

Module 1

Introduction to Management

1.1. MANAGEMENT

1.1.1. Meaning of Management

The term 'management' stands for the act of planning, organising, directing and controlling the activities of human beings and physical resources with the intention of accomplishing a predefined objective. Being broad in nature the word carries many contextual meanings. It is looked upon as a 'factor of production', as a 'class of persons', as a 'process' and as an 'exploiting set of people' from the view point of economists, socialists, management practitioners and trade unionists, respectively.

In a nutshell, it is portrayed as 'an activity' or 'a process' executed by 'a group of people' dynamically engaged with the authorities to make decisions or policies. In further simplification, it can be stated that, management is the job of a manager, who exhibits the art of managing the people and getting the things done with the help of formally organised groups of people.

According to Louis Allen, "Management is what a manager does".

According to James D. Mooney and Allan C. Reiley, "Management is the art of directing and inspiring people".

According to Peter Drucker, "Management is a multipurpose organ that manages a business, manages manager and manages workers and work".

According to Koontz and O'Donick, "Management is the creation and maintenance of an internal environment in an enterprise where individuals, working in groups, can perform efficiently and effectively toward the attainment of group goals. It is the art of getting the work done through and with people in formally organised groups".

1.1.2. Difference between Management and Administration

In terms of both business and human organisation activities, management is simply described as the process of gathering and directing people towards the

achievement of organisational goals. It is defined as a function of planning, organising, staffing, and directing the people of the organisation towards the attainment of established goals and objectives. Such resourcing pertains to the usage and management of human, financial, technological, and other natural resources. Administration is the widespread process through which people and other resources of an organisation are efficiently organised for directing managerial activities towards attainment of organisational goals. It establishes the policies of the firm, broadly outlines the organisational structure, and undertakes the overall control of the enterprise.

According to Oliver Sheldon, "Administration defines the goal; management strives toward it".

Basis of Distinction	Management	Administration
1) Nature	It is a doing or executive function.	It is a thinking or determinative function.
2) Type of Work	It involves implementation of policies for the achievement of objectives.	It involves formulation of policies and objectives.
3) Direction of Human Efforts	It involves directing efforts of employees towards achievement of organisational goals.	It does not involve direction of human efforts.
4) Main Functions	Controlling and motivating are its main functions.	Planning and organising are its main functions.
5) Managerial Level	It includes middle and lower-level management such as Managing Director, General Manager, etc.	It includes top-level management, such as, Board of Directors.
6) Influence	Set policies and objectives influence managerial decisions.	External forces and public views influence administrative decisions.
7) Skills Required	Human and technical skills are required for management.	Human and conceptual skills are required for administration.
8) Usage	Mainly used in business set-ups.	Mainly used in public and government sectors.

1.1.3. Nature of Management

Nature of management can be explained with the help of the following points:

- 1) **Continuous Process:** Management is a never ending process. It continuously follows a series of steps like planning, organising, staffing, directing and controlling for effective utilisation of financial and personnel organisational resources. All these functions are inter-dependent and one function cannot operate without the presence of the other. Hence, management is an unending process that follows a number of steps so that the problems are identified and resolved.
- 2) **Management as a Discipline:** Management may not fit well in the context of a discipline like other physical sciences but its status is gradually increasing amongst the practitioners of management. In recent times, the status of management as a discipline is increasing as it provides certified information and knowledge to management practitioners and also aims at discovering new aspects of the business world.
- 3) **Management as a Career:** Management on its own is an excellent career option offering diverse growth opportunities. Management also offers insights in interesting, stimulating and specialised areas like human resources, marketing, finance, supply chain management, etc. These are all upcoming challenging areas and lucrative career options.
- 4) **Management as a Science as well as an Art:** Management is a good combination of art as well as science. As it is an organised body of knowledge and states various facts and truths, it can be considered as a science. Management is also an art, as it involves managing various processes which require different set of skills by managers.
- 5) **Goal-oriented:** Every organisation has to attain a set of pre-determined goals. The success or failure of the management depends on the extent to which these objectives have been achieved.
- 6) **Guidance:** Management provides guidance and explains the ways in which human and material resources can be utilised in the most efficient manner. It suggests techniques for effective and economic utilisation of scarce resources to achieve the objectives of a business enterprise. It is an art of getting things done by achieving coordination among employees who carry-out specific and diverse business operations.
- 7) **Management is a Human Activity:** Management can be termed as a human activity and the functions of management can only be performed

by the organisational staff members. Thus, no artificial entity or corporate body can perform managerial functions. It is an intangible activity which can be felt but not seen or touched.

- 8) **Management Denotes Authority:** Authority compels people to work and behave in a particular manner. Authority is the prime base of management i.e., managerial process cannot function without authority. Management gives the authority to the managers to guide, direct and control. This authority enables the management to attain a higher position in the hierarchy of any business organisation.
- 9) **Management Ensures Coordination:** Coordination is important at each and every stage in an organisation. Coordination among employees and among departments is crucial for smooth functioning of the business. Mutual harmony between employees helps in attaining organisational objectives successfully.
- 10) **Management is Dynamic:** It is difficult for any business environment to remain constant for a long period of time. Hence, management also changes with every change in the environment of the business. Management tools and techniques help in converting the threats associated with environment into opportunities. Management adapts itself according to the changing goals, requirements and challenges of the business.

1.1.4. Scope of Management

The scope of management can be understood with the help of the following points:

- 1) **Activity Point of View:** Management principles and practices can be used in the following functions and activities:
 - i) **Planning:** Planning activities involve formulating rules, objectives, policies, processes, strategies, etc. These activities also help the managers in deciding what, how and when to achieve.
 - ii) **Organising:** Organising is the process of assigning designations by distributing work in the form of suitable duties.
 - iii) **Staffing:** Staffing activities involve assigning human resource to the designations developed during the organising process.
 - iv) **Directing:** While directing, managers are responsible for leading the employees, guiding them and providing them information regarding dos' and don'ts of the organisation.

v) **Controlling:** Controlling involves comparing the results with the set objectives, detecting deviations if any, taking corrective measures to remove them so that the actual results are equivalent to the set objectives.

2) **Functional Areas of Management:** Scope of management can be visualised in the following functional areas:

i) **Financial Management:** Financial management involves budgetary control, financial planning, making cost control forecasts, statistical control, managing earnings, management accounting, etc.

ii) **Personnel Management:** Personnel management involves recruiting and selecting the employees, training them, providing them social security, ensuring labour-welfare, maintaining industrial relations, etc. It is also responsible for conducting activities like promoting, transferring, demoting, terminating and retiring of the employees.

iii) **Purchasing Management:** Purchasing management deals with material control, inviting tenders for purchasing materials, entering into contracts, placing orders, etc.

iv) **Production Management:** Production management involves time-study, quality inspection and control, production planning, motion studies, tools and techniques of production control, etc.

v) **Maintenance Management:** It involves maintaining and taking good care of organisational infrastructure like machinery, plants, buildings, etc.

vi) **Logistics Management:** Logistics management deals with different components like material handling, warehousing, order processing, transportation, inventory control, etc.

vii) **Marketing Management:** Marketing management is quite wide in scope and deals with marketing processes, marketing mix decisions, market research, managing risks in marketing, market planning and control, etc.

viii) **Office Management:** It involves activities like staffing, availability and maintenance of office equipment, preparing office layout, etc.

ix) **Development Management:** Development management involves conducting researches, experiments, etc.

3) **Management is an Inter-disciplinary Approach:** Management principles are based on multiple disciplines. For successful application

of management principles and practices, study of different fields like psychology, economics, mathematics, commerce, etc., is very crucial.

4) **Universality of Management:** Management principles are universally accepted and hence, can be applied to any collective activity for realising mutual goals.

5) **Agent of Change:** With the help of research and development techniques, management concepts can be applied in different fields for changing traditional methods and implementing modern management practices.

1.1.5. Objectives/ Purpose of Management

The objectives or purpose of management are explained below:

1) **Organisational Purpose:** Management practices should be such that they help in realising the goals of the organisation. The basic organisational goals are as follows:

i) Every business activity has certain amount of capital invested by its shareholders and other investors. Hence, the prime objective of any management should be to give fair returns to these investors by earning reasonable profits.

ii) Survival is the prime aim of any business activity. Continuing existence of the business in the long run stands to be a major objective for the management of the organisation.

iii) Expanding the business with the growing demands of the products and searching new business avenues.

iv) Improving the popularity and goodwill of the business enterprise in the market. This is one of the main concerns of management.

2) **Personal Purpose:** There are different people in every organisation and each of them has his/her own individual purpose. Achievement of these personal objectives encourages the staff to improve their performance and help the organisation to grow and prosper. Some of the personal purposes are as follows:

i) Reasonable salary and allowances as per the performance is the basic expectation of an employee from the management of the organisation.

ii) Proper working environment.

iii) Latest technological updates and training for the employees at regular intervals.

iv) Equal and fair opportunity of participation in the management decisions.

v) Security against termination and prospects of growth.

3) **Social Purpose:** A business enterprise functions in a society. Thus being a part of the society, it has certain obligations towards it. The objectives of the management towards the society are listed below:

- i) The quality and value of the goods and services offered to the consumers should be supreme and affordable respectively.
- ii) Taxes and other returns to be filed on time with the government, regulatory and statutory agencies.
- iii) Natural resources should not be exploited for increasing profitability. Hence, management should protect the environment from harmful business activities.
- iv) Maintaining friendly relations with dealers, suppliers and competitors.
- v) Conserving moral and ethical values of the society.

1.1.6. Levels of Management

Every organisation has a chain of command which determines the powers and the ranks held by the managerial personnel. Levels of management can be divided into following categories:

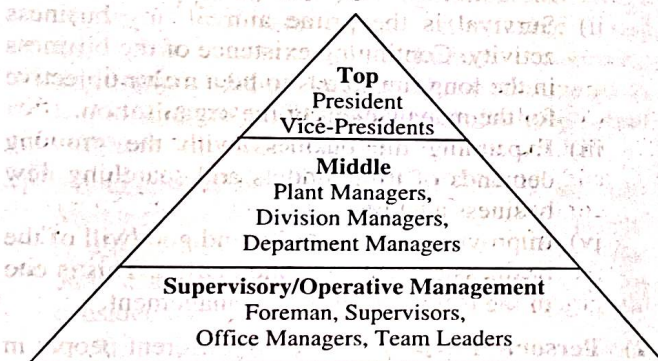


Figure 1.1: Levels of Management

1) **Top Management:** Top level management involves the people that are at the highest managerial positions. This position is held by the senior most authorities in an organisation including the Board of Directors, Chief Executive Officer (CEO), sectional heads, etc. They are involved in the long-term planning, laying down policies and strategies for organisational development and selection of methods to be adopted for achieving the objectives. They act as a medium of communication for maintaining relations with the external suppliers and agencies. Being the leaders of the organisation, they are accountable for good or poor performance of the organisation.

2) **Middle Management:** Departmental heads form the middle level management. They are responsible for monitoring the departmental activities, giving instructions and maintaining coordination between the various activities carried-out in the several units and divisions. Middle level managers play the role of the mediator between the top level management and lower level management. They convey the decisions taken by the seniors and explain the importance of the same to the lower level management. They also transmit the feedback and suggestions given by the supervisory level to the seniors. Their role is to motivate, inspire and encourage the operational level managers to increase their performance levels.

3) **Supervisory or Operative Management:** First line supervisors like – superintendent, section officer, foreman, supervisor, etc., come under the operative management level. They follow the instructions and guidelines provided by the middle level of management. They are responsible for getting things done by the workers. Production activities, assignment of jobs amongst workers, arrangement of required machinery and tools, etc., are the activities performed by these managers. It is the responsibility of these managers to get the work done of the desired quality in the specific period of time. They provide technical assistance to the workers; ensure availability of necessary facilities; report problems and offer feedback to the higher level authorities, etc. It is also a part of their job description to prepare the daily plan of action as per the guidelines specified by senior level managers.

1.1.7. Functions of Management

Each and every business endeavour has its own predetermined goals to achieve. The realisation of those goals may not be possible without an intended and incorporated unanimous effort of all the organisational members who follow the instructions of a central coordinating agency. **For example**, in case of a football or hockey team, one cannot win the game until and unless there is a combined attempt by the players under the appropriate guidance of a Captain of the team. The central coordinating agency in this context is 'M-A-N-A-G-E-M-E-N-T' and the approach of getting the things done is known as the 'management process'. Hence, management is a complex process which includes many activities in a particular sequence. Each activity contributes towards the attainment of the organisational goals. Individual

action or activity performed in the management process is designated as 'functions of management'. In the process of management, individual functions are carried-out according to a time-specific arrangement. Thus, management process can be referred to as a process where the manager performs functions in sequential time-bound manner.

Management is a social process as it is accountable of achieving the goals of the organisation by regulating its functions and also ensuring that the planning activities are being carried-out in a cost-effective and efficient manner. Management is also a dynamic process which involves different components and practices. Practices performed by management are not similar to the operational-level activities like procurement, marketing, production, finance, etc. These dynamic activities are performed by the top, middle and operative level managers.

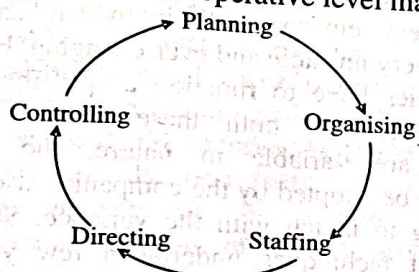


Figure 1.2: Functions of Management

The main functions of management process are explained below:

- 1) **Planning:** The deliberate effort to attain the expected result through a predetermined future course of action is termed as planning. It involves visualisation of activities that need to be done, the methods for doing them, where they are to be done, what will be the outcome and the methods to evaluate the outcomes. As per Henry Fayol, every management should visualise a plan that comprises the desired result, foreseeing the line of action, methods to be adopted and stages to go through.
- 2) **Organising:** The second function of management is to prepare and organise. Organising involves division and re-division of work into smaller tasks, distributing the tasks among designated staff and allotting authority to every position for ensuring proper functioning of the same. Proper organising, the effectiveness of the company is enhanced, repetition, redundancy and duplication of the operations is avoided; thereby reducing the operating cost of the company. It is the responsibility of the management to organise the required resources beforehand and then to follow the planned activities.

3) **Staffing:** It is the process of appointing people for the positions formed by the process of organisation. Staffing is the process of recruiting, deploying and retaining sufficient and qualified employees or staffs to create and maintain a favourable working environment and thereby improving the organisational effectiveness. In large companies, staffing process is carried-out by coordinating with the human resource department.

4) **Directing and Leading:** Direction is the key to achieve required goal. After the orientation, the senior manager is accountable for directing and leading the subordinates to achieve enhanced job performance and to motivate them to work with passion, confidence and enthusiasm. Directing motivates the employees to perform their responsibilities towards realising the organisational goals. While planning, organising and staffing are the preliminary functions to the actual business activities, direction adds a spark to the organisation by bringing the processes into motion.

5) **Controlling:** Functions of a manager are not complete even when the above elements are in place. It is very important for the manager to review and assess the organisational activities on a regular basis and take necessary steps for ensuring that the plans are being carried-out in compliance with the predetermined path. Controlling is a visualisation process that verifies that the tasks are performed as per expectations and checks for current and future deviations. The controlling function helps the management in identifying the deviations if any, and makes required changes in the plans for achieving the organisational goals.

1.1.8. Significance of Management

Management plays an important role in the growth and welfare of an organisation. The following points describe the significance of management:

- 1) **Motivates to Take Initiative:** To do an activity without being influenced or motivated by someone is termed as initiative. Management always encourages the employees to take initiatives to perform activities that are new yet beneficial for the organisation. Management encourages the employees to formulate new plans, strategies and implement them for the benefit of the organisation without being influenced by the higher authorities. Self-induced activities give sense of contentment to the employees and thus, encourage them to continue doing such work and bring success to the organisation.

- 2) **Encourages Innovation:** Innovation is a necessity in today's competitive environment. Management facilitates introduction of new ideas and concepts; use of new and productive methodologies; installation of advanced technologies; launch of innovative products and services; etc. Hence, it can be said that management has an important role in maintaining the competitive position of the organisation.
- 3) **Helps in Expansion and Growth:** By exercising proper managerial skills, a manager can ensure effective and efficient use of resources. Since each activity is performed as per the predetermined norms and standards, there is a reduction in the wastage and spoilage of the resources. Management motivates the employees to give better performance and attempts to reduce absenteeism and employee turnover. These activities in turn enhance the growth and growth prospects of the organisation.
- 4) **Increases the Standard of Living of the Employees:** Management ensures that the profits earned by the organisation are also shared with the employees. Management inspires the employees by improving the working environment and conditions which in turn ensures their productivity. It also offers non-financial and financial incentives to satisfy their monetary and non-monetary needs. Thus, satisfying the monetary needs of the employees along with offering them psychological and emotional satisfaction improves their standard of living.
- 5) **Improves Corporate Image:** Efficient management helps in providing superior products and services to the consumers. Offering best goods and services at reasonable and economic prices creates a good image of the organisation in the industry. This leads to improvement in the brand image and goodwill of the company. Good corporate image creates many opportunities for the organisation and creates a dominant position in the market.
- 6) **Reduces Wastage of Resources:** There are three main type of resources used in every organisation i.e., physical, human and financial resources. The planning and controlling function of management should be efficient so that the resources are utilised in an efficient manner. Each management activity if conducted as per the predetermined standards and norms will reduce wastage and spoilage of resources and increase organisational productivity. This will enable the organisation to offer quality products at competitive rates to the customers.

7) **Improves Efficiency:** Cost involved in an activity and returns expected are directly proportional to the efficiency with which the activity is conducted. Higher efficiency helps in achieving increased returns at minimum cost. Managers are able to increase the organisational efficiency by using different managerial tools and techniques. Thus, managerial activities bring prosperity to the organisation and provide benefits to the employees.

8) **Fosters Teamwork:** Management motivates its employees to work in a team, likewise the coordination between team members increases productivity. Unity among the team members is essential for achieving common objectives of the organisation.

1.1.9. Recent Trends of Management

The 'business environment' in which companies function is very unstable and ever-changing. However, the companies have to function as per the societal needs as well. As both these factors affecting businesses are variable in nature, the business strategies to be adopted by the companies also need to be changing to match with the variance. Successful management techniques undertaken few years ago may become unproductive as per the current needs and demands of the market. New improved techniques and strategies have to be developed to keep pace with the changing environment. Few recent trends in management are listed below:

- 1) **Business Process Re-Engineering (BPR):** Business process re-engineering or BPR is the process of evaluating and re-organising the processes and activities between and within the organisations. In the field of management and computer science, improving the performance and efficiency of the business processes, in order to improve the organisational stability, is called "business process re-engineering". The critical aspect to BPR is that managers should examine their existing processes from a clean slate viewpoint and see how these processes can be improved for the betterment of the organisation.
- 2) **Business Outsourcing:** Outsourcing is the process by which a company utilises the products or services of another company to perform tasks which were performed within the company. The company adopts this strategy so that it can get its resources to focus on activities in which it is the best and hence stretch the resources to the maximum. Outsourcing can be practiced by all sizes of companies and normally leads to a major cost advantage to the company and also gives it the

opportunity to focus on core activities. The rationale behind outsourcing is to reap the benefits of outside service providers who are specialists in the outsourced activity. The benefits can accrue to the company in many forms. The most obvious one is the improvement in the profitability of company by reduction in cost. The company also gains by getting access to world class resources and does not have to incur any expenditure in having to train its own resources. The benefits can also be a matter of convenience for the business owner. The yardstick for deciding on a strategy of outsourcing is the benefit that such a strategy will reap the benefit for the company. As long as the benefits are more, the outsourcing process can be considered as a success.

- 3) **Benchmarking:** The procedure which involves comparing firms' performance standards and business processes with those which are best practices in the same industry or are the best standards in other industries is known as "benchmarking". Generally, dimensions which are measured are time, quality and cost. Through the process of the benchmarking, the firm is able to recognise the best performing firms in the same industry or those with the similar procedures in the other industries and can compare their (target firm) results and procedure with that of their own. Thus, this enables them to ascertain the reasons behind the good performance and success of the target firms.

Benchmarking is a method which involves recognising "the best practices" in terms of the products as well as procedures which are responsible for creation and delivery of the products. The quest to find out "best practices" can occur inside a specific industry or in other industries. The purpose which lies behind benchmarking is to understand and evaluate the present status of a business or an organisation with respect to "best practices" in the industry and recognising areas and ways to ensure better performance.

- 4) **Kaizen:** Kaizen is a technology invented in Japan. It is a globally accepted and practiced activity. Kaizen means to "change for better". This concept is widely used and involves many activities beyond the basic productivity improving techniques. It includes ideas to enhance and improve the working environment by enhancing the routine activities such as, better team coordination, higher employee satisfaction, comfortable work atmosphere, etc. Its ideas make the everyday job more satisfactory, less

tiring and safe for the employees. It is a process which makes the workplace civilised. It tries to remove the processes which demand hard work, both in terms of mental and physical work. It makes the whole process approachable and tolerable for the employees. It helps to figure out the deficiencies in the functioning of an activity and improve the same by using modern scientific methods. Kaizen teaches to eliminate wastes in the business process and make the process efficient and effective.

- 5) **Six Sigma:** Six Sigma is the most widely used methodology for improving the performance of processes in an industry. It is also a popular mechanism to make an organisation more focused towards customers and quality production.

According to General Electronics, six sigma can be defined as, "a vision of quality which equates with only 3.4 defects per million opportunities for each product or service transaction and strives for perfection".

- 6) **Knowledge Management (KM):** KM is a methodical approach for improving the expertise to enhance the productivity, innovation, responsiveness and efficiency in an organisation. It is an on-going process of obtaining, generating, packaging, providing, implementing and preserving the knowledge.

It is a management practice where the knowledge gathered from various business activities is kept in a common place which can be shared by other processes and employees. Some of the elements of knowledge management are business principles, personal observations, various cases, negotiations, consultations, etc.

- 7) **Just-in-Time (JIT):** It is a mechanism developed in Japan emphasising on having the right items of right quality at the right time at the right place in the right quantity. This approach is also called as "hand-to-mouth approach" of production. The JIT theory reduces the wastages in an organisation by putting constant efforts towards minimising waste, simplifying the work and improving timeliness. The overall focus of JIT is on improving the quality, productivity and flexibility. It is an approach which does not believe in keeping stocks or increasing inventory costs. It believes in purchasing or manufacturing just the specific quantity which is ready to go in assembly lines.

1.2. MANAGER

1.2.1. Introduction

Individuals who are responsible for carrying out various functions of management are known as managers. It is the manager who supervises all the employees and divisions of an organisation to ensure right performance of assigned tasks. There are different managers for each management level. There are usually three management levels, i.e., top, middle and lower level, under a large organisation. Each of these management levels includes managers who supervise and undertake managerial operations. A lower level manager operates under basic levels of

managerial functions, while a middle level manager supervises lower management employees and reports to senior levels. A top level manager oversees generated reports and represents them to Board of Directors or owners of the company. These reports are helpful in making key decisions and setting organisational goals. Thus, managers are the performers of managerial functions.

A manager has greater responsibilities and is usually paid higher salaries as compared to other employees of the organisation. Likewise, senior level managers possess advanced managerial qualifications and experience.

1.2.2. Level and Kinds of Managers

Managers use conceptual, human, and technical skills to perform the four management functions of planning, organising, leading, and controlling in all organisations – large and small, manufacturing and service, profit and non-profit, traditional and internet-based. But not all managers' jobs are the same. Managers are responsible for different departments, work at different levels in the hierarchy, and meet different requirements for achieving high performance. The level and types of managers can be discussed along the vertical and horizontal direction.

1) **Vertical Direction:** An important determinant of the manager's job is hierarchical level. Three levels in the hierarchy are illustrated in figure 1.3, i.e., top, middle and first-line managers, which are described below:

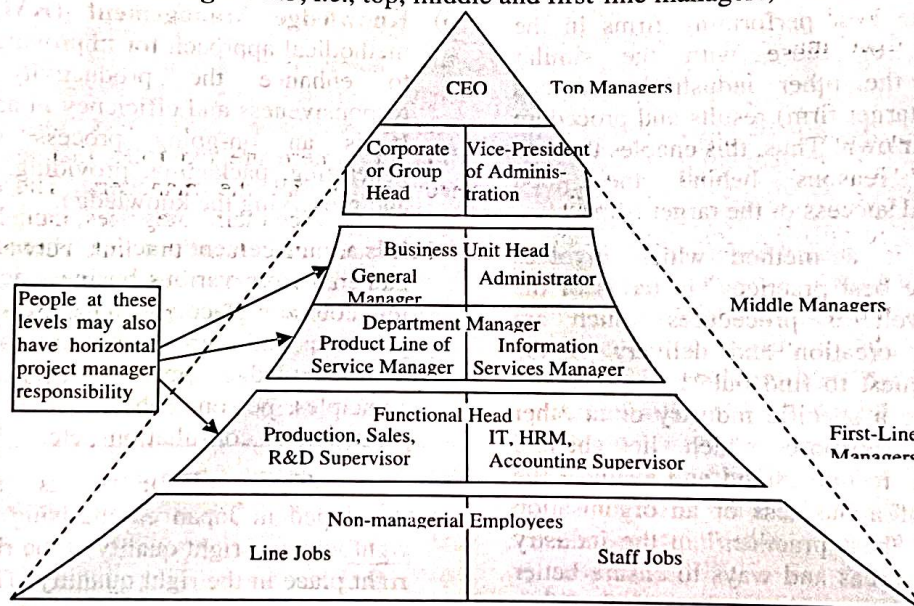


Figure 1.3: Levels and Types of Managers

- i) **Top Managers:** These are at the top of the hierarchy and are responsible for the entire organisation. They have such titles as president, chairperson, executive director, Chief Executive Officer (CEO), and executive vice president. Top managers are responsible for setting organisational goals, defining strategies for achieving them, monitoring and interpreting the external environment, and making decisions that affect the entire organisation. They look to the long-term future

and concern themselves with general environmental trends and the organisation's overall success. Among the most important responsibilities for top managers are communicating a shared vision for the organisation, shaping corporate culture, and nurturing an entrepreneurial spirit that can help the company innovate and keep pace with rapid change. Today more than ever before, top managers must engage the unique knowledge, skills, and capabilities of each employee.

ii) **Middle Managers:** These work at middle levels of the organisation and are responsible for business units and major departments. Examples of middle managers are department head, division head, manager of quality control, and director of the research lab. Middle managers typically have two or more management levels beneath them. They are responsible for implementing the overall strategies and policies defined by top managers. Middle managers generally are concerned with the near future rather than with long-range planning. The middle manager's job has changed dramatically over the past two decades. Many organisations improved efficiency by laying-off middle managers and slashing middle management levels. Traditional pyramidal organisation charts were flattened to allow information to flow quickly from top to bottom and decisions to be made with greater speed.

Even as middle management levels have been reduced, however, the middle manager's job in many organisations has become much more vital. Rather than managing the flow of information up and down the hierarchy, middle managers create horizontal networks that can help the organisation act quickly. Research shows, e.g., that middle managers play a critical role in driving innovation and enabling organisations to respond to rapid shifts in the environment.

iii) **First-Line Managers:** These are directly responsible for the production of goods and services. They are the first or second level of management and have such titles as supervisor, line manager, section chief, and office manager. They are responsible for groups of non-management employees. Their primary concern is the application of rules and procedures to achieve efficient production, provide technical assistance, and motivate subordinates. The time horizon at this level is short, with the emphasis on accomplishing day-to-day goals. This type of managerial job might also involve motivating and guiding young, often inexperienced workers, providing assistance as needed, and ensuring adherence to company policies.

i) **Functional Managers:** These are responsible for departments that perform a single functional task and have employees with similar training and skills. Functional departments include advertising, sales, finance, human resources, manufacturing, and accounting. Line managers are responsible for the manufacturing and marketing departments that make or sell the product or service. Staff managers are in-charge of departments such as finance and human resources that support line departments.

ii) **General Managers:** These managers are responsible for several departments that perform different functions. A general manager is responsible for a self-contained division, such as a General Motors assembly plant, and for all the functional departments within it. Project managers also have general management responsibility, because they coordinate people across several departments to accomplish a specific project.

1.2.3. Managerial Roles: Roles of Management

Multiple roles are assumed by managers for fulfilling different responsibilities. According to **Henry Mintzberg**, there are ten roles that are commonly performed by all the managers. These roles are grouped into three main categories, namely:

- 1) **Interpersonal:** It is the link between different managerial works.
- 2) **Informational:** This role ensures provision of information.
- 3) **Decisional:** This role facilitates efficient utilisation of information.

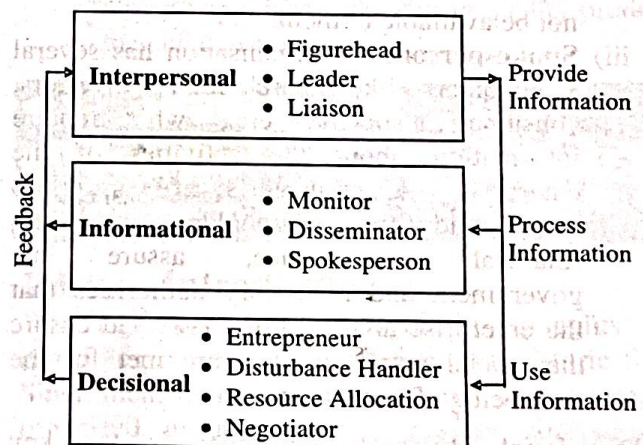


Figure 1.4: Role of Manager

Different managers can perform these roles at various circumstances or one manager can perform them according to the situation and the management level.

2) **Horizontal Direction:** The other major basis for demarcating the types of managers is horizontal direction, which is described below:

These individual roles are a part of an integrated managerial role as depicted in the figure 1.3:

- 1) **Interpersonal Roles:** A manager has to play different roles as per the requirements of the responsibilities vested upon him. These roles are connected with the interpersonal relations shared by a manager and his subordinates. While performing interpersonal roles the manager acts as a:
 - i) **Figurehead:** A manager has a role of a star figure during some events like welcoming foreign business associates or senior personnel, attending personal function of the subordinates, hosting lunch for special customers, etc.
 - ii) **Leader:** It is the role of the manager as a leader to encourage his subordinates and motivate them to satisfy their individual needs in a way that ensures fulfilment of the overall organisational objectives.
 - iii) **Liaison:** Every manager should be a good communicator outside his commanding area to gather information from other sources present in the organisation.
- 2) **Informational Roles:** Collection and dissemination of information is a major part of managerial work performed by a manager. While performing informational roles the manager acts as a:
 - i) **Monitor:** A manager has to develop a personal network of contacts inside and outside of the organisation. As a monitor, he has to constantly analyse his business environment for extracting information, questioning his subordinates and receiving unsolicited information from the established contacts.
 - ii) **Disseminator:** It is the role of a manager to share privilege business information with his department members which otherwise would not be available to them.
 - iii) **Spokesperson:** An organisation has several stakeholders like shareholders, investors, consumers, society, etc., who require information about the activities of the enterprise. A manager's role is to recommend the shareholders regarding financial performance, assure the government and regulatory authorities that the enterprise abides by the law, and ensure that social responsibilities are met for the well-being of consumers.
- 3) **Decisional Roles:** A manager is the key personnel in the decision-making process. As he has access to all the information and can voice his opinions for the benefit of the organisation.

While performing decisional roles the manager acts as a/an:

- i) **Entrepreneur:** Business environment is dynamic in nature. The environmental factors keep on changing constantly. A successful manager is one who adopts these changes, implements them to improve existing and new products, device innovative business plans, etc.
- ii) **Disturbance Handler:** A manager must be prepared for handling unanticipated problems in and outside the organisation. He must have contingency plans or prompt solutions in case of strike by the workers, important consumers going bankrupt, a client terminating contract against the terms decided, etc.
- iii) **Resource Allocator:** Division of work among subordinates and delegation of authority to perform the given work should be done by the manager. He assigns tasks to employees as per their individual capacities.
- iv) **Negotiator:** A manager represents the organisation in case of a dispute that calls for negotiation. A corporate level manager plays a role of a negotiator and takes decisions for the organisation as a whole. Not all negotiations are handled by the top-level manager; issues at executive level are resolved by the executive level managers.

1.2.4. Skills of Manager

Individual talent and skills are required to successfully transform an idea into action. It is not possible for any individual to have all the qualities and skills. But an individual who understands these skills and is willing to learn can acquire them through training and conscious efforts. Proper training and development can sharpen the skills of manager. A manager should possess motivational skills, social skills, communication skills, etc., to discharge his duties and responsibilities effectively. The various skills required by a manager are grouped into three broad heads – technical skills, human-relations skills and conceptual skills. These are discussed below in detail:

- 1) **Technical Skills:** Technical skills (also termed as hard skills) are mainly concerned with the knowledge of the particular subject or area for which the manager is responsible. These skills are related to the knowledge of the various processes, procedures, techniques, methodologies used in the area of expertise. Technical skills can be enhanced by proper training and on job experience. Professionals like

engineers, architects, accountants, etc. possess knowledge required to perform their job but the skills are developed further by actually practicing the work. **For example**, if a person is responsible for maintaining inventory in an organisation then he must possess the required technical skills to efficiently maintain the flow of inventory.

2) **Human Skills:** A manager should be social and friendly towards his subordinates. He should understand people and maintain good human relations with them. He should have the capacity to clearly explain his ideas to his subordinates. He should have the ability to judge the possible outcomes of his actions. A manager should have self-evaluation skills so that he is able to analyse and develop his behaviour and attitude. Human skills are consistently required by the managers at every level of management.

3) **Conceptual Skills:** These skills are related with ideas. The thought process behind developing new and innovative products is called conceptualising. Conceptual skills are also known as soft skills and they are not easy to identify. These skills are present in the form of vision, inspiration, idealistic ideas, imagination, etc. These skills are also known as general management skills which help the managers in visualising small elements present in a situation as well as the interdependence of these elements. This helps the manager in understanding the situation in a broader perspective.

Top-Level		Conceptual Skills
	Human Skills	
Middle-Level	Technical Skills	

Figure 1.5: Relative Needs for the Main Categories of Skills

Thus, technical skills are action-based, human skills are relation-based and conceptual skills are idea-based. However, every person may not necessarily possess these skills in equal proportion in order to become a successful manager. Every skill may be present in varying amount depending upon the personal and professional background of the individual. Thus, a manager should possess management skills in a proportion required to perform his roles and functions. Top level management as expected to possess the skills which may not be expected by the lower level management, and *vice versa*. The importance of these skills differs

from top to the bottom of the organisational hierarchy (figure 1.5), which can be understood as follows:

- 1) Managers at operational level should possess more 'technical skills' in comparison with 'conceptual skills' which are rarely used at this management level. The managers at supervisory level are in direct contact with the subordinates for providing proper assistance and guidance. Thus 'human skills' are also extremely significant at operational level for creating cooperation and mutual understanding between the management and the workers.
- 2) Middle level management acts as a mediator between the high level and supervisory level management. Thus, 'human skills' are very important at this stage. It is the responsibility of the middle level managers to understand the decisions taken by the senior authority and convey the same to the workers. Also, 'conceptual skills' are required at this level as the managers have to develop and implement various techniques to increase production levels.
- 3) Managers at the highest hierarchy level require 'conceptual skills' to develop novel ideas to accomplish the predetermined standards of the organisation. They need to select various policies and strategies for long-term planning. 'Interpersonal skills' are also required to manage the activities carried out in the organisation and also to maintain cordial relations with external agencies in an efficient and effective manner. However, 'technical skills' are required at a minimal level because they are not in direct contact with the supervisory staff. They deal with planning cost effective techniques for attaining common objectives and offering quality products to the end consumers.

1.3. HISTORICAL EVOLUTION OF MANAGEMENT THOUGHT

1.3.1. Introduction

The emergence of management thoughts and principles can be drawn out from pre-historic times. Since then, human beings started living together in organised groups or in a society consisting of different groups. These efforts have helped them to organise their actions and carry-out their activities in an efficient and productive manner. Management principles have evolved with time and are in continuous process of evolution. Management

principles are flexible in nature and its application depends widely on the nature of the situation. Management principles have a broad base and help in decision-making process. They are famous and have a worldwide acceptance. As management principles are linked to human behaviour, they keep on constantly changing and evolving.

The evidence of such management practises and theories have been found. **For example**, in 3000 B.C, the Sumerian civilisation followed a well-organised tax collection system under the management of priests. The history of Egyptian civilisation sets an excellent example of organising human and material resources by constructing pyramids. Till now, the organisation of political, economic and social affairs in the Roman Empire is regarded as the most efficient management practice. **Kautilya's Arthashastra** highlights one of the best techniques of managing the State affairs. The evolution of various formal management theories started in the early 1990's. The era of industrial revolution recognised the need of efficient management of the societal resources. This involved the development of steam engines and other mechanised production means, so as to manage large scale production, utilising physical and human resources. The development of management thoughts comprises of major schools which can be classified into three major categories as given in **table 1.1**:

Table 1.1: Major Management Gurus and their Contributors

Major Classification of Management Schools		Management Gurus
1) Classical Approach	i) Scientific Management	a) Frederick W. Taylor b) Henry Gantt c) Frank and Lillian Gilbreth
	ii) Administrative Management	Henry Fayol
	iii) Bureaucracy	Max Weber
2) Behavioural Approach	i) Human Relation Approach	Elton Mayo
	ii) Behavioural Science Approach	a) Maslow b) Herzberg c) McGregor d) Mary Parker Follett e) Blake and Mouton f) Chester Bernard

3) Modern Approach	i) Quantitative Approach	a) Russel L. Ackoff b) F.W. Lanchester c) Thomas A. Edison
	ii) System Approach	Churchman West
	iii) Contingency Theory	Paul Hersey
	iv) Social System Approach	Vilfredo Pareto
	v) Decision-Making Approach	Herbert A. Simon

1.3.2. Patterns of Management: Management Theory Jungle

In the last few years, a formal and authentic way of writing has been observed. Throughout different time periods, various schools of thought have been developed. The emergence of different management practices, researches and analysis has left everyone confused. The exact definition of management, its theories and its analysis have lost clarity. This situation is termed as "**The management theory jungle**" by **Harold Koontz**.

This has replaced the old approaches by new approaches further adding few new words and meaning, but still the approaches and science of management is referred as the jungle of management theory. In the famous article on "**The Management Theory Jungle**" by **Professor Harold Koontz**, six major schools of thought have been observed, which are as follows:

- 1) The Management Process School,
- 2) The Empirical School,
- 3) The Human Behaviour School,
- 4) The Social System School,
- 5) The Decision Theory School, and
- 6) The Mathematical School.

The contributions of scholars from different disciplines have made it difficult to understand the scope of management. As each scholar has left no stone unturned to portray his views and criticise others viewpoints. Due to the confusions faced in understanding the different views of management, it is much preferred to validate the '**Management Theory Jungle**' given by **Professor Koontz**.

According to the major schools of thought identified by **Professor Koontz**, it is viewed that the philosophy of Mathematical school can be used for planning and controlling functions while Behavioural and Social schools can be best utilised for organising,

staffing, and directing activities. The 'Management Theory Jungle' helps the managers to develop interaction between all functional activities.

1.4. CLASSICAL APPROACH

1.4.1. Introduction

Changing phase of Industrial Revolution, which extended from 1700s to the 1900s, brought in a much improved and systematic study of management. In order to manage new factory set-ups which were the vital part of Industrial Revolution, it became essential to introduce different approaches for managing work and human resources. Therefore, the classical school helps to understand the core of management knowledge. This includes planning, organising, leading and controlling. For example, in the 1950s, the decentralisation of General Electric (GE) took place, which was based on classical school approach of management. The classical school is considered as the systematic and formalised way of managing work and human resources. This is the major strength of classical school which becomes more adaptable in nature with time. One main drawback of this approach is that, at times, it overlooks the differences between people and situation. These classical approaches are rigid in nature and do not apply well with the changing situations. Various management theorists have contributed towards framing of principles for establishing and managing organisations. The classical theory is the base or an underlying principle in the field of management thought.

The three major schools of thought of classical theory and their contributors are:

- 1) Scientific Management by Frederick W. Taylor,
- 2) Administrative Theory by Henry Fayol, and
- 3) Bureaucratic Management by Max Weber.

1.4.2. F.W. Taylor's Contribution: Scientific Management

Scientific Management was used widely by the managers in the early 1900s. It was defined as the way of conducting business activities using pre-defined standards, information based on systematic observations, experiments and reasoning. In simple words, it is a classical management study which focuses on scientific approaches so as to improve the efficiency level of the workers in an organisation.

In the initial phase of 20th century, the concept of scientific management was announced by **Frederick Winslow Taylor** in U.S.A. This theory of management was strongly recommended by many

theorists like **Frank and Lillian Gilbreth, Henry Gantt, George Berth, Edward Felen**, etc. Scientific management primarily emphasises on refining the functional activities at the workmen level.

According to Taylor, "Scientific management is concerned with knowing exactly what you want men to do and then see in that they do it in the best and cheapest way".

F. W. Taylor was named as the "Father of Scientific Management". He was a scientist and conducted many researches on the efficient utilisation of workmen. In one of his researches, he found out that improper use of scientific methods by workmen and managers led to the wastage and inefficiency in factories. Therefore, he further developed 'Scientific Management Theory'.

In this theory, he advocated that the efficiency of a factory can be attained by proper surveys, analysis and measurement. The concept of scientific management opposed the rule of thumb and is considered to solve several management problems by applying scientific methods.

1.4.2.1. Principles of Scientific Management

Taylor always wanted to signify the power of workmen in the organisation. For this purpose, he conducted various researches which would result in high labour productivity without pressurising the workers. As a consequence, he developed the theory of Scientific Management. The views and ideas of Taylor can be seen in his books "Scientific Management" and "Shop Management". Mostly, he is recognised for his work "The Principles of Scientific Management" published in 1911. These principles are:

- 1) **Replacing Rule of Thumb with Science:** Taylor highlighted that through scientific management, organised knowledge can be used to maximise efficiency and this can replace rule of thumb. Scientific method includes investigation of standard method to be utilised in the organisation. Thus, the use of scientific method helps in determining accurate outputs whereas rule of thumb is based on estimations.
- 2) **Harmony in Group Action:** In every organisation, the group action should be well-coordinated and in harmony so as to attain maximum output. Proper understanding helps to maintain cordial relations between the group members and disagreement in a group may lead to loss. Taylor emphasises that there should be complete harmony between group members and management as a whole.

- 3) **Cooperation between Management and Workers:** There should be a proper coordination between workers and management. This can be attained through mutual understanding. Therefore, scientific management theory is applied by organisations to bring in cooperation among workers and management. As the scientific management entirely operates on mutual confidence, cooperation and goodwill.
- 4) **Maximum Output in Place of Restricted Output:** The application of scientific management theory implicates high production and efficiency by eliminating restricted production. Consequently both, the workers and the management should work with an aim to improve the productivity of the organisation.
- 5) **Development of Workers through Scientific Selection and Training:** The development of workers is based on the selection and training procedure. Scientific method should be adopted for selection and training process. After the selection process, workers should be assigned jobs as per their intellectual and physical capabilities followed by proper training. Efficient employees will always be beneficial for the company. This helps to boost the success rate of workers as well as of the organisation.

1.4.2.2. Techniques of Scientific Management

- 1) **Time Study:** This technique measures the amount of time taken by a workman having specific skills and knowledge to perform a certain job. It helps the manager to determine the standard time taken to complete a particular job. In time-study method, every element of the job is studied in detail. For this, a worker with average ability and skill sets is selected. Then a supervisor observes the worker and measures the time taken by the selected worker with the help of a stop watch to note the accurate time. It measures the time taken by a standard worker to do a standard job. In this way, a standard time is fixed to a particular activity.

Taylor emphasised that by conducting experiments, observations and analysis, a fair day's work can be calculated, keeping in mind an average worker. For this purpose, the formula given below can be used:

$$\text{Fair Day's Work} = \text{Standard Time} \times \text{Working Hours}$$

- 2) **Motion Study:** Motion study is a close observation of body and limbs movement required to perform a job. The main aim of this

technique is to ignore useless motions and identify the most efficient ways of doing a specific job. It also refers to the movement of a user on a machine for a specific task. It removes all the inadequate motions and adopts the best possible way of doing a job. The motion study also determines whether the job has to be eliminated, combined or its sequence has to be changed to attain the required pace. It also boosts the productivity of workers by eliminating all unproductive activities.

- 3) **Standardisation:** Standardisation refers to the process of setting up standard tools, techniques, equipment, working conditions, etc., for the workers. Along with this, workers should also follow quality standards. If the workmen are provided with suitable working conditions, then only they can work efficiently. The major objective of standardisation is to establish performance standards of men and machines.
- 4) **Functional Foremanship:** Taylor has introduced functional foremanship to enhance the supervision and control activities of workers. Here, a person works under the supervision of several professional foremen. For example, Under Taylor's Eight-Boss-Scheme, speed boss is liable to improve the speed of workers, whereas the work related to breakdowns and repairs are supervised by repair boss, etc. Likewise, various professionals are appointed to supervise various functional activities.
- 5) **Differential Piece Rate Plan:** This is a wage payment method introduced by Taylor. In this method, efficient and inefficient workers are paid different rates. The most efficient workers are paid higher rate as compared to inefficient or less performing workers. The payment made to workers is based on the number of pieces produced, i.e., per piece rate. In this technique, the standard output by a worker for a day is calculated. Then every worker's performance is compared with the defined standard. If the worker produces more than the standard then he is awarded with higher rate per piece on the total output. If his output is below the standard then he is paid less for 'per piece'. The difference between the rates is known as 'differential piece rate plan'.
- 6) **Other Techniques:** Several other techniques are used by the management to improve the planning and standardisation of activities. These techniques can be instruction cards for workers, slide rules, graphs, charts, etc.

1.4.3. Henry Fayol's Contribution: Administrative Management

One of the major contributors to administrative approach of management is **Henry Fayol**. He is considered as the 'Father of Modern Management'. Fayol was a French industrialist and a mining engineer. He had worked at all the positions of the mining company before becoming the Managing Director of the Company. He portrayed his ideas based on real-world experiences in his book, 'Administration Industrielle et Generale' in French language printed in 1916. It was translated in English as "General and Industrial Management" in 1929 and was later on published in U.S.A. in the year 1949.

Henry Fayol explained the importance of managerial efficiency in an organisation and focussed on the management point of view in dealing the company issues whereas Taylor focused on the workers point of view.

All the industrial activities were divided by Fayol into six groups, i.e., technical, commercial, financial, security, accounting and managerial. These activities are applicable to organisations whether big or small in size. He entirely concentrated on the sixth activity, i.e., managing.

1.4.3.1. Fayol's Principles of Management

The 14 principles of management given by Fayol are as follows:

- 1) **Division of Labour:** 'Division of labour' is the specialisation of various tasks so as to increase the overall efficiency of individual employees. Fayol highlighted that the work of any type, i.e., technical or managerial must be divided and assigned among number of employees. This division makes the task much easier and improves the efficiency of individuals. It also enhances the speed and accuracy of employees. Specialised efforts help the company to achieve its predetermined objectives.
- 2) **Parity of Authority and Responsibility:** 'Authority' is the legal power inherent in a particular job. A superior in any organisation is entitled to give instructions and orders to his subordinates, take important decisions, plan for optimum utilisation of available resources, provide guidance to subordinates and control the behavioural patterns of subordinates. While, 'responsibility' is the outcome of authority. Responsibility involves duties like performing various functions in order to attain the company's objectives in an effective manner. Based on the principle of parity, there must

parity between authority and responsibility. Managers should be given authority proportionate to their responsibility as this may lead to inappropriate use of authority. Likewise, if a person is given certain responsibility then he must also need to have required authority to execute that task.

- 3) **Discipline:** 'Discipline' means orderly behaviour of an individual towards abiding the rules and regulations of an organisation. Therefore, it is essential for the smooth functioning of the business. Discipline is not just a role played by the workers but also one of the roles of management. In order to follow and maintain discipline, organisation must have a good supervisor at all levels. The rules should be clearly defined and in case of any indiscipline, imposed penalties should be fair.
- 4) **Unity of Command:** According to Fayol, a subordinate is accountable to only one superior. Every employee in an organisation is liable to receive orders from only one superior. If a person gets orders from more than one person then it may create confusion and conflict.
- 5) **Unity of Direction:** As per this rule, every member in an organisation should coordinate and direct his/her efforts to attain common objectives. 'Unity of direction' strives to ensure "unity of action, coordination of strength and focusing of efforts". In consideration of the principle, each group activity should have one plan supervised by one head following the same objective. This ensures focused efforts, unity of action and coordination. **For example,** the production department in an organisation should have one head, to guide and control the activities of the group towards attaining the desired quality and quantity of products to be manufactured. There should be uniformity in the efforts and direction of the activities to achieve the group and organisational targets.
- 6) **Subordination of Individual's Interest to General Interest:** The interest of the organisation should be kept at the highest priority over the interest of individuals. Every employee has certain individual interests which motivates the employee to work for the organisation. But the individual interest should not supersede the organisational interests under any circumstances. According to Fayol, the management should make efforts to unite the interest in general (both employer and employee). But in case of conflict, interest of individuals should be sacrificed for the larger interest.

- 7) **Fair Remuneration to Employees:** Every employee in an organisation should receive a fair and reasonable remuneration. The wage structure of the employees should be based on the job assigned, cost of living and average wage rate followed in the industry and the financial situation of the company. In general, the basic pay is fixed as per the work done but the allowances are liable to change with the altering cost of living.
- 8) **Centralisation and Decentralisation:** The concentration of decision-making authority in the hands of top management leads to 'centralisation'. If the authority is shared with the lower level management then it leads to 'decentralisation'. Fayol suggests that there should be a proper balance between centralisation and decentralisation of authorities. In small organisations, centralisation of authority exists as the number of activities undertaken is less compared to large organisations. Whereas, in large organisations, the level of decentralisation is high.
- 9) **Order:** The principle of 'order' refers to the arrangement of people and things at the right place. There should be a fixed place for everything in the organisation and everything should be in its own place in the organisation. In the same way, social order involves right person at the right place. These orders demand detailed knowledge of the requirements and resources in the organisation and to maintain a proper balance between them. If the organisation is a large organisation then it is a difficult task to maintain the required balance.
- 10) **Scalar Chain:** Every organisation has superiors and subordinates. The formal line of authority from highest to lowest ranks is defined as scalar chain. All managers are linked in a chain from highest to lowest level positions. Every manager is superior to a manager working below him but he is a subordinate to his own superior. Hence, this is a step-wise chain of authority. According to Fayol, every organisation should have a distinct chain of authority from top to bottom, linking all the managers at all levels.

Scalar chain also acts as a chain of command and communication. It is considered as chain of command as orders given at higher levels flow to the lower level through the intermediate managers. It is also a type of communication (written or oral) which has to be communicated through the chain in the hierarchy. For example, if a supervisor has to submit a report to the head

of the department, then the supervisor first needs to submit it to his immediate head who will pass it on to the head of the department. Hence, this scalar chain involves certain limitations, which are as follows:

- The communication process is very lengthy.
- The chances of biased messages may be involved during the flow of information. To avoid such situations, a 'gang plank' can be created, i.e., a shorter route, for smooth and fast communication and action.

The scalar chain principle can be understood with the explanation given below. In an organisation, the scalar chain comprises of two ladders, i.e., A to F and A to P. If communication between F to P has to be held then the communication has to flow upwards through E, D, C and B to reach A, and then downwards through L, M, N, O to reach P. This is a very time consuming process.

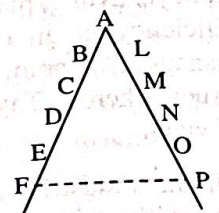


Figure 1.6: Scalar Chain and Gang Plank

To avoid this delay a 'gang plank' can be created between F and P as shown with the dotted line. But this can be implemented only in case of emergency and cannot be used as a normal practice as it violates the established line of authority.

- 11) **Equity:** Under this principle, every person of the similar position should be treated equally. For example, the workers carrying out identical jobs should be paid equally without any discrimination. It also suggests that superiors should be fair and unbiased towards each subordinate. They should not favour some and overlook other employees. The judgments of performance should be based on same terms for every employee.
- 12) **Stability of Tenure:** Employee turnover from their positions should be minimal. The time period of service in a particular position should be fixed and employees should not shift from the allotted position repeatedly. It takes time for a person to get adjusted towards a certain work. Once the employee is selected for a position, then he should remain at that position for a fixed tenure. He should be given reasonable time and opportunity to perform as instability may affect the performance of the employee.
- 13) **Initiative:** Initiative refers to the first act or initiation to do things independently. Fayol suggests that all employees should be motivated

to take initiative in work and develop their own course of actions. Therefore, it needs one to remain in certain limits and be disciplined.

- 14) **Esprit de Corps:** It encourages team spirit, group harmony and mutual understanding amongst the team members. Managers should promote team work to achieve common goals of the company. This will raise the level of trust between the members and create a sense of belongingness among team members.

1.4.3.2. Functions of Management by Fayol

There are five managerial functions which are identified by **Henry Fayol**. These functions are grouped in accordance with their activities. They are:

- 1) **Planning:** A plan of action is a proposed means of achieving the desired objectives. Planning identifies the course of action, deals with the problems, if any, in the system and takes corrective measures to solve those problems. Planning also highlights the short-term and long-term goals of the organisation.

According to Henry Fayol, "Planning is deciding the best alternatives among others to perform different managerial operations in order to achieve the pre-determined goals".

- 2) **Organisation:** Another important function of management is organising. Here, all the men and material required to develop the organisational structure are arranged and made available.

According to Henry Fayol, "to organise a business is to provide it with everything useful to its functioning, that is, materials, tools, capitals and personnel".

- 3) **Command:** Command is to ascertain the authority among the employees of the organisation. The art of command depends on the person's ability, knowledge and expertise towards fundamental management principles. The level of ability differs from unit to unit in an organisation.

According to Henry Fayol, "to command is to ensure that the subordinates do what they are supposed to do".

- 4) **Coordination:** It is a process of arranging and harmonising of all the activities, so as to ensure smooth functioning of the organisation. It is an effort to maintain consistency between all the departments of the company to attain common objectives. The efforts of one department should be parallel to the efforts of the other departments in accordance with the entire organisational objective.

According to Henry Fayol, "To coordinate is to harmonise all the activities of a concern so as to facilitate its working and its success. In a well coordination enterprise, each department or division, works in harmony with others and is

fully informed of its role in the organisation. The working schedules of various departments are constantly tuned to circumstances".

- 5) **Control:** Controlling is very crucial to ensure that all the activities in an organisation are performed as per the plan adopted, commands given and principles followed. In this process, all the problems and challenges must be resolved and their recurrence should be prevented. It is also necessary that the control process should be completed in a pre-defined time, followed by the management's consent.

According to Henry Fayol, "Control consists of verifying whether everything occurs in conformity with the plans adopted, the instructions issued and principles established, it has for its object to point-out weakness and errors in order to rectify them and prevent recurrences".

1.4.4. Max Weber's Contribution: Bureaucracy

The theory of bureaucracy by **Max Weber** has made a major contribution towards the management schools of thought. He used the theory of bureaucracy for a special kind of administrative organisation. Weber's major contribution towards the management schools of thought is his theory of authority structure. He has also described organisations on the basis of the authority relations shared by them. Max Weber asserted that there are three different types of authority which are legally justifiable, such as:

- 1) **Rational-Legal Authority:** Under the legal obligation, obedience holds a well-known position or rank within the hierarchy followed by a business unit, a military unit, government, etc.
- 2) **Traditional Authority:** A person belonging to a higher position or rank having an authority or recognised conventionally like a member of a royal family, may influence other people in the society to obey his orders or respect his opinions.
- 3) **Charismatic Authority:** If a person has a charismatic character or an appeal in his behaviour, he may be followed or obeyed by people.

Max Weber's theory of bureaucracy identifies rational-legal authority as the most important type of authority in an organisation. On the other hand, no one follows a leader for his competencies, i.e., people with traditional authority or charismatic authority, are relatively emotional and irrational in nature.

1.4.4.1. Features of Bureaucracy

The characteristics of a bureaucratic organisation are listed below:

- 1) **Division of Work:** The concept of division of work is practiced at both operative and administrative levels in an organisation. This can be divided into specialised tasks. Thus, division of work leads to specialisation of work.
- 2) **Hierarchy of Positions:** Every organisation has a hierarchy of authority from top to bottom level. The bottom positions in the hierarchy are under the control of top management positions. Thus, this signifies the concept of unity of command. The nature of bureaucratic structure in an organisation is hierarchical. The amount of authority one holds, keeps on increasing as one climbs the hierarchical ladder in an organisation.
- 3) **Rules and Regulations:** Under the management of top level, certain rules, regulations and processes are defined. The significance of these rules and regulations are as follows:
 - i) They help to standardise the organisational operations and decisions.
 - ii) The learning and experiences of past events help to drive future actions.
 - iii) They ensure equality among organisational members.
- 4) **Impersonal Conduct:** Members of an organisation do not have any personal relationships with each other. The decision-making process strictly adheres to the rules and regulations and is entirely impersonal in nature. There is no space for emotions and sentiments in the bureaucratic structure. Another name for bureaucratic organisation is 'depersonalisation'.
- 5) **Staffing:** An employee enters into a contractual relationship with the employer to serve the company in return of a certain fixed remuneration. The contract includes all the terms and conditions of employment. Thus, the employee is directed by these rules throughout his service. The payment or salary of the employee depends on the designation and the tenure of his service.
- 6) **Technical Competence:** Technical competence plays a major role in the selection of a bureaucrat. A bureaucrat only gets selected for his technical competencies and not on basis of election or inheritance. Even promotions in bureaucracies are totally based on the technical qualifications and performance.

- 7) **Official Records:** Good record keeping plays a pivotal role in the administration of a bureaucratic organisation. All the significant decisions and activities conducted in the organisation are properly recorded and kept safely for future references. An efficient record keeping system governs the success of a bureaucratic organisation.

1.4.4.2. Advantages of Bureaucracy

The advantages of bureaucracy are as follows:

- 1) **Controls Interactions:** A bureaucratic set-up lays down the rules required for planning an organisational hierarchy. These regulations competently control interactions between the different levels in the hierarchy.
- 2) **Defines Individual's Authority and Relationship Clearly:** Bureaucracy visibly defines the role designated to an employee. It separates the position from the person and clearly states the vertical authority and horizontal tasks of each person in the organisation. Here, the person is held accountable for each activity he performs and this decreases the transaction costs arising out of continuous negotiations and defining of organisational roles.
- 3) **Reduces Costs:** The costs incurred for performance evaluation is reduced due to rules written by the bureaucrats for promotion and termination. These are written rules in regard with the punishment and reward of employees.
- 4) **Improves Stakeholders' Interest:** The process of selection, evaluation and reward systems must be fair and equitable in nature. This stimulates the members to advance the interests of all organisational stakeholders and attain the organisational objectives.
- 5) **Enables Opportunity to Develop Skills:** Bureaucratic structure provides an opportunity to its employees in order to develop their skills and pass them on to their beneficiaries. As a result, bureaucracy strengthens differentiation, increases the efficiencies or abilities of the organisation and enhances the competency levels of the organisation in the market against other organisations for scarce resources.
- 6) **Provides Organisational Stability:** Stability is also very crucial for the members of an organisation to maintain a long-term organisational perspective. It also helps to create cordial relationship with the environment wherein the organisation operates.

1.5. NEO-CLASSICAL/ BEHAVIOURAL APPROACH

1.5.1. Introduction

Human relations approach can be further extended to the "behavioural science approach" or "human resource approach". Various researchers have used several research methods for understanding the human behaviour, some being simple while others being complex in nature. **Elton Mayo** conducted research by using simple methods. However, **Abraham Maslow**, **Douglas McGregor** and other researchers used research techniques that were complex in nature. All these researchers were called as "Behavioural Scientists". This approach signifies the different attitudes, behaviour and functions of individuals and groups in various organisations. Behavioural school was formed on the basis of classical theory. The behavioural approach assumes that social and psychological features of an employee on individual basis and as a part of a workgroup needs to be given prime importance. Points highlighting the features of behavioural approach are as follows:

- 1) As management is all about getting things done by people; managers in an organisation should try and comprehend the importance of human behaviour in order to achieve efficient and desired results.
- 2) In this approach, prominence is given to increase productivity through developing human relations and motivating the employees.
- 3) The core concepts of behavioural approach are leadership, motivation, participative management, communication and group dynamics.

Main contributors to the behavioural science approach are **Elton Mayo** (Hawthorne study), **Douglas McGregor** (theory X and theory Y), **Maslow** (need hierarchy), **Herzberg** (motivation-hygiene theory and job enrichment), **Blake and Mouton** (managerial grid), **Bennis** (organisational development), **Likert** (management systems and linking pin model), **Fiedler** (contingency model of leadership styles), **Argyris** (immaturity-maturity theory, integration of individual and organisational goals and pattern of A B analysis), **Sayles** (interpersonal behaviour) and **Tannenbaum** and others (continuum approach of leadership).

1.5.2. Elton Mayo's Contribution: Human Relations Approach

Human resource is an important managerial function. The behaviour of employees in an organisation is governed by various desires, attitudes and feelings of

the employees. **George Elton Mayo** was one of the few theorists who considered the human relations issues and their impact on work performance. George Mayo and his other colleagues conducted experiments, called as **Hawthorne experiments**. Hawthorne experiments are acknowledged all over the world, as these experiments have changed the viewpoint of managers towards workers of the organisation. Hawthorne experiments gave a positive turning point in the history of the human relations movement. These experiments gave a different perspective to the concept of human behaviour and its function in an organisation.

Hawthorne studies governed the human relations movement, although Great Depression and the Labour Movement were initiators of human relations practices. The Hawthorne studies gave academic position to the study of organisational behaviour. The studies were undertaken at the Western Electric Company's Hawthorne Works in Cicero, a suburb of Chicago, and are linked with the name of **Elton Mayo**. Mayo was the professor of Industrial Research at the Harvard School of Business Administration. Mayo was mainly responsible for executing these studies and spreading the importance of these studies. Thus, he is known as the "**Father of Human Relations Movement**".

These experiments were quite similar to the scientific management school of thought that gave emphasis to scientific research for improving the efficiency of processes with the help of better methods and equipment. In case of Hawthorne studies, the major emphasis was on improving the lighting of the working area. The National Research Council conducted experiments to study the relationship between lighting and productivity. As General Electric (GE) wanted to increase the sale of tube-lights, it supported the studies conducted at the National Research Council alongwith other companies in the electronic industry.

Hawthorne studies involve four interconnected experiments, which are as follows:

- 1) **Illumination Experiments:** It was named as illumination experiment because light was selected by researchers for conducting the study and to examine the link between physical factor and productivity. The methods adopted for this experiment were:
 - i) First of all, two separate groups of employees were chosen.
 - ii) Then, one group was asked to work under steady light and other group was asked to work under inconsistent light.
 - iii) Aim of this experiment was to analyse the impact of lighting on productivity.

The researchers were amazed by the results as the candle power variation of lights did not influence the productivity. As productivity of both the groups increased, so, they recognised that not the illumination but some other factor affected the productivity.

2) **Relay Room Experiments:** The aim of this experiment was to discover the physical elements that affect the productivity of workers. The methods adopted were:

- i) First of all, six female employees who were responsible for assembling telephones were chosen. Then, researchers modified several factors in physical environment to determine the impact of these factors on their productivity.
- ii) The physical factors that were modified included hours of work (increased or decreased), rest intervals, enhanced physical conditions, temperature and particular type of group incentives.
- iii) These employees were working in isolation, away from the plant.
- iv) Employees were not supervised, but they were under researcher's observation.

Researchers found that there is no effective relationship between any of these factors and productivity. Even after so many manipulations the productivity increased continuously.

3) **Bank Wiring Observation Room Experiment:** Basic objective of researchers was to identify the actual determinant affecting productivity. The methods adopted by the researchers were:

- i) Fourteen employees were selected by the researchers, and
- ii) Production records of these employees were compared with their earlier production records.

The outcomes of this experiment were:

- i) Each individual was limiting output.
- ii) Group had decided its own 'informal' performance standards.
- iii) Output of each individual remained somewhat stable for a particular period.
- iv) Records of each department were distorted due to variation between actual and reported output. This variation was also between standard and reported working time.

4) **Interview Programme:** The aim of interview programme was to identify factors affecting productivity. Hence, 20,000 interviews were carried-out by researchers. A questionnaire was given to employees and they were asked to respond without any hesitation. Thus, the results of these interviews explained the relevance of social factors on working environment.

1.5.3. Mary Parker Follett: Human Relations Approach to Work

Most of the management gurus in the industry have been men, but the contribution of female experts cannot be neglected. The school of management thought has got few but talented and intelligent female contributors towards development of management theories. One of the leading female contributors of management was **Mary Parker Follett**. She was born in the year 1868 in the Quaker family in the city of Massachusetts. Being a woman, she was denied a degree from the **Radcliffe College**, which is a coordinate college of Harvard University.

Contribution of Mary Follett towards the development of theory of management was quite different in comparison with the theories of scientific school of management developed in the early 1900s. The human relations approach developed by **Mary Follett** was quite innovative unlike the time and motion studies developed by **Frederick W. Taylor** in that era. In one of the essay published in the year 1924, she explained the concept of power, and to elaborate it she used the expressions "power-over" and "power-with".

The observation concluded that 'groups perform more efficiently when the people feel empowered and the power is shared amongst them'. She wrote, "It seems to me that whereas power usually means power-over, the power of some person or group over some other person or group, it is possible to develop the conception of power-with, a jointly developed power, a co-active, not a coercive power". She published a series of books in the mid-20th century which stressed on human relations movement in midst of various other management theories developed by famous management thinkers like **Mayo**, **Maslow** and **Herzberg**. The four main principles of coordination by Mary Follett are as below:

- 1) **Principle of Early Stage:** This principle stresses on necessity of inculcating coordination function at the beginning of the process of management. Coordinating activities should start with the planning stage in the management process. If coordination starts at an early stage, it helps in developing the best plans and implementing them successfully. When coordination function is incorporated in primary stage of management process (planning) then only the performance of all the management functions can be improved and the desired results can be achieved. It can be said that effective coordination can help the management in realising its pre-determined goals in an efficient manner.

- 2) **Principle of Continuity:** This principle says that coordination should be a never-ending process. Coordination should be instigated from the birth of the organisation and should be continuously incorporated with the organisational functions till the organisation exists. Coordination should be done continuously throughout the stages of the management process, i.e., planning, organising, directing and controlling stage.
- 3) **Principle of Direct Contact:** This principle explains that every manager should establish a direct contact with his subordinates. This will ensure cordial relations between the manager and his subordinates. It improves the coordination level between the workers and managers resulting in greater efficiency and increase in productivity. Direct contact prevents false communications, confusions, misconceptions and avoids conflicts between managers and subordinates.
- 4) **Principle of Reciprocal Relations:** The decisions taken by the management and the actions taken by the employees based on those decisions are interrelated. Thus, an action taken by one employee or the department in response to a decision will also affect other employees and departments. Managers should analyse the effects of all the decisions on different departments and individuals before they are implemented. This is termed as principle of 'reciprocal relations'. This principle should be practiced diligently so as to facilitate coordination throughout the organisation.

1.5.4. Contribution of Chester Barnard

Chester Barnard, the author of the famous book "The functions of the Executive", was the president of New Jersey Bell Telephone Company. He considered organisations as a social system. According to him, organisations need the cooperation of human resources to run successfully. Cooperation between the employees and the organisation is a crucial aspect for the successful business activities. He also termed an organisation as a cooperative enterprise in which individuals work in groups.

According to **Barnard**, managers should encourage the employees to willingly cooperate with one another for achieving the common objectives of the organisation. He has coined the acceptance theory of management which focuses on the willingness of employees to accept that managers have the authority to act on behalf of the management.

Some of the prominent contributions of Barnard are explained below:

- 1) **Concept of Organisation:** According to Barnard, the classical concept of organisation does not properly clarify the various attributes of an organisation. He defined the concept of formal organisation as a system which purposely coordinates the activities of two or more individuals or departments. He insisted that an organisation can exist only if three conditions stated are fulfilled. The three conditions stated by Barnard are:
 - i) The people in an organisation should be able to communicate with each other.
 - ii) The people should be willing to contribute towards the action, and
 - iii) The people should try to attain the mutual objectives.
- 2) **Formal and Informal Organisations:** Every organisation can be divided into two parts namely; formal and informal. A formal organisation consists of interactions that follow a proper chain of command towards achieving pre-determined common objectives. Whereas, in informal type of organisation there are no deliberately coordinated social interactions for realising mutual objectives. An informal organisation helps in defeating the problems faced by formal organisations. Barnard encourages the development of more informal organisations to act as a medium of communication, to encourage a sense of cohesiveness in the members of the organisation and to protect individuals from any fierce attack or dominance of the formal organisational members.
- 3) **Elements of Organisation:** Every organisation consists of four elements which are:
 - i) A system of functionalisation in which people specialise in a particular area or department. This is termed as departmentation.
 - ii) A system which offers incentives to encourage people for contributing towards group activities.
 - iii) A system of power where the employees adhere to the decisions taken by the managers.
 - iv) A system which follows rational process of decision-making.
- 4) **Authority:** The classical theory of management explains the importance of chain of authority from top to bottom. Barnard views were quite different from the classical approach. He came up with an innovative concept called as "acceptance theory of authority" or "bottom-up theory". He viewed that a person does not follow

an instruction because it is given by a senior, but follows a command it is an 'authoritative communication'. A communication can be termed as authoritative only when the below given conditions are fulfilled at the same time:

- i) When the employee understands the communication;
- ii) When he believes that the communication is consistent with the organisational objectives;
- iii) When he believes that his personal interest is compatible with the said command; and
- iv) When he is capable to comply with it on both mental and physical levels.

5) **Functions of the Executive:** According to Barnard, an executive performs three types of functions in a formal organisation, which are as follows:

- i) Maintaining organisational communication through a structure of formal interactions;
- ii) Securing assigned services from the individuals for realising organisational goals;
- iii) To develop and clearly state organisational objectives.

6) **Motivation:** Barnard has identified many non-monetary incentives to overcome the shortcomings of monetary incentives in terms of motivating the employees. The major non-financial motivating techniques include pride of workmanship, opportunity to achieve authority and distinction, amicable working conditions, sense of belongingness and involvement of employees in the important activities.

7) **Organisational Equilibrium:** The concept of organisational equilibrium focuses on corresponding individual efforts with organisational efforts to satisfy the individuals. Cooperation among individuals enhances the development of new activities in an organisation. Every organisation should focus on achieving the level of individual satisfaction required to maintain equilibrium in an organisation. As equilibrium is dynamic in nature, the organisation and its employees should continuously work towards maintaining it. An individual's demands and ambitions are constantly changing and the organisation has to deal with this dynamic nature. Organisational equilibrium is affected by several factors like employees in the organisation, other organisations present in the industry and the society at large.

8) **Executive Effectiveness:** An executive is said to be effective when he fulfills his responsibilities and provides adequate leadership to his

subordinates. Leadership is an important factor for obtaining cooperation from people. Executive leadership demands qualities like intelligence, technological competence, technical knowledge and social skills. An executive leader should not carry-out his responsibilities based on false notions or preconceived philosophies. Leadership activities of an executive should be free from his own interest and biasness. Effective leadership may be governed by the following four types of mistakes which are as follows:

- i) Over generalisation of economy of organisational life,
- ii) Ignoring the importance and necessity of informal organisations,
- iii) Lack of focus on the objective and subjective aspects of authority; and
- iv) Unclear notions of morality and responsibility.

Every executive should take necessary measures and corrective action to solve these problems.

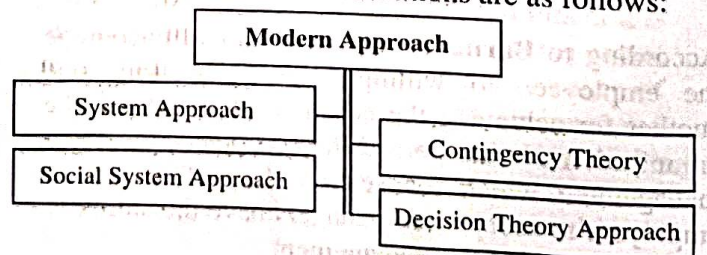
1.6. MODERN APPROACH

1.6.1. Introduction

The modern approach of management theory focuses on the complex issues of the organisation and the individuals working in that organisation. It highlights the different needs, wants, aspirations, motives and potentials of the employees. Thus, the universal applicability of management principles is difficult to practice in real life situations.

New and sophisticated strategies should be formulated for resolving the issues related to employees and the organisation. The modern management theory portrays the view-point of the employees against view of 'rational economic man' defined in the classical theory and the view of 'social person' explained in the neoclassical theory.

The modern management theory came into existence in the year 1950. The modern management approach is viewed as an enhancement to the earlier discussed management theories (classical and behavioural approach to management). Thinkers of modern management and their contributions are as follows:



1.6.2. Systems Approach

A system comprises of several interconnected parts which have a distinct identity and purpose. Every organisation should organise these elements in proper sequence. These elements should be properly connected with the help of effective communication channels. This interaction between the elements should help in attaining the common objectives or targets determined by the organisation. **Churchman** is one of the first few developers of the systems approach of management. Systems approach of management is of the view that all organisational decisions should be implemented only when the managers have determined their impact on the entire organisation and its functional areas. The systems approach is based on the principle that managers in an organisation cannot perform their responsibilities in isolation.

Managers should establish proper communication channels with other departments in the organisation and they should link the objectives of their respective departments with the entire organisation. Proper communication with the employees and the functional areas is essential for maintaining a systematic flow of information within and outside the organisation. The concepts of systems approach are now being assimilated into the general management school of thought. Managers need to get acquainted with the terminologies and concepts of systems approach to be a part of the current developments in the industry.

The vocabulary of systems approach includes the following terms:

- 1) **Sub-Systems:** Sub-systems are the distinct separate parts that form a system. Each system may be a sub-system for a larger system and so on. Hence, it can be said that each department is a sub-system of a unit, a unit is a sub-system to company which in turn is a sub-system of a parent company. This company is a sub-system in the industry in which it functions and industry is a sub-system of the national economy, which is a sub-system of the world system.
- 2) **Synergy:** Synergy can be defined as a combined effort of separate parts which is greater than their individual efforts. In business context, synergy implies that rather than by working in isolation, each department in an organisation can function in an effective and efficient manner by interacting and cooperating with other departments. For example, small scale organisations have a separate finance department

that coordinates with every other department in the organisation. It is better to have a central finance department instead of having an independent finance department for each department.

- 3) **Open and Closed Systems:** Every system which interacts with its environment is called as an open system. A system that does not interact with its environment is termed as closed system. Every organisation needs to interact with its environment but the scope of interaction for each organisation is different. For example, an automobile plant is an open system whereas a monastery or prison is an example of closed system.
- 4) **System Boundary:** Every system consists of a boundary which helps in distinguishing it from its environment. An open system has a very flexible boundary whereas a closed system has an inflexible boundary. In the recent past, organisations have adopted the flexible system boundary approach.
- 5) **Flow:** A system consists of flows of various types, namely; material flow, information flow, human energy and material energy flow, etc. These energies enter the system as raw materials and undergo a transformation process, i.e., they get converted into finished goods by undergoing different processes. They exit the system in the form of finished goods or services.
- 6) **Feedback:** Feedback is a controlling factor in the systems approach. Feedback is essential for determining the success of system operations. An effective feedback mechanism ensures that tasks are evaluated, corrections are made and the information is delivered back to concerned area/department or individual.

Figure 1.7 shows the flows of information, materials, energy and feedback in an open system:

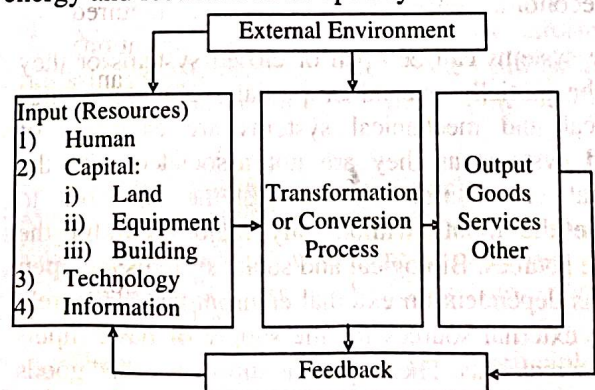


Figure 1.7: Flows and Feedback in an Open System

Management responsibilities and the nature of organisation is characterised by constant change and cooperation. This ever-changing and integrated nature of an organisation is emphasised in the systems approach to management. It can be said that the systems theory helps the managers in developing plan of actions and in predicting their immediate and long-term effects. The systems theory helps the managers to strike a balance between the various goals of organisational departments and overall goals of the organisation.

Types of Systems

- 1) **Physical Systems:** The basic parts or sub-systems of the nature are called as physical systems. These systems are influenced or controlled by the nature. Few examples of physical systems are different seasons, rivers, the solar system, etc.
- 2) **Mechanical Systems:** These systems are technology driven equipment. Mechanical systems are developed by human beings for improving their standard of living. These are closed systems which do not interact with its environment. Systems like motor cars, machines, consumer durables, electric appliances, etc., are examples of mechanical systems and they do not interact with the external environment.
- 3) **Biological Systems:** These systems control and influence the existence and survival of all living beings. Human beings and plants are perfect examples of biological systems. These systems have a definite life cycle which consists of several stages like conception, birth, growth, maturity, decay, death, etc.
- 4) **Social Systems:** These systems have been developed by human beings to deal with the issues of isolation and distress and to work with cooperation. There are several examples of social systems which include organisations like small, big, formal, informal, economic, non-economic, etc.

These systems can be open or closed systems or they may be partially opened or partially closed systems. Physical and mechanical systems are examples of closed systems as they are not associated with the external environment. These systems are able to provide the inputs without any major help for the outside sources. Biological and social systems are open systems dependent on external environment. They rely on the external sources for the supply of basic inputs and raw materials. These systems supply finished goods and services to the environment on behalf of the inputs given by the environment. Open and closed systems are interrelated and cannot be separated.

As social system is an open system, hence an organisation can also be called as an open system. Being an open system, the organisation has to continuously interact with the dynamic external environment. An organisation can succeed only if it is able to modify its policies and strategies in accordance with the changes in environment. Organisations receive inputs, raw materials, power and strength from the surrounding environment. These inputs facilitate the smooth functioning of the organisation. An organisation cannot become a full open system as it has to retain its individuality, maintain its stability and nurture its independence.

Strengths of Systems Approach

- 1) The systems approach inspires the managers to conduct logical analysis of different sub-systems of the organisation as well as the organisation as a whole.
- 2) It provides a strong foundation for grasping the problems and challenges faced by the organisations.
- 3) This approach helps in analysis, synthesis, integration and differentiation of the organisational sub-systems by relating them from the lowest level of the hierarchy to the highest level.
- 4) It combines several management approaches in a significant manner.

Weaknesses of Systems Approach

- 1) It is considered as a theory which does not have any practical implications but only has intellectual appeal.
- 2) The systems theory of management has been criticised by the management gurus as they view it as vague, conceptual, theory-based and non-figurative.
- 3) It is a method of thinking and is not appropriate for solving problems.
- 4) The systems approach is not capable of differentiating between the various systems and is also inefficient in offering any techniques or methods for analysing and integrating other systems.

1.6.3. Contingency Approach

Contingency approach can also be termed as situational approach. This theory is of the view that there cannot one specific action or response for different situations faced by the organisation. The best action for every situation is the one that meets the requirements of internal and external environment. The developers of contingency approach are of the view that systems approach is not effective in describing the relationship shared between the organisation and its external

environment. Contingency theorists have attempted to meet this limitation of the systems approach by proposing an appropriate action that should be taken in response of an event occurring in the environment. The basic theory behind the evolution of contingency approach states that management effectiveness is contingent or dependent upon the interaction that occurs between the specific organisational situations and behaviour of management in dealing with the situation. This approach suggests that managers should manage a particular situation according to the changing circumstances surrounding them. The famous phrase, one size does not fit all goes well with the above explained concept.

The contingency approach was invented by the people from different walks of life like managers, researchers, consultants, etc., after their attempts of applying other management theories were unsuccessful. They discovered that the real life situations and the concepts developed by major schools of management are not compatible with each other. This lack of applicability of management theories led to the development of contingency approach.

Many questions were raised during the practice of the concepts of major schools, e.g., what was the reason behind the success of the organisational growth plan in one situation and reason behind its failure in other situations. Supporters of the contingency approach offered logical answers for these questions. The answer was clear; the results were different as the situations were different every time. A solution which worked under one scenario may not necessarily work under other or all given scenarios. It is the manager's responsibility to identify the right solution that will be suitable for working under a given situation/circumstances and at the given time to produce the desired results for achieving the organisational goals. Managers from different management school thoughts would handle a given situation in many ways or by various techniques. For example, when workers need motivation to increase the productivity levels, different theorists belonging to different management schools would practice different techniques. The classical theorist would suggest a new scheme to simplify the given work, whereas the behavioural scientist would try to enhance the psychological environment of the workers.

The manager specialising in contingency approach will consider the situation and will try to find a solution that will give quick and efficient results according to the situation. He will first determine that whether the workers are skilled or not. If they are unskilled and the training and development resources

are also limited then he may suggest the management to opt for work simplification technique for increasing the productivity. If the workers are skilled and are confident in their ability to handle the situation then adopting a job enrichment programme would be a better alternative. The contingency approach is a significant development in the modern management theory as it describes each organisational relationship according to a specific situation.

Contingency approach is a situation based approach which compels the managers to examine, analyse and identify the situation. It encourages the managers to prepare inventories of management theory, principles, techniques and concepts in the light of the analysed situation. Different situations demand different responses from the management. It is necessary to check legitimacy and applicability of management tools in terms of a given situation. Thus, this approach suggests that the management tools should be tailored and customised according to the situation.

Merits of Contingency Theory

- 1) Contingency approach has proved its importance time and again, as a logically sound approach. Due to its practical applicability, it has helped the managers in becoming effective leaders. Apart from Fielder, many researchers have certified the legitimacy of the contingency management approach.
- 2) This approach has increased the scope of leadership theories. It has encouraged the managers to apply different theories and styles in different situations.
- 3) This approach has the ability to predict and identify which leadership style will be more effective at which particular situation.
- 4) Leaders cannot be effective at any and all given situations and therefore the approach proposes that the organisations should evaluate the performance of the leader in optimal situations and on the bases of their leadership style.
- 5) The theory provides the necessary information regarding leadership styles, which can be helpful for the organisation in developing leadership profiles.

Demerits of Contingency Approach

There are certain demerits or disadvantages of the contingency approach which are given below:

- 1) Contingency approach does not have a theoretical base.
- 2) Because of lack of underlined principles, the manager working according to the contingency approach has to consider all the possible options or solutions.

- 3) Contingency approach is not pro-active and only recommends the alternatives to be undertaken in a given situation.
- 4) This theory sounds to be simple but converting it into a practical approach is a difficult task due to the present of several contingent factors.

1.6.4. Social System Approach

Social system approach was founded by a sociologist named, **Vilfredo Pareto**. Social systems approach is an extension of human relations approach. Pareto's concept was further developed by Chester Barnard, who combined the social systems approach with the human relations approach. This concept considers an organisation as a system based on cultures, where people from different backgrounds work with cooperation and harmony. Understanding the behavioural patterns of different people working in an organisation helps achieving a cooperative system which further aids in attaining the organisational objectives set by the management. This approach is based on the theory of cooperation which explains that an individual employee tries to satisfy the basic biological, physical and social needs by cooperating with other employees. This concept of inter-relationships is termed as "formal organisation". This system of formal organisation is different from the authority based management concept. Formal organisation is a system of consciously coordinated actions working towards achieving mutual organisational objectives. According to this approach, people who are a part of a formal organisation work together in cooperation, share rewards and also help each other in achieving the overall organisational goals.

Social systems approach is formal in nature. It shares a lot of similarity with the behavioural approach which is against the concept of an "economic man". It views an organisation as a social organism which is liable to the pressures and struggles of the cultural environment. It studies and analyses the impact of social behaviour of an individual and behaviour of a group on management concepts.

1.6.5. Decision-Making Approach

The decision-making theory concentrates on the managerial decision-making process in an organisation. It considers it as a central management task of prime importance. All the functions of management are based on sound decision-making. **Herbert A. Simon**, a leading supporter of decision theory school, considers "managing" and "decision-making" as similar concepts.

The features of decision theory are as follows:

- 1) Management is basically decision-making.
- 2) All the members of an organisation are decision-makers and problem solvers.
- 3) Organisation is divided into different decision centres. The level and significance of a member in an organisation can be defined, based on the significance of decisions taken by them.
- 4) Organisational effectiveness is influenced by the quality of decisions.
- 5) Factors affecting decision-making process should be studied and analysed.

1.7. CONTEMPORARY ISSUES IN MANAGEMENT

Contemporary management is greatly influenced by recent technological advancements. Such advancements and transformations are easily observable in nearly all management organisations such as libraries, hospitals, universities, etc. Information processing, computerised operations, automated production processes, etc., are some of the latest technological changes that have significantly affected management techniques and their usage. Nowadays, managers are more effective in their management operations as technology has made it possible to efficiently control and manage work processes. The 'business environment' in which companies function is very unstable and ever-changing. However, the companies have to function as per the societal needs as well. As both these factors affecting businesses are variable in nature, the business strategies to be adopted by the companies also need to be changing to match with the variance. Successful management techniques undertaken few years ago may become unproductive as per the current needs and demands of the market. New improved techniques and strategies have to be developed to keep pace with the changing environment. Few contemporary issues in management are listed below:

1.7.1. Sustainability

The term sustainability means an ability or potential to endure or tolerate. It also stands for fulfilling the challenge so that next generation can also avail similar benefits and can enjoy the same lifestyle the way people are enjoying today. Further, it includes taking a long-run position on evaluating social, economic and environmental effects of business. In broader terms, sustainability implies fulfilling the present generation needs without any misuse of resources so that, next generation can also meet its needs without any compromise.

The main essentials of this concept are:

- 1) The intended obligation of modern society for the quality of lifestyle of existing generation.
- 2) Conservation of environment, the resources and other elements required for next generations to also be able to endure better quality lifestyle.

Sustainability Issues Faced by Management

- 1) **Climate Change and Public Policy:** Climate change is the biggest challenge faced by current and future generations. It is one of the most pressing issues of our time. Our socio-economic ecology is affected. Nobody is devoting enough effort to exploring how to address it. Climate change affects us all, and its effects are becoming more visible daily. As such, we must take action to mitigate its effects. Public policy can play an essential role in this effort. It helps shape strategies to reduce emissions and promote sustainability. The results may be so damaging to our social structure that even developed nations cannot handle the turmoil.
- 2) **Working Together for Sustainability:** The world is increasingly facing environmental challenges, and it is becoming increasingly important for us to work together to ensure sustainability. We must recognize that we are all part of the same global community, and our actions impact each other. We can develop strategies to lessen our environmental impact, save resources, and safeguard the environment for future generations. We can make a difference in the battle against climate change, provided we take collective action and band together. Sustainability is not about individual action. It requires us to come together as a collective force for positive change. Most sustainability concerns demand systemic change, necessitating stakeholder collaboration. Businesses must speak with decision-makers, competitors, and affected stakeholders to address sustainability issues.
- 3) **Transparency and Traceability in the Supply Chain:** Creating a sustainable company with traceability and transparency in the supply chain is possible. And this remains a primary concern related to sustainability.

A company must present a comprehensive overview of a product's life cycle from raw materials to the point of sale. Businesses can create transparency and rebuild trust by outlining necessary tasks and identifying points for significant action. One of the main sustainability issues in business is the need for accurate,

improved, and inclusive data. Because that describes and provides standing with equity and justice.

- 4) **Circular Economy Principles:** The most significant general sustainability issue will be the circular economy. It might be the most effective route toward sustainability, particularly for international corporations. Due to the scarcity of natural resources, it is crucial. Waste is becoming a valuable input thanks to the circular economy. We can stop using virgin resources and adding to pollution. We can achieve it by closing the resource supply and disposal circle. It is a concept worth exploring for industries where raw materials are essential to manufacturing (i.e., food, beverage, and apparel). These business models aim to keep materials in use. They renew natural systems and reduce waste and pollution.
- 5) **Government Policy:** Businesses have difficulty convincing the government (Sustainable Development Goals) to support sustainable development. Hence, these policy cues are absent everywhere. Their sustainability initiatives are being reduced or delayed due to political uncertainty. The government's role is important in achieving change.

The government must develop a framework that requires action from corporations. To execute the SDGs, we need good sector coordination and public-private partnership approaches.

- 6) **Diversity, Equity, and Inclusion:** Companies will be more ambitious in the future about redefining what it means to be devoted to diversity, equity, and inclusion (DEI). Instead, the corporation must incorporate DEI principles throughout all operations, from sales to PR to HR. They should also refocus the purchasing power. It will open up their chances for various suppliers throughout their value chains.

1.7.2. Diversity, Equity and Inclusion

Diversity equity and inclusion are closely related terms that describe the range of distinct individuals that comprise a community and the conditions that enable them to collaborate as equally valued members of the group. It has been statistically demonstrated that workplaces that place a high priority on DE&I initiatives are safer, happier, and more productive.

Diversity in the workplace refers to an organisation's hiring a varied workforce that reflects the society in which it functions. It encompasses all the characteristics that set people apart from each other.

Although human diversity is unlimited, most of us define diversity inadvertently based on a small number of societal categories, such as gender, colour, age, and so on.

Equity involves taking steps to ensure employees of all backgrounds have the same access and opportunities at a company. To create an equitable workplace, employers must understand what obstacles individuals of certain backgrounds face, so they know what support individuals need to overcome those obstacles. Only then can employees of different backgrounds compete on a fair and level playing field.

Inclusion, while frequently associated with diversity, is a distinct idea. It is an organisational endeavour and practice in which different groups or individuals from various backgrounds are socially and culturally recognised and welcomed.

According to the Society for Human Resource Management (SHRM), inclusion is "the achievement of a work environment in which all individuals are treated fairly and respectfully, have equal access to opportunities and resources, and can fully contribute to the success of the organisation." This definition distinguishes inclusion from diversity.

People who live in inclusive cultures are more likely to feel appreciated and valued for who they are, whether they are an individual or a member of a group. When people feel included, a supportive environment is created, enabling them to do their best work. A change in the organisation's thinking and culture is frequently necessary to achieve inclusion, and this can result in outward manifestations like better access to resources and facilities, more involvement in meetings, and rearranged office spaces.

Diversity, Equity and Inclusion Issues

Diversity, equity and inclusion issues encompass a wide range of challenges and opportunities related to creating and maintaining diverse and inclusive workplaces. Following are some common issues related to diversity, equity and inclusion:

1) Language and Communication:

Communicating the same language can bring people together, but it can also unintentionally result in exclusion. This person-language link typically emerges when someone speaks numerous languages but prefers one specific language over the others, making others feel excluded.

There are barriers to communication in a multilingual workplace, even when there is no bias. When workers do not speak the language of the majority, it can be difficult for the team to communicate effectively. This may impede teamwork, reduce output, and lead to more problems at work. In order to overcome these obstacles, it is imperative that adequate communication training be given.

2) **Gender and Sexual Orientation:** The discussions regarding diversity, equity and inclusion usually touch on issues of gender and sexual orientation. Discrimination based on sexual orientation and gender identity is still a major problem in society, despite advances in acceptance of these identities. There are many different ways that this unfair treatment might appear, such as name-calling, discrimination at work, gender stereotyping, and more.

For example, there is still a notable discrepancy in the representation of women in managerial roles. Government legislation and workplace policies do, however, exist to lessen this discrimination and advance gender equality. There are also a number of movements that question established gender norms in the workplace and promote equal compensation for people of all genders.

3) **Race:** The belief that one race is superior to another is at the root of this kind of diversity, equity and inclusion problem. This is a product of society and the media that, if not addressed, will become embedded in their subconscious. For example, employees treat one another unfairly, and in the worst cases, some even conduct hate crimes.

The only way to unlearn negative beliefs and behaviours is to become conscious of the struggles faced by people of different races. Providing racial and inclusive training to the staff may help them see the realities of what other people go through.

4) **Spiritual Beliefs:** People have different spiritual views, which can affect their work ethics, habits, and clothing norms, among other areas of their existence. Fostering diversity, equity and inclusion in the workplace requires employees to be aware of and respectful of one another's beliefs because it fosters respect for one another's uniqueness. But it is also crucial to avoid forcing one's opinions on other people, especially if they do not share them. By

encouraging awareness and acceptance of other viewpoints, sensitivity training can significantly improve relationships between teams. In an inclusive workplace, discrimination based on spiritual beliefs is unacceptable. Thus, it is crucial to respect and work through differences.

- 5) **Alternative Lifestyles:** Alternative lifestyles are another source of problems related to diversity, equity and inclusion. An alternative lifestyle is one that veers away from the mainstream and violates social conventions. For example, dietary limitations, such as becoming vegan or only consuming foods that align with one's religious convictions. Other examples include dumpster diving, changing one's physical appearance, choosing not to have children, and other actions.

Recognising the diversity of individuals and their varied experiences is the key to fostering tolerance and acceptance of differences. Implementing sensitivity training for one's staff can enhance their empathy, deepen their awareness of unique perspectives, and better equip them to navigate challenges effectively.

- 6) **Generational Differences:** With the increasing trend of hiring young talents to adapt to globalisation, companies are embracing diversity in age groups. This diverse workforce leverages the unique skill sets of both older and younger generations, propelling the company towards success. Moreover, it presents an opportunity for mentoring younger employees, ensuring continuity in the business as older employees retire.

However, generational differences can pose challenges in the workplace. Baby boomers, millennials, and Gen Z individuals often have distinct work ethics, styles, and priorities regarding work-life balance, pacing, and career aspirations. When these differences intersect within a team, collaboration can become complex. To foster