
UNIT-1 MANAGEMENT: THE CONCEPTUAL FRAMEWORK

Structure

- 1.0 Objectives
- 1.1 Meaning & Definition of Management
- 1.2 Features of Management
- 1.3 Importance of Management
- 1.4 Levels of Management
- 1.5 Management vs. Administration
- 1.6 Let us Sum up
- 1.7 Key Words
- 1.8 Further Readings
- 1.9 Terminal Questions

1.0 OBJECTIVES

After completing this module the students will be able to:

- Understand the meaning of management.
- Understand the nature & features of management
- Define the process & functions of the business management
- Know the Importance of management Levels of management

1.1 MEANING & DEFINITION OF MANAGEMENT

According to Theo Heimann, Management has three different meanings, viz., Management as a Noun: refers to a Group of Managers. Management as a Process: refers to the Functions of Management i.e. Planning, Organizing, Directing, Controlling, etc. Management as a Discipline: refers to the Subject of Management. Management is indispensable wherever human efforts are to be undertaken collectively to achieve certain objective. Management is a vital aspect in any organized group activity, be it business activity or any other activity Management integrates the human and physical resources for efficient achievement of objectives. Without the leadership provided by management, the resources of production remain resources only.

It is required not only in business enterprises but to all kinds of organizations where wherever resources are deployed to achieve some objectives. It is the specific organ of all kinds of organizations since every organisation needs to utilize their limited resources most efficiently and effectively for the achievement of their goals. Without management there will be chaos, wastage of time, effort and resources. Although management is pervasive, our discussion is confined to managing a business enterprise. The quality of management has a major implication on the growth and prosperity of the enterprise. Management is the dynamic and gives life to every organization. The aim of management is to accomplish desired goals. To achieve goals, one need to deploy resources. Management aims at judicious use of these resources. In today's competitive world, the quality management lays the foundation of the enterprise.

It is very difficult to give a precise definition of the term 'management'. There is no universally accepted definition of management. Different scholars from different disciplines have their own interpretation of the word management. Some of the leading definitions of Management given by various experts are: Henri Fayol who is known as the father of modern management defined management as, "Management is to forecast, to plan, to organize, to command, to coordinate and control the activities of others." F.W. Taylor, father of scientific management, "Management is an art of knowing what is to be done and seeing that it is done in the best possible manner."

1.2 FEATURES OF MANAGEMENT

- **Continuous Process:** Management is a circular process which never ends. It is concerned with constantly identifying the problem and solving them by taking adequate steps. The process of management starts with planning and ends with controlling. New plans need to be designed as per the needs. If the results are not achieved as per the plans, plans are revised again. This way, management becomes a continuous and never ending process. It lasts till the organisation lasts.
- **Pervasive:** Management is required everywhere. Management is a vital aspect in any organized group activity. Management is required not only for running a business but for any organized group activity be it an educational, charitable and religious institutions etc.
- **Result oriented:** The goal of management is to achieve the desired objectives. Management makes group efforts more effective. The group as a whole cannot realize its objectives unless and until there is mutual co-operation and co-ordination among the members of the group. Management creates team work and team spirit in an organization by developing a sound organization structure.

It brings the human and material resources together and motivates the people for the achievement of the goals of the organization.

- **Integrative:** Force Management aims at integrating the human resources with physical resources. Human efforts are directed towards the effective use of these resources so that the desired result can be achieved in the best possible way. Managers also seek to harmonize the individuals' goals with the organizational goals for the smooth working of the organization.
- **Multidisciplinary** Management deals with both human and physical resources. To manage people is a much more difficult task than managing physical resources. A manager needs to be good at understanding the emotions, feelings, aspirations, etc. So, management is a very complex job. Therefore, management uses knowledge from many different subjects such as Psychology, Sociology, Economics, Information Technology, etc. Therefore, it is multidisciplinary in nature.
- **Flexible** Management aims at achieving the objectives in the future. Various plans are made to achieve those objectives. However, future is uncertain. So, a manager needs to be flexible in his approach and enough scope should be there to incorporate the necessary changes.
- **Owners and Managers may be different:** In small organizations, generally the owner manages the business himself. But the need of management arises when there are so many people to do the work. In large organizations, generally, management is separate from ownership. The managers are highly qualified professionals who are hired from outside.
- **Both an Art and Science:** An Effective Management is a blend of both science & art. Science provides the principles and the art is the application of these principles. As science, there is a specialized field of knowledge that exists. Over the year the principles of management have been identified. Fredrick W. Taylor made significant contribution to the development of management science. He propounded the fundamental principles of scientific management. Even though management is a science as it possess a systematized body of knowledge which has evolved through observation and repeated experimentation, it is not an exact science like natural sciences since management deals with the behavior of people in organization. Behavior of people is much more complex and variable and it is difficult to do the controlled experiments. As a result, management principles cannot be applied directly as a rule of thumb but serve as a guide in decision making & problem solving. The application of these principles depends on the ability and the creativity of the manager. There is no hard and fast rule for the application of these principles. Different situations arise which

require the application of the specialized field of knowledge, but the way these principles are applied distinguishes a successful manager from an unsuccessful one. Thus management is both a science and an art. Developments in the field of the knowledge of management help in the improvement of its practice; and improvements in the practice of management spur further research resulting in further development of management principles.

- **Management is Intangible:** Management is intangible, i.e. it cannot be seen and touched, but it can be felt and realized by its results. Good management leads to the successful enterprise but an unsuccessful management leads to its failure.
- **Dynamic:** Management is dynamic in nature. That is, management is creative and innovative. An organisation will survive and succeed only if it is dynamic. It must continuously bring in new and creative ideas, new products, new product features, new ads, new marketing techniques, etc.

1.3 IMPORTANCE OF MANAGEMENT

Management is concerned with acquiring maximum prosperity with a minimum effort. Management is essential wherever group efforts are required to be directed towards the achievement of common goals. It is said that anything minus management amounts to nothing. The following points further highlight the significance of management:

Achieving the objectives: The ultimate goal of management is to achieve the objectives of the enterprise. It adds effectiveness to the efforts of the group of persons involved in achieving those objectives.

Optimum utilization of resources: Management aims at optimum utilization of the physical and human resources. The available resources of production are put to use in such a way that all sort of wastage and inefficiencies are reduced to a minimum. Workers are motivated to put in their best performance by the inspiring leadership. Through the optimum use of available resources, management accelerates the process of economic growth.

Reduces cost: In the modern era of intense competition, only those concerns can survive in the market, which can produce goods of better quality at the minimum cost. A study of the principles of management helps in knowing certain techniques used for reducing costs. Management by decreasing costs increases its profits and thus provides opportunities for future growth and development

Establishes a sound organisation: Efficient management creates a sound organisation. It not only establishes a sound organizational structure but also employs the right type of people at the right place to carry further the operations of the enterprise.

Change and growth: A business enterprise operates in a constantly changing environment. Changes in business environment create uncertainties and risk and also produce opportunities for growth. Sound management makes effective SWOT analysis to ensure the success of the business.

Provide innovation: Management gives new ideas, imagination and visions to an enterprise.

Social benefits: Management is useful not only to the business firms but to the society as a whole. It improves the standard of living of the people through higher production and more efficient use of scarce resources. By establishing cordial relations between different social groups, management promotes peace and prosperity in society.

1.4 LEVELS OF MANAGEMENT

There may be different levels or layers of management in an organization depending upon its size, technical facilities, and the range of production. Broadly there are three levels of management: Top level, Middle level & Lower level management.

Top management: Top management lays down goals, policies and plans for the enterprise. It consists of Company Presidents, Executives, Vice Presidents, Chairman and other Key Officers. Top management is the ultimate source of authority. It is accountable to the owners of the business for the overall management. The important functions of top management include:

- (a) Establishment of the goals, objectives & overall policies for the enterprise.
- (b) To assemble the resources: money, men, materials & machines.
- (c) To exercise effective control on the operations.
- (d) To provide overall leadership to the enterprise.

Middle management: The job of middle management is to implement the policies and plans framed by the top management. Most importantly, they serve as a link between the top and the lower level. They consist of sales managers, personnel managers & other departmental head. They are responsible to the top management for the functioning of their departments. The following are the main functions of middle management:

- (a) To implement the policies of the top management.

- (b) To recruit and select suitable operative and supervisory staff.
- (c) To compile all the instructions and issue them to supervisor under their control.
- (d) To motivate personnel to attain higher productivity and to reward them properly.
- (e) To ensure cooperation among the various departments for smooth functioning of the entire organization.
- (f) To report to the top management
- (g) To communicate the problems of the lower level management.

Lower or operative management: Lower management performs the executory function. It consists of foreman, supervisors, sales officers, accounts officers and so on. They are in direct touch with the rank and file or workers. Their authority and responsibility is limited. They pass on the instructions of the middle management to workers. They prepare the short term or operating plans. They are also involved in day to day decisions-making. They have to get the work done through the workers. They allot various jobs to the workers, evaluate their performance and report to the middle level management. They are more concerned with direction and control functions of management. They devote more time in the supervision of the workers.

1.5 MANAGEMENT VS ADMINISTRATION

The use of two terms management and administration are generally used interchangeably but the two terms are different. The difference between Management and Administration can be summarized as under:

Basis	Management	Administration
Meaning	Management is an art of getting things done through others by directing their efforts towards achievement of pre-determined goals.	It is concerned with the formulation of broad objectives, plans & policies.
Status	Management constitutes the employees of the organization who are paid remuneration (in the form of salaries & wages).	Administration represents owners of the enterprise who earn a return on their capital invested & profits in the form of dividend.
Level	Middle & lower level function	Top level function
Function	Management is a doing function because managers get work done under their supervision.	Administration is a thinking function because plans & policies are

		determined under it
Applicability	It is applicable to business concerns i.e. profit-making organization.	It is applicable to non-business concerns i.e. clubs, schools, hospitals etc.
Process	Management decides how to do.	Administration decides what is to be done & when it is to be done.
Influence	The management decisions are influenced by the values, opinions, beliefs & decisions of the managers.	The administration is influenced by public opinion, govt. policies, religious organizations, customs etc.

In actual practice, there is no difference between management & administration. Every manager has to perform both administrative management functions and operative management functions. However, the higher hierarchical level of the manager, he denotes more time on administrative function & the lower level denote more time on directing and controlling worker's performance i.e. management.

1.6 LET US SUM UP

Management is the binding force that binds various resources. It brings all resources together and efficiently utilize them to help accomplish the organization's goals. Koontz and O' Donnel have rightly observed "there is no more important area of human activity than management since its task is that of getting things done through others." assumes greater significance in business activities. The various factors of production could never become productive without the catalyst of management. It is now widely recognized that management is an important factor of growth of any country

1.7 KEY WORDS

- **Management:** Management consists of the interlocking functions of creating corporate policy and organizing, planning, controlling, and directing an organization's resources in order to achieve the objectives of that policy.
- **Pervasive:** Pervasive refers to the corporate culture that becomes the second nature of the workforce, leading employees to maintain a positive or a negative attitude with an impact on their performance.

- **Integrative:** Combining two or more things to form an effective unit or system.
- **Administration:** The process or activity of running a business, organization, etc.

1.8 FURTHER READINGS

1. The Practice of Management by Peter F. Drucker
2. Management: Global Edition by Stephen P. Robbins and Mary A.
3. Coulter Management: Principles and Practices by Ricky W. Griffin
4. Principles & Practices of Management by LM Prasad
5. Business Studies & Management by R.K. Sharma, S.K. Gupta

1.9 TERMINAL QUESTIONS

- Q1** Define Management. What are the salient features of Management?
- Q2** What are the different levels of management?
- Q3** Explain the significance of Management.
- Q5** Write the difference between Management & Administration.
- Q6** Justify Management as a Science as well as an Art.

UNIT-2 TAYLOR'S SCIENTIFIC MANAGEMENT

Structure

- 2.0 Objectives
- 2.1 Historical background of Scientific Management
- 2.2 Definition and concept of Scientific Management
- 2.3 Objective of Scientific Management
- 2.4 Features of Scientific Management
- 2.5 Principles of Scientific Management
- 2.6 Techniques of Scientific Management
- 2.7 Benefits of Scientific Management
- 2.8 Criticism of Scientific Management
- 2.9 Let's Sum Up
- 2.10 Keywords
- 2.11 Further Readings
- 2.12 Terminal Questions

2.0 OBJECTIVES

After studying this Unit, you will be able to know

- The Nature and significance of Principles of Management
- Taylor's principles and techniques of Scientific Management

2.1 HISTORICAL BACKGROUND

One of the earliest of these theorists was Frederick Winslow Taylor. He started the Scientific Management movement, and he and his associates were the first people to study the work process scientifically. They studied how work was performed, and they looked at how this affected worker productivity. Taylor's philosophy focused on the belief that making people work as hard as they could was not as efficient as optimizing the way the work was done.

The concept of scientific management was introduced by Frederick Taylor in USA in the beginning of the 20th Century. This concept was further carried on by Frank and Lillian Gilbert, Henry Gantt, George Berth, Edward Felen, etc. F.W Taylor, the father

of scientific management, was born in 1856 in USA. He initially joined Midvale Steel Works as an apprentice and reached to the level of Chief Engineer. Taylor was a keen observer. During his work he observed that machine functions need to be performed in a more systematic, organized and methodical ways. He conducted several experiments on working methods, styles of functioning and was of the view that the haphazard and unsystematic methods to avoid waste of time, machine hours and material.

In 1909, Taylor published "The Principles of Scientific Management." In this, he proposed that by optimizing and simplifying jobs, productivity would increase. He also advanced the idea that workers and managers needed to cooperate with one another. This was very different from the way work is typically done in businesses beforehand. A factory manager at that time had very little contact with the workers, and he left them on their own to produce the necessary product. There was no standardization, and a worker's main motivation was often continued employment, so there was no incentive to work as quickly or as efficiently as possible.



F. W. Taylor (1856 -1915)

2.2 DEFINITION & PRINCIPLES OF SCIENTIFIC MANAGEMENT

The scientific management theory basically encompasses the work performed on the production floor as these tasks are quite different from the other tasks performed within the organization. Such as, these are repetitive in nature, and the individual workers performing their daily activities are divided into a large number of cyclical repetition of the same or closely related activities.

According to F.W. Taylor, *“Scientific Management is the substitution of exact scientific investigations and knowledge for the old individual judgment or opinion in all matters relating to the work done in the shop.”*

According to Peter F..Drucker *“The core of scientific management is the organized study of work and the analysis of work into its simplest elements and the systematic improvement of the worker’s performance of each element.”*

These definitions describe scientific management as the application of scientific knowledge replacing the old or traditional methods of doing work.

2.3 OBJECTIVE OF SCIENTIFIC MANAGEMENT

- To achieve higher production and acceleration in the rate of productivity by the use of standardized tools, equipment and methods.
- Betterment in the quality of the products by research, quality control and effective inspection.
- Decrease in the cost of production by systematic planning, regulation and cost control techniques.
- Avoidance of wastage in the use of resources, time and method of production.
- Placement of the right person on the right job through scientific selection and training.
- Setting-up a sound system of wage payment so as to attain maximum efficiency.
- Ensuring a regular supply of goods to the consumers at reasonable prices.

2.4 FEATURES OF SCIENTIFIC MANAGEMENT

➤ **Systematic Approach :**

Scientific management is a systematic approach to management and its use ensures that all activities are completed in a systematic and scientific manner.

➤ **Discard of Traditional Change :**

The approach of scientific management completely discards traditional management. It calls for the discarding of old techniques and adoption of new and modern techniques, with the aim of improving the efficiency of employees.

➤ **Improves Efficiency of Workers :**

The main aim of scientific management is to increase the efficiency of the workers. This is done through conducting various kinds of study such as, Time Study, Fatigue Study, Motion Study.

➤ **Useful for Large Organisations :**

Since the Scientific Management System is quite expensive to implement, it is useful only for the large organizations. Small organisations cannot afford this system hence it involves a costly affairs.

➤ **Attempts to Minimize Wastes:**

Scientific management aims at minimizing the waste of time, materials, machine, etc. This is indeed very essential to achieve a higher level of performance and easier and quicker way to achieve goals.

➤ **Change in the Attitude:**

It involves a complete change in the mental attitude of workers as well as the management.

➤ **Give weightage to Specialization :**

Scientific management involves dividing each work into various small parts, each part being allotted to the person who is an expert in it. This results in better and more work being performed in much less time.

2.5 PRINCIPLES OF SCIENTIFIC MANAGEMENT

➤ **Science, Not Rule of Thumb**

Rule of Thumb“ means the application of traditional methods or the methods decided by the manager based on his past experience. All these methods are often untested and unscientific; they do not guarantee a specific result or outcome. This will help in saving time as well as human energy. Decisions should be based on scientific enquiry with cause and effect relationships. This principle is concerned with selecting the best way of performing a job through the application of scientific analysis and not by intuition or hit and trial methods.

➤ **Harmony, Not Discord:**

In this principle, Taylor emphasized that the interests of employers and employees do not clash. It seeks to harmonize the objectives of both sides. Group harmony suggests that there should be mutual give and take situation and proper understanding so that group as a whole contributes to the maximum.

Example: Japanese work culture is a classic example of such a principle. In Japanese companies, paternalistic style of management is in practice. There is complete openness between management and workers.

➤ **Mental Revolution :**

The technique of Mental Revolution involves a change in the attitude of workers and management towards each other. Both should realize the importance of each other and should work with full cooperation.

➤ **Maximum Output, Not Restricted Output**

Maximum output means increased profits and reduced costs. Scientific management involves continuous increase in production and productivity instead of restricted production either by management or by workers. Taylor hated inefficiency and deliberate curtailment of production.

➤ **Cooperation not Individualism:**

Cooperation' means acting jointly, or a union towards achieving the same result. This principle states that the work should be done in cooperation and with mutual confidence. Employees and management should cooperate with each other. Competition should be replaced by cooperation.

➤ **Development of each and every person to his or her greatest efficiency and prosperity:**

Efficiency of any organisation also depends on the skills and capabilities of its employees to a great extent. Thus, providing training to the workers was considered essential in order to learn the best method developed through the use of scientific approach.

2.6 TECHNIQUES OF SCIENTIFIC MANAGEMENT:

A. Functional Foremanship :

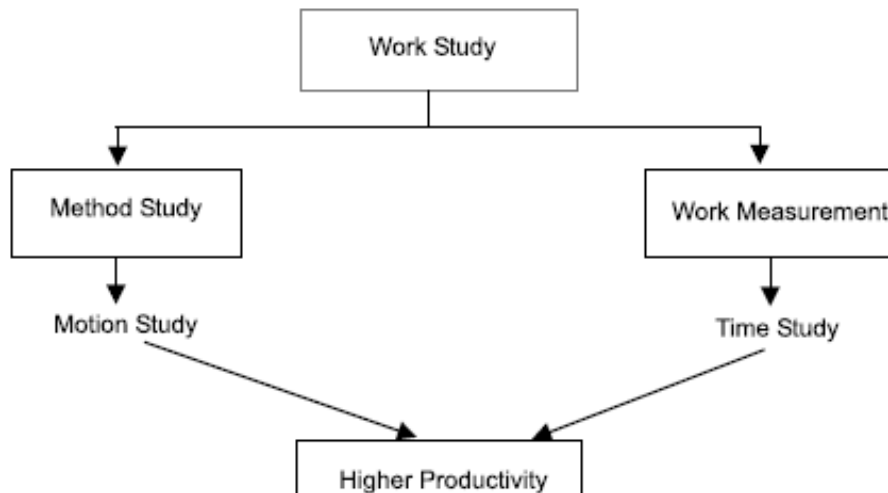
The main purpose of functional foremanship is to improve the quality of supervision of the workers by employing special foreman. Taylor believe that one foreman is not enough to control all the functional matters. Functional foremanship is a form of organisation which involves the supervision of a worker by several specialist foreman.

B. Standardization & Simplification of Work

Standardization would help to reduce spoilage and wastage of materials, improve quality of work, reduce cost of production and reduce fatigue among the workers. Taylor advocated standardization of tools and couplings, cost system and several other items. Efforts should be made to provide standardized working environment and methods of production to the workers. Standardization would help to reduce spoilage and wastage of materials, improve quality of work, reduce cost of production and reduce fatigue among the workers.

C. Work Study :

Work study implies an organized, objective, systematic, analytical and critical assessment of the efficiency of various operations in an enterprise. Work study means an objective and systematic observation of each step or operation of a work. Work study tries to minutely observe each process and part thereof to decide if the work is performed in a systematic and scientific manner or not.



Following are the techniques of work study:

- **Method Study:** This study is conducted to know the best method of doing a particular job. It helps in reducing the distance travelled by materials, and brings improvement in handling, transporting, inspection and storage of raw materials and goods.
- **Motion Study:** It is the study of the movement of an operator or a machine to eliminate useless motions and find out the best method of doing a particular job.
- **Time Study:** The purpose of study is to scientifically determine the standard time for doing a job under given conditions. It helps to measure the efficiency of workers. It creates time consciousness among workers.
- **Fatigue Study:** This study aims at providing proper rest interval to the employees to increase the effectiveness of the work. Fatigue study seeks to determine the amount and frequency of rest intervals in completing a task.

D. Differential Piece Wage System

This plan was suggested by Taylor to attract highly efficient workers. Under this plan, there are two piece work rates, one is lower and another is higher. The standard of efficiency is determined in terms of number of units during a day or standard same. The worker who produces more than standard output within the standard time. He will be given higher piece rate.

2.7 ADVANTAGES OF SCIENTIFIC MANAGEMENT OF AN ORGANISATION

- **Reduction in the Cost of Production:** It increases production with the help of mechanization and latest technology used in producing the goods. On account of large scale production, per unit cost of production is considerably reduced.

- **Better Quality Product:** By resorting to the measures of standardization and effective supervision, better quality products are ensured.
- **Division of Labour:** The principle of specialization adopted under scientific management ensures the benefits derived from the division of labour. The work is simplified and is carried out in most economical and efficient manner.
- **Avoidance of Disputes among Labour & Management:** Scientific management is instrumental in developing healthy cooperation between the management and the labour thereby encouraging cordial and harmonious relations between the two.
- **Increased Wages:** Scientific management aims at higher productivity and the workers get increased wages. Taylor suggested a differential incentive plan for increased wages to efficient workers. The higher wages are helpful in increasing the standard of living of the workers.
- **Right Method of Selection & Training of Workers:** Taylor advocated standardization of tools and couplings, cost system and several other items. Efforts should be made to provide standardized working environment and methods of production to the workers. Standardization would help to reduce spoilage and wastage of materials, improve quality of work, reduce cost of production and reduce fatigue among the workers.
- **Provision for Better Working Environment:** Scientific management provides proper atmosphere of work to the workers. Proper working hours followed by rest pauses, adequate lighting, ventilation, ensuring proper safety, provision of many other amenities etc. are ensured to workers.
- **Better Utilization of Resources:** Scientific management techniques ensure optimum utilisation of available resources viz., materials, machines, equipment, money and workers etc. It removes the waste and inefficiency of every kind.

2.8 CRITICISM OF SCIENTIFIC MANAGEMENT

A. Worker's View Point

- a. **Unemployment:** Workers feel that management reduces employment opportunities from them through replacement of men by machines and by increasing human productivity less workers are needed to do work leading to chucking out from their jobs.
- b. **Monotony:** Due to excessive specialization the workers are not able to take initiative on their own. Their status is reduced to being mere cogs in a wheel.

Jobs become dull. Workers lose interest in jobs and derive little pleasure from work.

- c. **Exploitation:** Workers feel they are exploited as they are not given due share in increasing profits which is due to their increased productivity.
- d. **Weakening Trade Union:** To everything is fixed & predetermined by management. So it leaves no room for trade unions to bargain as everything is standardized, standard output, standard working conditions, standard time etc.
- e. **Over Speeding:** The scientific management lays standard output, so they have to rush up and finish the work in time. These have an adverse effect on the health of workers.

B. Employers View Point

- a. **Expensive:** Scientific management is a costly system and a huge investment is required in establishment of planning dept., standardization, work study, training of workers. It may be beyond the reach of small firms.
- b. **Time Consuming:** A lot of time is required for work, study, standardization & specialization. During this overhauling of organization, the work suffers.

2.9 LET US SUM UP

The Principles of Taylor's Scientific Management Theory became widely practiced, and the resulting cooperation between workers and managers eventually developed into the teamwork we enjoy today. While Taylorism in a pure sense isn't practiced much today, scientific management did provide many significant contributions to the advancement of management practice. It introduced systematic selection and training procedures, it provided a way to study workplace efficiency, and it encouraged the idea of systematic organizational design.

11.0 Self-Assessment Questions Q 1. Define scientific management. State its principles in detail. Q 2. Explain the various techniques of scientific management. Q 3. Discuss the following techniques of Scientific Work Study: a. Time Study

2.10 KEY WORDS:

- **Method Study:** This study is conducted to know the best method of doing a particular job.
- **Motion Study:** It is the study of the movement of an operator or a machine to eliminate useless motions and find out the best method of doing a particular job.

- **Time Study:** The purpose of study is to scientifically determine the standard time for doing a job under given conditions.
- **Fatigue Study:** This study aims at providing proper rest interval to the employees to increase the effectiveness of the work.

2.11 FURTHER READINGS

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- Principles & Practices of Management by LM Prasad
- Business Studies & Management by R.K. Sharma, S.K. Gupta

2.12 TERMINAL QUESTIONS

1. Define scientific management. State its principles in detail.
2. Explain the various techniques of scientific management.
3. Discuss the following techniques of Scientific Management.
 - a. Time Study
 - b. Motion Study
 - c. Fatigue Study
 - d. Method Study
 - e. Work Study
4. Elaborate the features, benefits and criticism of scientific management.

UNIT-3 FAYOL'S PRINCIPLES OF MANAGEMENT

Structure

- 3.0 Learning Objectives
- 3.1 Concept and Meaning of Principles of Management
- 3.2 Nature & Characteristics of Principles of Management
- 3.3 Need of Principles of Management
- 3.4 Henry Fayol's Principles of Management
- 3.5 Let's Sum up
- 3.6 Keywords
- 3.7 Terminal Questions

3.0 LEARNING OBJECTIVES:

After studying this module, you shall be able to:

- Know the meaning, nature and significance of principles of management.
- Understand Fayol's principles of Management.
- Elaborate the need of principles of management

3.1 CONCEPT AND MEANING OF PRINCIPLES OF MANAGEMENT

Principle means a generally and universally acceptable thought or belief.

According to George Terry, "Principle is a fundamental statement or truth providing a guide to thought or action."

The term principle generally means a statement which is based on cause and effect relationship. These principles are not based on pure cause and effect relationship as in the case of science but are related to human behavior and management of persons working in an organization.

According to Hicks and Gulleick, "Principles of management are not so exact and infallible as principles of the physical sciences because they have to do with human behavior."

3.2 NATURE & CHARACTERISTICS OF PRINCIPLES OF MANAGEMENT

➤ Universal Application

The principles of management are universal in nature that means they can be applied to all types of organisations irrespective of their size and nature. Their results may vary and application may be modified but these are suitable for all kinds of organisations.

➤ General Guidelines

Management principles are not static or absolute statements. These cannot be applied blindly in all situations. The applicability of management principles depends on conditions and nature of organisation. The manager must apply these principles according to the size and nature of organisation keeping in mind the requirements of the Organisations.

➤ Flexibility

Management principles can be applied differently under different conditions. Some changes can be made in application of principles according to the requirement of the company. The principles of management are not rigid which have to be followed absolutely. They are flexible and can be modified by the manager when the situation so demands.

➤ Behavioral in Nature

Management principles are formed to guide and influence the behavior of employees. This principles insist the relationship between the superior and subordinates and all the members of the organisation.

➤ Contingent

The application of principles of management is contingent or dependent upon the prevailing situation at the particular point of time.

➤ Equal Importance

We cannot say the principles of unity of command are more important than the principle of unity of direction. In this way all the principles of management are equally important.

➤ **Cause & Effect Relationship**

The principles of management are intended to establish relationship between cause and effect so that they can be used in a similar situation in a large number of cases.

3.3 NEED OF PRINCIPLES OF MANAGEMENT

- Management Principles are needed for the smooth and effective control over the organisation.
- It helps in jurisdiction of work
- Management principles helps in simplify management practice.
- It helps in formulating a plan of action by the managers.
- Managers don't have to use trial and error method
- Management principles set the working rules of managerial functions.
- To improve productivity

3.4 HENRY FAYOL AND PRINCIPLES OF MANAGEMENT















Henri Fayol, a French industrialist, developed his concept of administration which was based on his experience. The 14 principles of management propounded by him were discussed in detail in his book published in 1917, *Administration industrielle et generale.* It was published in English as „General and Industrial Management“ in 1949 and is widely considered a foundational work in classical management theory. For his contribution he is also known as the „Father of General Management“.



HENRY FAYOL (1841 - 1925)

Fayol was the first to identify four functions of management- Planning, Organising, Directing and controlling although his version was a bit different- Plan, Organise, Command and Control.

14 Principles of Management by Henry Fayol:

1		Division of work	8		The Degree of Centralization
2		Authority and Responsibility	9		Scalar Chain
3		Discipline	10		Order
4		Unity of Command	11		Equity
5		Unity of Direction	12		Stability of Tenure of Personell
6		Subordination of Individual Interest	13		Initiative
7		Remuneration	14		Esprit de Corps

(Image Source: <https://www.toolshero.com/>)

- I. **Division of Work** – When employees are specialized, output can increase because they become increasingly skilled and efficient.
- II. **Authority** – Managers must have the authority to give orders, but they must also keep in mind that with authority comes responsibility.
- III. **Discipline** – Discipline must be upheld in organizations, but the methods for doing so can vary.
- IV. **Unity of Command** – Employees should have only one direct supervisor.
- V. **Unity of Direction** – According to this principle, each group of activities with the same objective must have one head and one plan. Teams with the same objective should be working under the direction of one manager using one plan. This will ensure that action is properly coordinated.
- VI. **Subordination of Individual Interests to the General Interest** – The interests of one employee should not be allowed to become more important than those of the group. This includes managers.
- VII. **Remuneration** – Employee satisfaction depends on fair remuneration for everyone. This includes financial and non-financial compensation.

- VIII. **Centralization** – This principle refers to how close employees are to the decision-making process. It is important to aim for an appropriate balance.
- IX. **Scalar Chain** – Scalar Chain implies chain of superiors from the ultimate or top authority to the lower rank in the organization. Scalar chain refers to the route which the communications follow while flowing from one level to the ultimate authority. Employees should be aware of where they stand in the organization's hierarchy, or chain of command.
- X. **Order** – This is a principle relating to the arrangement of things and people. In material order, there should be a place for everything and everything should be in its place. The workplace facilities must be clean, tidy and safe for employees. Everything should have its place.
- XI. **Equity** – Equity implies just, fair and reasonable treatment. This principle emphasizes kindness and justice in the behavior of managers towards workers. Managers should be fair to staff at all times, both maintaining discipline as necessary and acting with kindness where appropriate.
- XII. **Stability of Tenure of Personnel** – Managers should strive to minimize employee turnover. Personnel planning should be a priority.
- XIII. **Initiative** – Employees should be given the necessary level of freedom to create and carry out plans. This principle helps the management to know more ways of executing the predetermined plan as the employees give various suggestions
- XIV. **Esprit de Corps** – The phrase esprit de corps means the spirit of loyalty and devotion which unites the members of a group. It also means the regard for the honor of the group to which one belongs. Organizations should strive to promote team spirit and unity.

3.5 LET US SUM UP

Management principles are guidelines to action and they denote a cause and effect relationship. While functions of management i.e Planning, Organising, Staffing, Directing and Controlling are the actions to be taken while practicing management, principles help managers to take decisions while performing these functions. The 14 principles of management can be used to manage organizations and are useful tools for forecasting, planning, process management, organization management, decision-making, coordination and control.

3.6 KEY WORDS

- **Equity:** kindness and justice in the behavior of managers towards workers.
- **Behavioral :** Involving, relating to, or emphasizing behaviour
- **Contingent:** Subject to change. A group of people sharing a common feature, forming part of a larger group
- **Esprit De Corps:** A feeling of pride and mutual loyalty shared by the members of a group.

3.7 FURTHER READINGS

- H. Koontz, H. Weihrich, and Ramachandra Aryasri A., “Principles of Management”, 1st Edition, Tata McGraw -Hill Publishing Company Ltd., 2006.
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- Durbin, “Essentials of Management” 7th Edition, Cengage Learning India Pvt. Ltd.

3.8 TERMINAL QUESTIONS

- Q1. Discuss the all principles of management given by Henri Fayol with examples.
- Q2. Explain the differences between the contributions of Taylor and Fayol.
- Q3 Describe the concept, nature and need of principles of management in detail.
- Q 4: Write note on
- a) Authority & Responsibility
 - b) Division of Work
 - c) Scalar Chain
 - d) Unity to Command

UNIT-4 BEHAVIORAL SCHOOL OF MANAGEMENT

Structure:

- 4.0 Learning Objectives
- 4.1 Introduction
- 4.2 Features of Behavioral Theory of Management
- 4.3 Elton Mayo's Hawthorne study
- 4.4 Maslow's Need Hierarchy Theory of Management
- 4.5 Herzberg's Motivation hygiene Theory
- 4.6 McGregor's participation Theory
- 4.7 Let's Sum Up
- 4.8 Key Words
- 4.9 Further Readings
- 4.10 Terminal Questions

4.0 LEARNING OBJECTIVE

After studying this unit the learner will be able to understand

- Meaning & Features of Behavioral Theory of Management
- Experiment made by different authors and their outcomes on behavioral theory study of Management.

4.1 INTRODUCTION

The behavioral management theory is often called the human relations movement because it addresses the human dimension of work. Behavioral theorists believed that a better understanding of human behavior at work, such as motivation, conflict, expectations, and group dynamics, improved productivity.

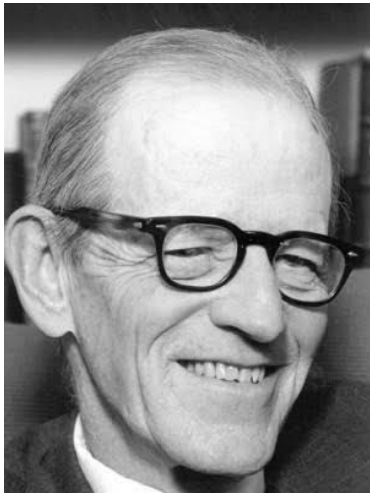
4.2 FEATURES OF BEHAVIOURAL THEORY OF MANAGEMENT

- **Motivation:** - Behavioral theory of management considers the different motivational factors which lead to high productivity and high morale.
- **Social System:** - It is based on social system of organisation and includes different role of employees as well as the role of informal groups in the organisation.

- **Leadership:** - Behavioral theory explains the role of personal leadership in management and studies the human relations and the relationship between the leader and workers. It also involves the study of successful and unsuccessful managerial behaviour.
- **Communication:** - It includes the study of factors relating to the persons and organisation which helps in communication channels.
- **Employee Development:** - It is concerned with the continued upgrading of employee skills and managerial skills.

4.3 ELTON MAYO'S HAWTHORNE STUDY:

Elton Mayo, born in December of 1880, was an Australian psychologist and organizational theorist who made several key contributions in the realms of social psychology and business management. Mayo believed, after observing industrial unrest in Australia, that work morale is dependent on the social perception of the work itself. In other words, worker's morale is greater when their work is seen as important and valuable (Bourke, 1986).



HAWTHORNE EFFECT:

The Hawthorne Effect is the idea that “behavior during the course of an experiment can be altered by a subject’s awareness of participating in an experiment”

- The initial Hawthorne effect took place in the Hawthorne plant of Western Electric Company in the 1920’s and 1930’s
- The studies were composed of many long “investigations into the importance for work behavior and attitudes of a variety of physical, economic, and social variables.”

HAWTHORNE EXPERIMENTS

- Hawthorne experiments was first conducted in November 1924 at Western Electric Company
- The initial tests were sponsored by the National Research Council (NRC)
- In 1927 a team from Harvard Business School was invited.

RESULTS: The results of the experiment are discussed below:

- **Social Factors:** At Hawthorne studies Elton Mayo described that organization is a 'social system' and social norms at work play an important role in motivating people. Mayo stated that the main cause of changes in productivity study is the restructuring of social relationships.
- **Informal Groups are important:** Elton Mayo stated that informal groups have a favorable impact on productivity and attitude of the workers and influence the work performance. Informal groups may help to overcome the limitations of the formal group.
- **Leadership:** Leadership is very important in each and every organisation to achieve the desired results. Informal leaders are more acceptable in an organisation because they have more influence on the behavior of subordinates as they associate themselves with the social problems of the workers and able to get the cooperation from them.
- **Communication:** - During decision making workers participation is a must and the logic behind every decision should explained and communicated to the workers. This will not only help to bring much better results but also useful to understand the attitude of the workers and give them due recognition.
- **Balanced Approach:** -The management must take into account every aspect of the problems of the workers. All the problems should be discussed and decisions should be taken for improving further limitations.

4.4 MASLOW'S THEORY

Abraham Maslow is well renowned for proposing the Hierarchy of Needs Theory in 1943. This theory is a classical representation of human motivation. This theory is based on the assumption that there is a hierarchy of five needs within each individual. Maslow's hierarchy of needs is a motivational theory in psychology comprising a five-tier model of human needs, often depicted as hierarchical levels within a pyramid. From

the bottom of the hierarchy upwards, the needs are: physiological, safety, love and belonging, esteem, and self-actualization.



➤ **Psychological Needs**

These needs are of the lowest-order and most basic needs of human beings. Physiological needs involve food, air, water, clothing, and shelter. These needs are very much required for the survival of human beings.

➤ **Safety & Security Needs**

Safety and security needs involve the need for a secure environment, which is free from threats of physical and psychological harm. At this level, the needs for security and safety become primary. Here the security relating to the financial securities, health & wellness, accident and injuries etc.

➤ **Esteem Needs**

At this point, it becomes increasingly important to gain the respect and appreciation of others. People have a need to accomplish things and then have their efforts recognized. These include such needs that indicate self-confidence, achievement, competence, knowledge, and independence. In the case of entrepreneurs, the ownership and self-control over enterprise satisfies their esteem needs by providing them with status, respect, reputation, and independence.

➤ **Social Needs**

At this level, the need for emotional relationships drives human behavior. These needs, therefore, refer to belongingness or affiliation. All individuals want to be recognized and accepted in the society

➤ **Self-Actualization**

At the very peak of Maslow's hierarchy are the self-actualization needs. "What a man can be, he must be," Maslow explained, referring to the need people have to achieve their full potential as human beings.

4.5 HERZBERG'S MOTIVATION HYGIENE THEORY

Herzberg was an American psychologist who became one of the most influential names in business management. He is most famous for introducing job enrichment and the Motivator-Hygiene theory. In 1959, Frederick Herzberg, a behavioral scientist proposed a two-factor theory or the motivator-hygiene theory. According to Herzberg, there are some job factors that result in satisfaction while there are other job factors that prevent dissatisfaction. According to Herzberg, the opposite of "Satisfaction" is "No satisfaction" and the opposite of "Dissatisfaction" is "No Dissatisfaction". This theory is also known as two way theory or dual theory.



FREDRICK HERZBER (1923 - 2000)

Two Factor Theory of Motivation



(Image Source: <https://expertprogrammanagement.com/>)

A. Hygiene Factors :

Hygiene factors are those job factors which are essential for the existence of motivation at workplace. These factors are extrinsic to work. Hygiene factors are also called as dissatisfies or maintenance factors as they are required to avoid dissatisfaction.

- a. Company Policies
- b. Supervision
- c. Relationship
- d. Remuneration
- e. Work Conditions
- f. Securities

B. Motivational Factors :

The motivational factors yield positive satisfaction. These factors are inherent to work. These factors motivate the employees for a superior performance. These factors are called satisfiers.

- a. Achievement :
- b. Recognition :
- c. Responsibility
- d. Growth

The Two-Factor theory implies that the managers must stress upon guaranteeing the adequacy of the hygiene factors to avoid employee dissatisfaction. Also, the managers must make sure that the work is stimulating and rewarding so that the employees are motivated to work and perform harder and better. This theory emphasize upon job-enrichment so as to motivate the employees. The job must utilize the employee's skills and competencies to the maximum. Focusing on the motivational factors can improve work-quality. Hygiene theory criticized those people who generally tend to take credit for themselves when things go well. They blame failure on the external environment. The theory basically explains job satisfaction, not motivation. Even job satisfaction is not measured on an overall basis. This theory stated that situational variables are not enough to motivate an individual.

In fact, there is a great similarity between Maslow's and Herzberg's model of motivation. A close examination of Herzberg's model indicates that for those employees who have achieved a level of social and economic progress in the society, higher level needs which include esteem and self-actualization needs of Maslow's model are the primary motivators. However, they still must satisfy the lower level needs for the maintenance of the current state. So we can say that money might still be a chief motivator for most of the operative employees and also for some low paid managerial people. Herzberg's model draws a distinction between the two groups of factors, namely, motivational and maintenance, and points out that the motivational factors are often derived from the job itself. Most of the maintenance factors come under comparatively lower order needs and motivational factors are somewhat equivalent to higher order needs. Both models assume that specific needs energize behavior.



Douglas Murray Mc Gregor was a management professor at the MIT Sloan School of Management and president of Antioch College from 1948 to 1954. He also worked at the Indian Institute of Management Calcutta. In 1960 he wrote a famous book “The Human Side of Enterprise”. Douglas McGregor is a contemporary of Abraham Maslow. Likewise, he also contributed much to the development of the management and motivational theory. He is best known for his Theory X and Theory Y explained in the book ‘The Human Side of Enterprise’. He explained the various assumptions of the managers about the human behaviour and how the superior manages their subordinates. McGregor identified an approach of creating an environment within which employees are motivated via authoritative, direction and control or integration and self-control, which he called theory X and theory Y.

Theory X:

Theory X assumes that employees are naturally unmotivated and dislike working, and this encourages an authoritarian style of management. According to this view, management must actively intervene to get things done. This style of management assumes that workers:

- Dislike working.
- Avoid responsibility and need to be directed.
- Have to be controlled, forced, and threatened to deliver what's needed.
- Supervised at every step, with controls put in place.
- Need to be control to produce results;
- They have no ambition or incentive to work.

X-Type organizations required many managers and supervisors to control workers. There is little delegation of authority and control remains firmly centralized. McGregor recognized that X-Type workers are in fact usually the minority, and yet in mass

organizations, such as large scale production environment, X Theory management may be required and can be unavoidable.

Theory Y:

This theory explains a participative style of management that is decentralized. It assumes that employees are happy to work, are self-motivated and creative, and enjoy working with greater responsibility. It assumes that workers:

- Take responsibility and are motivated to fulfill the goals they are given.
- Seek and accept responsibility and do not need much direction.
- Consider work as a natural part of life and solve work problems.

Theory X represents the traditional and narrow view of human nature while Theory Y represents a modern and dynamic nature of workers. An organization designed on the basis of Theory Y will assume decentralization, participation of leadership and two-way communication. Theory X and Theory Y represent two extremes. No person can belong to these two extreme situations. Each person possesses the traits of Theory X and theory Y, though the degrees may be different under different situations. Though, no generalizations can be made, still it appears that theory X is more applicable to unskilled and uneducated lower class workers who work for the satisfaction of their physiological needs only. Theory Y appears to be applicable to the educated, skilled and professional employees who understand their responsibilities and do not need any direction and control. However, there can be exceptions. A lower level employee may be more responsible and mature than a well-qualified high level employee. Still these theories are very important tools in understanding the behavior of human beings and in designing the motivational schemes. The management should use a combination of both the theories to motivate different employees.

4.7 LET'S SUM UP:

Behavioral management thoughts were developed in response to know about the behavior and motivation. These thoughts moved the management from a production orientation style to a leadership style and consider the workers' human need for work-related satisfaction and good working conditions. Hawthorne experiments were first and foremost group activity in which other people and their behavior, be, they colleagues, managers or observers, affected how well people worked. People's morale and productivity were affected not so much by the conditions in which they worked but by the recognition they received. Through need hierarchy theory Maslow, arranged the human needs in the lowest to the highest order. The second need does not dominate unless the first is reasonably satisfied and the third need does not dominate until the

first two needs have been reasonably satisfied. This process goes on till the last need. The Two Factor theory implies that the managers must stress upon guaranteeing the adequacy of the hygiene factors to avoid employee dissatisfaction. Also, the managers must make sure that the work is stimulating and rewarding so that the employees are motivated to work and perform harder and better. Theory X represents the traditional and narrow view of human nature while Theory Y represents a modern and dynamic nature of workers. An organization designed on the basis of Theory Y will assume decentralization, participation of leadership and two-way communication. So, all the behavioral school of management thoughts considered the social and welfare aspects of employees which further increase the satisfaction and motivation among them.

4.8 KEY WORDS

- **Social System:** Social system is the patterned network of relationships constituting a coherent whole that exist between individuals, groups, and institutions. It is the formal structure of role and status that can form in a small, stable group.
- **Self-Actualization:** The realization or fulfilment of one's talents and potentialities, especially considered as a drive or need present in everyone.
- **Theory X:** Theory X relies on the authoritarian style of management, where the managers are required to give instructions and keep a close check on each employee.
- **Theory Y:** Theory Y relies on the participative style of management, where the managers assume that the employees are self-directed and self- motivated to accomplish the organizational objectives.

4.9 FURTHER READINGS

- Stephen P Robbins, “Fundamentals of Management: Essential Concepts and Applications”, 5th Edition, Pearson Education., 2005
- R. Sivarethinamohan and P. Aranganathan, “Principles of Management”, 1st Edition, CBA/Tata McGraw -Hill Publishing Company Ltd., 2005.
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4.10 TERMINAL QUESTIONS:

- Q 1 What are the Features of Behavioral Theory of Management?
- Q 2 Why was Mayo's Hawthorne experiment relevant to behavioral management theory?

- Q 3 Discuss about McGregor's approach to Theory X and Theory Y.
- Q 4 Write a note on Elton Mayo's Hawthorne Experiment and result
- Q 5 Write Short Notes on the followings:
- A) Maslow's Theory
 - B) Hygiene Factors
 - C) Motivational Factors
 - D) Theory X

UNIT-5 SYSTEM & CONTINGENCY APPROACH TO MANAGEMENT

Structure

- 5.0 Meaning & Concept of System Approach
- 5.1 Features of System Approach
- 5.2 Critical Evaluation of System Approach
- 5.3 Meaning of Contingency Approach
- 5.4 Features of Contingency Approach
- 5.5 Limitation of Contingency Approach
- 5.6 Relationship between System Approach & Contingency Approach
- 5.7 Let's Sum up
- 5.8 Key Words
- 5.9 Further Readings
- 5.10 Terminal Questions

5.0 MEANING AND CONCEPT OF SYSTEM APPROACH:

A system is a set of interrelated but separate parts working towards a common purpose. The arrangement must be orderly and there must be proper communication facilitating interaction between the elements and finally this interaction should lead to achieve a common goal. System approach to management views the organization as a unified, purposeful system composed of interrelated parts. This approach also gives the manager to see the organization as a whole and as a part of the larger external environment.

Advantages of System Approach

- It aims at meaningful analysis of organisations and their management
- It facilitates interaction between organisation and its environment.
- It guides the manager to avoid analyzing problems in isolation and to develop an integrated approach.

Disadvantages of System Approach

- This approach does not recognize the differences in the systems
- System philosophy does not specify the nature of interactions and interdependencies.
- It cannot be directly applied to practical problems.

5.1 FEATURES OF SYSTEM APPROACH TO MANAGEMENT

- **Hierarchy of Subsystem**

It is the basic feature of system-approach which explains that within an organisation there are several parts, where each part is considered to be a sub-system of another sub-system

- **Interrelated & Interdependent**

The sub-system or parts prevailing in a system are connected to each other and performance of one part is affected by the performance of the other.

- **Boundary**

This approach clearly defines what is within the organisation and what is outside the organisation. In other words a manager is well aware about the controllable factors and uncontrollable factors.

- **Open System**

An organisation being a social system is an open system which puts effect on the environment and is affected by the environment

- **Adaptive**

Under the system approach to management, the organisation is an open organisation and it takes input from the environment and adjust accordingly

- **Dynamic**

Within an organisation there are several subsystems and the process in between these subsystems are all dynamic and vulnerable.

- **Multi-Disciplinary**

Management in any organisation is not influenced by a single discipline. It is a result of so many disciplines like Economics, Statistics, Sociology, Psychology, Operation Research, mathematics and various schools of Management Thoughts.

5.2 CRITICAL EVALUATION OF SYSTEM APPROACH TO MANAGEMENT

Contributions: The contributions given by the system approach to management are:

- (i) It enables a manager to think correctly and positively about how to get things done and teaches him to consider the organisation as a whole to

achieve the overall effectiveness rather than to consider each individual part separately,

- (ii) It follows management by objective as the focus is strived to achieve organizational objective side by side fulfilling the individual objectives of the sub-systems.
- (iii) It helps the manager in understanding the impact of environmental factors as the environment is dynamic and always keeps on changing so it enables a manager to be more and more adaptive.
- (iv) It tells the managers about the multilevel and multi-dimensional features of management. It explains how it is applied at both micro and macro levels. At micro level it may consider even a small sub-system and at macro level it may consider even the whole business system.
- (v) System approach to management also implies that manager should have an analytical observation power. He should be able to analyze the available opportunities and to allocate the resources considerably.
- (vi) New ideas should also be accepted by a manager even from a lower level employee. He should teach his employees the benefits of team-work or the importance of synergy. So this approach actually makes him a real motivator

Limitations of System Approach

In Spite of being much better than the classical and neo-classical approaches to management, system theory can't be said as an absolutely perfect theory. It suffers from these limitations:

- (i) This approach lacks universality. It is suitable for the large business organisations but not for the small concerns. It is also more beneficial for manufacturing concerns rather than service providers.
- (ii) This theory does not explain the relationship among different variables that can be applied to all business concerns.
- (iii) System approach says that all subsystems are interrelated and interdependent but to what extent it does not specify.
- (iv) This approach is over-conceptual.
- (v) It does not explain how the subsystems of the specific organisation is uniquely related in a given environment.

5.3 CONTINGENCY APPROACH

The word contingency means possibility and in broad sense it means to be prepared for every circumstances and situations. This approach says that management principles and practices cannot be applied universally so as per this approach manager should take decision not according to the principles but according to the situation. In this approach manager first analyse all the prevailing situations and circumstances then applies the principle and skill of management according to the situation.

System approach has not fulfilled the condition of establishing a relationship between the organisation and environment. There are so many factors like environmental change, uncertainty, technology and size of the company etc., which impact the organisation and all these factors should be kept in mind by a good manager. So a manager must analyse the prevailing environment and should take decisions accordingly.

For example: MR. X is running a vegetarian restaurant in a particular area. And he finds that his sale is not good enough as per his expectation because he was aware of the fact that people in that area are very fond of restaurant foods and are regular visitors so he tried to find out the reason and after a survey he comes to know that most of the people living in that area are non-vegetarian and he is serving only vegetarian food items. He immediately changes his policy and started offering non-vegetarian items too and with-in few days his sale shoot up with a very good percentage. It all happened due to the applicability of contingency approach by the manager.

5.4 FEATURES OF CONTINGENCY APPROACH

Based on Situation:

Contingency approach is based on the situation. It cannot be applied universally. It is of the opinion that there is not any single style which can be best suited to every situation. So every manager has to make a deep analysis regarding the specific situations and then make his policy and decision.

Provides Solution:

Contingency approach not only takes into account the situation but also provide the best solution according to the behavioural pattern of the organisation.

Inter-Relationship:

Contingency approach establish good interrelationship between situational variables and managerial actions since management variables are dependent on environment variables which are independent

Structural Adaptability:

Under this approach a manager adopts himself according to the changed circumstances since contingency approach takes into account structural changes in the organisation according to the changed environment.

Practical Approach:

This approach is more practical because it changes according to the changed environment and do not stick to the outdated policies.

Analytical:

Since this approach tries to analyse the interrelationship between environment and managerial actions it bridges the gap of existing practiced theories.

Suggest Alternatives:

This approach not only give quantitative and qualitative suggestions but also provide with various alternatives that could be applied to a particular situation.

Improved Approach:

Contingency approach is considered to be an approved one because it provides a pragmatic method of recognising and analysing various subsystems of the organisation, identifies their exact nature and tries to integrate with the exact nature of the environment.

5.5 LIMITATIONS OF CONTINGENCY APPROACH

Lack of Theoretical Base:

The theoretical base is referred to the available studies on the concept. So many researches have been done in this regard but no sound base has been provided by them which can provide with the obvious action that could be taken in a particular situation.

Difficulty in Testing:

It is a very complicated job to test this approach because this approach is based on experience and practice. There is no set of principles for this approach.

Limitation of Proactiveness:

This approach does something when some situation arises so it means it is reactive but actually what is desired from a manager is proactiveness. This means he has to be aware of the probable changes in the environment and must be able to decide in advance that if such a situation comes then what could be done.

Tedious:

Only saying that decide according to the situation is not a solution. It requires a complete analysis of the situation and manager do not necessarily always have time to go through all what is actually required. Therefore to apply this approach in practice is very complicated not simple.

5.6 RELATIONSHIP BETWEEN SYSTEM & CONTINGENCY APPROACH

- System Approach has failed to establish a relationship between the organisation and the environment, whereas environment analysis is one of the major parts of the conceptual framework for contingency approach. It is the foremost duty of the manager to analyse the environment and take action according to the result of the analysis.
- Contingency Approach follows the basic ideas and concepts given by the Systems Approach but followers of contingency approach opines that system approach is not targeted towards managerial action.
- System Approach is more concentrated towards human behavior and the various parts of the organisation i.e. how the various sub-parts are connected to each other, whereas contingency approach concentrates on structural adaptation of the organisation with its inside and outside environment.
- It can be said that the contingency approach has emerged and built-up over the system approach. So both the approaches can go together in an organisation. A manager can decide within the various subsystems what different strategies should be adopted by him in different situations.

5.7 LET US SUM UP

To conclude we can say that system approach is a set of various interrelated and interdependent subsets working together to achieve a common goal. It helps the manager to bring co-ordination at various levels and to analyse systematically. This approach provides a unified focus to the organizational efforts. It has given a new sight to the managers.

Contingency approach of management is more sophisticated as well as complex in nature. This approach suggests that there is a direct relation between managerial action and the environment. According to this approach there is no single way-out for every kind of problem or situation, so what is to be done completely depends upon what actually is desired according to the situation

5.8 KEY WORDS

- **Proactive:** Creating or controlling a situation rather than just responding to it after it has happened.
- **Tedious:** Tiresome or Monotonous.
- **Adaptability :** The quality of being able to adjust to new conditions or situations
- **System Approach:** A line of thought in the management field which stresses the interactive nature and interdependence of external and internal factors in an organization. A systems approach is commonly used to evaluate market elements which affect the profitability of a business.
- **Contingency Approach:** The contingency approach is a management theory that suggests the most appropriate style of management is dependent on the context of the situation and that adopting a single, rigid style is inefficient in the long term.

5.9 FURTHER READINGS

- H. Koontz, H. Weihrich, and Ramachandra Aryasri A., “Principles of Management”, 1st Edition, Tata McGraw -Hill Publishing Company Ltd., 2006.
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- Durbin, “Essentials of Management” 7th Edition, Cengage Learning India Pvt. Ltd

5.10 TERMINAL QUESTIONS

1. What do you mean by System approach to management? State its features.
2. Write a note on contingency approach. State its limitations.
3. Briefly compare the system approach and contingency approach to management.
4. Make a critical evaluation of the system approach.