training programme for certain types of workers absorbs fluctuations in manpower. Examples of boundary-spanning units on the output side are marketing, warehousing and quality control departments. Marketing department uncovers trends in the demand for its organisation's products and communicates this information to purchasing personnel. Warehousing permits the technical core to produce at a constant rate but distribution to fluctuate with market conditions. Quality control department filters the output of the organisation to prevent customer complaints from arising and penetrating organisation's boundaries.

Contribution of Systems Approach

In the traditional approaches only that part of the organisation is studied which is plagued with a problem. But in the systems approach a problem is studied both at the level of the sub system (i.e., the micro-level)

and the total system (i.e., the macro-level). Application of this approach to business organisation results in the requirement that executives, in addition to having skills in their own functional areas, should have enough knowledge of other areas also. They should be generalists.

There are some writers who contend that there is nothing new in this approach. They say that this approach simply combines the views of the classicists and the neo-classicists which tantamounts to pouring old wine into new bottles.

Contingency Approach

The contingency approach is the second approach (the first being the systems approach) that attempts to integrate the various schools of management thought. According to this approach, management principles and concepts of various schools have no general and universal applicability under all conditions. In other words, there is no one best way of doing things under all conditions. Methods and techniques which are highly effective in one situation may not work in other situations. What is good for the goose may not be good for the gander. Results differ because situations differ. Accordingly, the contingency approach suggests that the task of managers is to try to identify which technique will, in a particular situation best contribute to the attainment of management goals. Managers have, therefore, to develop a sort of situational sensitivity and practical selectivity.

Contingency views are applicable in designing organisational structure, in deciding the degree of decentralisation, in planning information decision systems, in motivational and leadership approaches, in establishing communication and control systems, in resolving conflicts and managing change, in employee development and training programmes and in several other areas of organisation and management. A detailed description of these views is given at relevant places in the chapters ahead.

We have described all major approaches to management thought in terms of their chronological emergence. It often seems that the boundaries between these approaches are becoming progressively less distinct, as the classical approach, which is incorporating many insights and concepts of other approaches, continues to remain the most important approach.

Summary

- § The history of management can be divided into three periods—early, neo-classical and modern. The early period consists of three approaches, viz., the scientific management, the administrative management and bureaucracy. Neo-classical period consists of the human relations and behavioural approaches. Modern period consists of the quantitative, systems and contingency approaches.
- § Each one of the above approaches has made a distinct contribution to management theory. The stress in the scientific management approach is on the “task” aspect of group effort, in the administrative management approach, it is on laying down universal principles of management and in bureaucracy it is on following standard rules.
- § In the human relations approach the stress is on the human aspect of group effort. The behavioural approach recognises the practical and situational constraints of human behaviour.

§ Quantitative approach emphasises the use of Operations Research or mathematical decision-making. Systems approach emphasises the concept of “holism”. Contingency approach attempts to integrate all previous approaches.

[Key Terms]

Time and Motion Study With the help of stop watch and motion camera, it is the study of time spent on different motions that compose a particular job, the purpose being to determine the best set of motions that lead to greatest efficiency.

Scalar Chain This refers to the chain of superiors from the highest to the lowest rank.

Unity of Command This is one of Fayol's 14 principles, which suggests that an employee should receive orders from only one superior.

Systems Approach Accepting the assertion that “everything depends on everything else”, this management approach emphasises the study of whole situations and relationships, rather than organisational segments.

Contingency Approach Also called “if-then” approach, this view of management holds that particular management techniques are appropriate for particular types of situations.

[Review Questions]

1. “The work of Taylor and Fayol was, of course, essentially complementary” (Urwick). Do you agree? Give reasons for your answer.
2. Mention the different schools of management. Discuss the contributions of the human behaviour schools.
3. Briefly describe the general principles of management as laid down by Henri Fayol. Is his list exhaustive?
4. Give a brief account of the contribution to management thought made by Elton Mayo.
5. Point out the distinctive contribution of Taylor to the theory of management. Why is he regarded as the Father of Scientific Management?
6. Describe the systems approach to management.
7. What is the major task of manager according to the contingency approach? How is this approach an effort to integrate all previous approaches?
8. What are the important features of a bureaucratic administration? Describe its dysfunctional consequences.
9. Match the following:

(a) Fourteen Principles of Management.	Max Weber
(b) Time and Motion study.	Elton Mayo