

Study Note - 7

EVOLUTION OF MANAGEMENT THOUGHT



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7.1 EVOLUTION OF MANAGEMENT THOUGHT - INTRODUCTION

"The conventional definition of management is getting work done through people, but real management is developing people through work".

- Agha Hasan Abedi

Management has developed and grown in leaps and bounds from a nearly insignificant topic in the previous centuries, to one of the integral ones of our age and economy. Management has evolved into a powerful and innovative force on which our society depends for material support and national well-being. The period between 1700 and 1850 is highlighted by the industrial revolution and the writings of the classical economists.

- Hicks define management as "the process of getting things done by and through others.
- Massie defines management as "the process by which cooperative group directs actions toward common goals. This process involves techniques by which a distinguishable group of people (managers) co-ordinates activities of other people; managers seldom actually perform the activities themselves".
- Koontz and O'Donnell state that management means getting things done through and with people".
- We may define management as a process by which responsible people (managers) in an organisation get things done through the efforts of other people in grouped activities.

In recent times, management has become a more scientific discipline having certain standardised principles and practices.

The following is a breakdown of the evolution of management thought during its developmental period :

- Early management approaches which are represented by scientific management, the administrative management theory and the human relations movement.
- Modern management approaches which are represented by scientific management, the administrative/ management science approach, the systems approach and the contingency approach.

Management - science, art, profession

According to the nature of management, there is a controversy that whether management is a science or an art. This controversy is very old & is yet to be settled.

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Management as a Science

1. **Universally accepted principles:** Scientific principles represents basic truth about a particular field of enquiry. These principles may be applied in all situations, at all time & at all places.

Management also contains some fundamental principles which can be applied universally like the Principle of Unity of Command i.e. one man, one boss. This principle is applicable to all type of organization – business or non business.

2. **Experimentation & Observation:** Scientific principles are derived through scientific investigation & researching i.e. they are based on logic.

Management principles are also based on scientific enquiry & observation and not only on the opinion of Henry Fayol. They have been developed through experiments & practical experiences of large no. of managers, e.g. it is observed that fair remuneration to personal helps in creating a satisfied work force.

3. **Cause & Effect Relationship:** Principles of science lay down cause and effect relationship between various variables. e.g. lack of parity (balance) between authority & responsibility will lead to ineffectiveness.

4. **Test of Validity & Predictability:** Validity of scientific principles can be tested at any time or any number of times i.e. they stand the time of test. Each time these tests will give same result. Moreover future events can be predicted with reasonable accuracy by using scientific principles.

E.g. principle of unity of command can be tested by comparing two persons – one having single boss and one having 2 bosses. The performance of 1st person will be better than 2nd.

Management as an Art

1. **Practical Knowledge:** Every art requires practical knowledge therefore learning of theory is not sufficient. It is very important to know practical application of theoretical principles. E.g. A manager can never be successful just by obtaining degree or diploma in management; he must have also known how to apply various principles in real situations, by functioning as a manager.

2. **Personal Skill:** Although theoretical base may be same for every artist, but each one has his own style and approach towards his job. That is why the level of success and quality of performance differs from one person to another. E.g. Every manager has his own way of managing things based on his knowledge, experience and personality, that is why some managers are known as good managers (like Aditya Birla, Rahul Bajaj) whereas others as bad.

3. **Creativity:** Every artist has an element of creativity in line. That is why he aims at producing something that has never existed before which requires combination of intelligence & imagination. Management is also creative in nature like any other art. It combines human and non-human resources in an useful way so as to achieve desired results. It tries to produce sweet music by combining chords in an efficient manner.

4. **Perfection through practice:** Practice makes a man perfect. Every artist becomes more and more proficient through constant practice. Similarly managers learn through an art of trial and error initially but application of management principles over the years makes them perfect in the job of managing.

5. **Goal-Oriented:** Every art is result oriented as it seeks to achieve concrete results. In the same manner, management is also directed towards accomplishment of pre-determined goals. Managers use various resources like men, money, material, machinery & methods to help in the growth of an organization.

Management as both Science and Art

Management is both an art and a science. The above mentioned points clearly reveal that management combines features of both science as well as art. It is considered as a science because it

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has an organized body of knowledge which contains certain universal truth. It is called an art because managing requires certain skills which are personal possessions of managers. Science provides the knowledge & art deals with the application of knowledge and skills.

Management as Profession:

Any specialized activity becomes a profession provided it satisfies the following characteristics:

1. There must be a systematized body of knowledge which is used either in instructing, advising or guiding others,
2. Existence of a formal method and system for teaching and training people with that knowledge and skill,
3. A scope for creating posts of consultants for that skill,
4. Formation of an association by such consultants,
5. Existence of a code of conduct among such professional men and
6. Readiness to respond to the needs of man.

By closely studying the position of management we find that it does not satisfy all the characteristics in full although attempts are going on to develop it into a fully fledged profession.

7.2 PRINCIPLES OF SCIENTIFIC MANAGEMENT : FREDRICK TAYLOR

Fredrick Winslow Taylor has been accepted as the father of scientific management, who, for the first time proved through experiments that scientific methodology can be applied to the field of management.

A scientific process consists of observation, analysis, experimentation and generalisation. Taylor wanted to introduce these elements into management also to establish a casual relationship between efforts and results.

To be precise, scientific management is not any system to increase production or to pay wages, or to figure costs nor it is merely a time study or motion study, but it is a mental revolution both for the employer and for the employees. Such a mental revolution has the following objectives in view :

- (a) Rule of thumb to be replaced by rule of science to improve the standard of performance.
- (b) There should be perfect harmony among the activities of different individuals and not discord.
- (c) An atmosphere of perfect cooperation among different workers has to be created for mutual interest sublimating personal interests.
- (d) Production has to be maximised and not restricted output.
- (e) There should be encouragement to greatest efficiency and prosperity of every individual, both employer and employees.
- (f) Proper selection and training of workers.
- (g) Equitable division of work and responsibility between the management and the employees.

Taylor was criticised by people of different sectors including both the employers and the employees. The main points of criticism are as follows :-

- (i) It deals with factory management only.
- (ii) Separation of planning from doing is a misleading concept.
- (iii) It lays too much emphasis on engineering side ignoring the importance of human aspect in production.

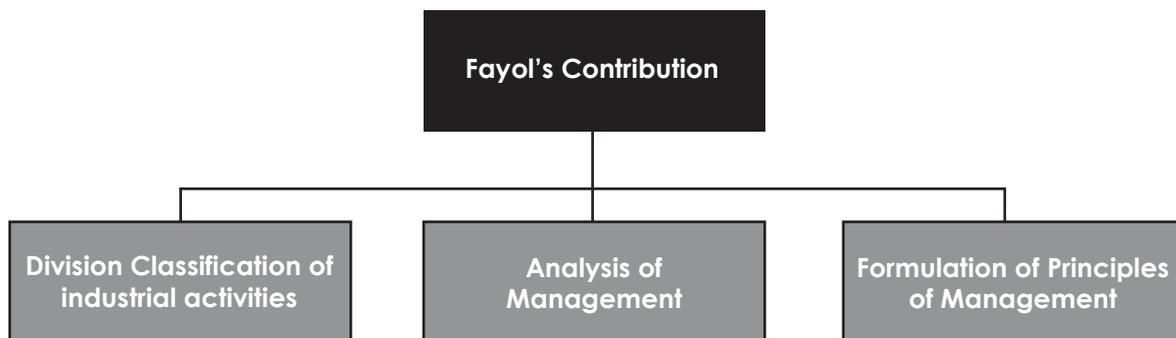
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- (iv) Functional foremanship is not a direct improvement on the concept of line theory of organization.
- (v) He considered human elements as cogs of a machine.
- (vi) It created condition of industrial autocracy.
- (vii) It creates unfair distribution of benefits between the employers and the employees.
- (viii) It is doubtful whether standard of work can be really measured.
- (ix) It is antisocial because it is aimed at efficient workers only.
- (x) It is not possible to find out 'one best way' to do a job. What is true for one, may not be true for another.
- (xi) It is not really scientific management but scientific approach to management.

7.3. PRINCIPLES AND TECHNIQUES OF MANAGEMENT : HENRI FAYOL

The name of Henri Fayol can perhaps be unhesitatingly mentioned as the pioneer of comprehensive thinking on the philosophy of management.

Fayol focussed an principles that could be used by managers to co-ordinate the internal activities of organizations. His contribution can be diagrammatically represented as below:-



7.3.1 Fayol's fourteen Principles of Management

In order to put into practice the elements of management, Fayol enunciated fourteen principles which should be applied carefully and selectively. They are explained below :-

- (1) **Division of work** – Division of work is necessary to enjoy the benefits of specialisation.
- (2) **Authority and responsibility** – Authority means the power to give orders and to ask for obedience
Responsibility means the sense of dutifulness which is correlated with authority. There must be a parity between the two.
- (3) **Discipline** – The three requisites are necessary for maintaining discipline – (a) good supervisors, (b) clear and fair agreements and (c) proper application of sanctions or penalties.
- (4) **Unity of Command** – It means that one individual employee must receive orders from one individual superior only.
- (5) **Unity of direction** – One and same objective for the whole unit of organization and for that there should be one leadership and one plan.
- (6) **Subordination of individual interest to general interest** – Individual or group interest must be surrendered to general interest.

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- (7) **Remuneration** – Remuneration should be fair and satisfactory to both the employees and the employer.
- (8) **Centralization** – By centralization there is optimum utilisation of the available resources.
- (9) **Scalar chain** – It is the chain of superior existing from the highest authority to the lowest ranks.
- (10) **Order** – It means that inside an organization there should be a place for everything and everything in its place.
- (11) **Equity** – The sense of equity must prevail throughout all the levels of the organization and the management should see to it.
- (12) **Stability of tenure of personnel** – An employee needs time to get himself accustomed to a line of work and then he can show his ability. Therefore the personnel are stable.
- (13) **Initiative** – The initiative of the personnel must be roused at every level even by sacrifice of vanity by the managers.
- (14) **Esprit de Corps** – Teamwork is essential for the success of an organization.

7.4. BUREAUCRATIC MANAGEMENT: MAX WEBER

According to German Scientist, Max Weber, a bureaucracy is a highly structured, formalised and impersonal organisation. He instituted the rigorous belief that an organisation should have a defined hierarchical structure governed by a clearly defined rules, regulations and lines of authority. Weber's ideal bureaucracy possesses the following distinct characteristics :

- Specialisation of labour
- Formal rules and regulations
- Well defined hierarchy
- Impersonality in application of rules.

Bureaucratic Theory by Max Weber

Bureaucratic structures evolved from traditional structures with the following changes:

1. Jurisdictional areas are clearly specified, activities are distributed as official duties (unlike traditional form where duties delegated by leader and changed at any time).
2. Organization follows hierarchical principle — subordinates follow orders or superiors, but have right of appeal (in contrast to more diffuse structure in traditional authority).
3. Abstract rules govern decisions and actions. Rules are stable, exhaustive, and can be learned. Decisions are recorded in permanent files (in traditional forms few explicit rules or written records).
4. Means of production or administration belong to office. Personal property separated from office property.
5. Officials are selected on basis of technical qualifications, appointed not elected, and compensated by salary.
6. Employment by the organization is a career. The official is a full-time employee and looks forward to a life-long career. After a trial period they get tenure of position and are protected from arbitrary dismissal.

Bureaucratic Form According to Max Weber — His Six Major Principles

Max Weber's principles spread throughout both public and private sectors. Even though Weber's writings have been widely discredited, the bureaucratic form lives on. Weber noted six major principles.

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1. **A formal hierarchical structure** - Each level controls the level below and is controlled by the level above. A formal hierarchy is the basis of central planning and centralized decision making.
2. **Management by rules** - Controlling by rules allows decisions made at high levels to be executed consistently by all lower levels.
3. **Organization by functional specialty** - Work is to be done by specialists, and people are organized into units based on the type of work they do or skills they have.
4. **An "up-focused" or "in-focused" mission** - If the mission is described as "up-focused," then the organization's purpose is to serve the stockholders, the board, or whatever agency empowered it. If the mission is to serve the organization itself, and those within it, e.g., to produce high profits, to gain market share, or to produce a cash stream, then the mission is described as "in-focused."
5. **Purposely impersonal** - The idea is to treat all employees equally and customers equally, and not be influenced by individual differences.
6. **Employment based on technical qualifications** - Selection and Promotion is based on Technical qualifications.

Bureaucratic organisation is criticised because of the following reasons:-

1. Too much emphasis on rules and regulations. The rules and regulations are rigid and inflexible.
2. No importance is given to informal groups. Nowadays, informal groups play an important role in all business organisations.
3. Bureaucracy involves a lot of paper work. This results in lot of wastage of time, effort and money.
4. There will be unnecessary delay in decision-making due to formalities and rules.
5. Bureaucratic model may be suitable for government organisations. But it is not suitable for business organisations because business organisations believe in quick decision making and flexibility in procedures.
6. Too much importance is given to the technical qualifications of the employees for promotion and transfers. Dedication and commitment of the employee is not considered.
7. There is difficulty in coordination and communication.
8. There is limited scope for Human Resource (HR).

7.5. ORGANISATION THEORY

7.1.1. Meaning of Organisation Theory

According to D.S. Pugh, "Organisation theory is the study of functioning and performance of organisations and of the behaviour of groups and individuals working in them."

7.1.2. Rationale of Organisation Theory

- The basic objective is to explain and predict the process and behaviour patterns in organizational settings.
- It focuses attention on social or human grouping and provides a framework for understanding and explaining human behaviour in organization.
- It provides a scientific basis for managerial actions designed to improve organisational effectiveness.
- It seeks to analyse inner processes in organisations with a view to discover the important variables governing organisational behaviour.
- Organisation theory provides the practising managers guidelines as to how they should work in different situations.

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- Managers can achieve efficiency and effectiveness without going through the costly trial-and-error methods.
- It helps a researcher by providing a mechanism for testing hypotheses about organisations and to improve the theory further.

7.1.3. Different Theories of Organisation

The different theories of organisation may be divided into four broad categories:

1. Classical organisation theory,
2. Neo-classical or Behavioural theory,
3. Modern Organisation Theory
 - (a) System Theory
 - (b) Contingency Theory

7.1.4. Classical Organisation Theory

The classical theory is the beginning of a systematic study of organisations. This theory has dealt mainly with anatomy of formal organisations. Organisation is viewed as a machine and human beings as different components of that machine. Therefore, efficiency can be increased by making each individual working in organisation efficient.

The main pillars or elements of classical organisation theory are as follows :

1. **Division of labour.** It implies that work must be divided to obtain a clear-cut specialisation with a view to improve the performance of workers.
2. **Departmentalisation.** This requires grouping of various activities and jobs into departments so as to minimise costs and to facilitate administrative control.
3. **Coordination.** Orderly arrangement of group effort is necessary to provide unity of action in pursuit of common purpose. There should be harmony among diverse functions.
4. **Scalar and functional processes.** Scalar chain refers to a series of superior-subordinate relationships from the top to the bottom of the organisation. It serves as a means of delegation of authority (command), communication (feedback) and remedial action (decision).
5. **Structure.** Structure implies the logical relationship of functions in an organisation arranged to accomplish its objectives efficiently.
6. **Span of control.** This implies the number of subordinates a manager can effectively supervise.

The Classical Organisation Theory has been criticised on the following grounds:

1. Classical theory takes a static and rigid view of organisations.
2. Classical theorists view an organisation as a closed system having no interaction with its environment.
3. Classical writers have focused attention on technological and structural aspects of organisations.
4. Classical theory is based on oversimplified and mechanistic assumptions.

The focus of Classical theory is on 'organisation without people'. Therefore, this theory is considered inadequate in dealing with the complexities of organisation structure and functioning. It provides an incomplete explanation of human behaviour in organisations.

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7.1.5. Neo-classical Theory (Behavioural Theory)

The neo-classical organisation theory is commonly identified with the human relations movement pioneered by Elton Mayo. The foundations of this theory were laid down by the Hawthorne Experiments conducted by Mayo and his associates. These experiments revealed that informal organisation and socio-psychological factors exercise much greater influence on human behaviour than physiological variables. These findings, focused attention on human beings and their behaviour in organisations. Therefore, Neo-classical theory is popularly known as 'Behavioural theory of organisation' or 'Human relations approach'.

The main propositions of Neo-classical theory are as follows :

1. The organisation in general is a social system composed of several interacting parts.
2. Within a formal organisation there exists an informal organisation. The two affect each other.
3. Human beings are interdependent. Their behaviour can be predicted in terms of social and psychological factors at work.
4. Motivation is a complex process. Many socio-psychological factors operate to motivate people at work.
5. Human beings do not always act rationally. They often behave irrationally in terms of the rewards they seek from the work.
6. A conflict between organisational and individual goals often exists. There is, therefore, a need to reconcile the goals of the individual with those of the organisation.
7. Team work is essential for efficient functioning of organisations. But this is not automatic and has to be achieved.

Neo-classical writers gave an organisational design which is a modification of classical structure in the following ways:

- (a) **Flat structure** - In a flat structure, the scalar chain is shorter. As a result communication and motivation tend to be more effective.
- (b) **Decentralisation** - Decentralised structure allows initiative and autonomy at lower levels.
- (c) **Informal Organisation** - Formal organisation represents deliberate or official channels of interactions. But it suffers from several weaknesses. Therefore, informal organisation is created to plug its loopholes and to satisfy the social and psychological needs of people.

Weakness of Neo-classical theories:

1. The various structures of organisation provided by the Neo-classical theory cannot be applied to all situations. No particular structure will serve the purposes of all organisations.
2. Neo-classical theory lacks a unified approach. It is simply a modification of the Classical model. The Neo-classical theory has been called bankrupt.
3. Many of the assumptions on which Neo-classical theory is based are not true. For instance, the assumption that it is always possible to find out a solution that satisfies everybody is not true.

7.1.6. Modern Organisation Theory

Modern Organisation theories may be classified as (1) Systems Theory (2) Contingency Theory. These are analysed below:-

7.1.6.1 Systems Theory

The systems organisation theory is of recent origin having developed in early sixties. It has a conceptual, analytical base and places a great reliance on empirical research data. It considers organisations as

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a system. A system is defined as an organised or complex whole; an assemblage or combination of things or parts forming a complex unitary whole. Parts of a system are known as sub-systems. The various sub-systems are interrelated and they are arranged according to some scheme so that the whole system is more than the sum of the parts. This is done to ensure the efficient functioning of the system as a whole. A system has a boundary which maintains proper relationship between the system and its environment.

Systems are broadly of two types: (1) open systems, and (2) closed systems.

An open system interacts with its environment whereas a closed system has no interaction with the environment. All living systems are open systems but all non-living systems are closed systems. Organisation being an open system continuously interacts with its environment. Therefore, to understand organisation, its boundary must be identified. Organisation in interaction with its environment can be understood as input-output model. Inputs are information, energy and materials which organisation takes from its environment. It transforms them with the help of men and machines and supplies the outputs to the environment. Reaction of environment to the outputs is called feedback mechanism with which the organisation can evaluate and correct itself. Organisation as a system has multiple objectives. It comprises various sub-systems, e.g., technical subsystem, social sub-system, power subsystem, etc. These rule-systems are interdependent and there is a need for interlinking them through some processes.

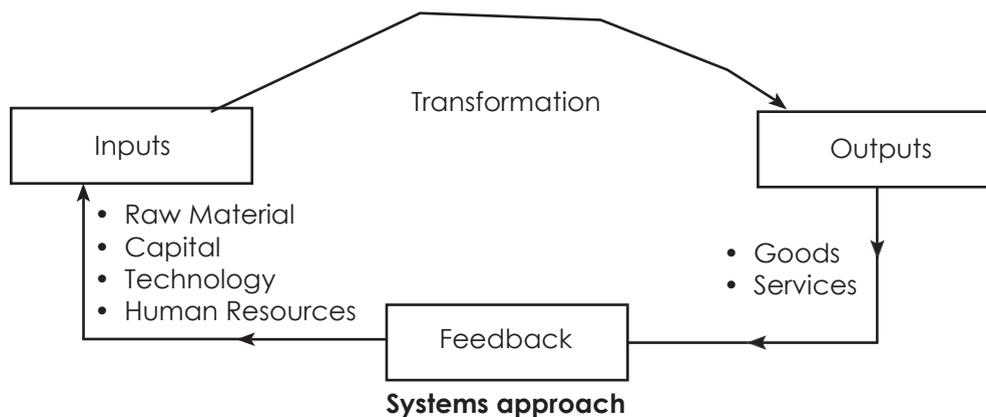


Fig. 7.1

Thus, systems organisation theory involves study of an organisation by identifying :

- (a) its strategic parts,
- (b) the nature of their mutual dependency,
- (c) the processes in the system which link the parts together and make for their adjustments to one another, and
- (d) the goals sought to be accomplished by the system.

The main parts of the organisation system are given below :

1. **Individual.** Individual and his personality structure is the basic part of the system. The motives and attitudes of an individual decide what he expects to achieve by participating in the organisation system.
2. **Formal organisation.** It is the inter-related pattern of jobs designed to regulate the actions of individuals and other resources in the organisation. It requires the individual to perform his job

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and the individual demands fulfilment of his expectations by performing the job. There is often an incongruency between the goals of the organisation and those of its members.

3. **Informal organisation.** There is significant interaction between the individual and the informal group to which he belongs. The informal group demands the individual to conform to the behaviour pattern laid down by it. The individual in turn seeks to accomplish his goals by associating with the informal group. Both these sets of expectations interact resulting in modifying the behaviour of each other.
4. **Status and roles.** Every organisation has a prescribed pattern of roles the individuals are expected to play. These roles determine their status. When the demands on an individual made by the formal and informal organisations are contradictory, a role conflict arises. A fusion between the two roles becomes necessary. The fusion process is a force which acts to wield divergent elements together in order to preserve the organisational integrity.
5. **Physical setting.** The physical surroundings in which a job is performed are an important component. Interaction present in the complex man-machine system need to be carefully examined. The human engineer cannot approach the problem in a purely technical fashion. The psychological, social and physiological conditions of organisation members should be considered so as to fit machines to men.

The various parts of a system are interconnected. The processes through which they are interlinked are as follows :

- (i) **Communication.** It is an effective mechanism that links all the organisational segments together. It involves receiving messages from the external environment and exchanging such information among the individuals. It is also a control and coordination mechanism for linking the decision centres in the system.
- (ii) **Decision-making.** Decision-making is another process for linking various parts in the organisation. According to March and Simon, the decision to produce depends on the interaction between individuals and demands of the organisation. On the other hand, decision to participate depends on the demands and rewards of the organisation.
- (iii) **Balance.** According to W.G. Scott, balance refers to an equilibrating mechanism whereby various parts of the system are maintained in harmoniously structured relationship with each other. Balance helps to ensure integrity in the face of rapidly changing environment.

The main contributions of systems organisation theory are as follows :

1. It provides an open systems view of organisation and recognises the organisation environment interface.
2. It is dynamic and adaptive.
3. It adopts a multi-level and multi-dimensional approach wherein both macro and micro-aspects are considered.
4. It is multi-disciplinary as it draws concepts from several disciplines, e.g., economics, sociology, psychology, anthropology, engineering, etc.
5. It is descriptive rather than prescriptive or normative. It is also probabilistic, not deterministic. It places emphasis on lateral rather than vertical relationships.
6. Another important contribution of systems organisation theory is cybernetics, *Le.*, the science of communication and control in man-machine system.

The systems organisation theory has been criticised on several counts.

- First, it is not a single unified theory but an amalgam of several ones, e.g., systems theory, contingency theory, decision theory, etc.
- Secondly, It is not really modern as it is simply a synthesis of the research contributions of earlier theories.

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- Thirdly, Systems theory is too abstract to be of much use to practising managers. It does not spell out the precise relationships among the organisation and social system.
- Lastly, It does not provide a framework applicable to all types of organisations particularly smaller organisations.

7.1.6.2 Contingency Theory

The contingency theory is an extension of the systems theory of organisation. The basic idea of the contingency theory is that there is no particular managerial action or organisational design that is appropriate for all situations. Rather the design and managerial action depends on the situation. It is contingent on the situation and circumstances. Therefore, contingency theory is also known as situational theory.

Like the systems approach contingency theory considers organisation as a system consisting of sub-systems. Both the theories emphasise maintenance and adaptation activities for the survival and growth of the system. They deal with patterns of relationships and interdependence among the elements of the system. However, there are important differences between the two theories. As against the internal dynamics of the systems theory, contingency theory focuses on external determinants of organisation structure and behaviour. While the systems theory lays down universal principles for application in all situations, the prescription of the contingency theory is that "it all depends."

Contingency theory fills an important lacuna of systems theory by spelling out the relationship between organisation and its external environment. It provides a more explicit understanding of relationship among various environmental variables. It is action-oriented and directed towards the application of the system concepts. Therefore, It provides something more useful to the practising managers in a turbulent environment. The contingency theory emphasises the multivariate nature of organisations and attempts to understand how organisations operate under varying conditions in specific circumstances. Contingency views are ultimately directed towards suggesting organisational designs and managerial actions most appropriate for specific situations. The theory suggests that the suitable organisation design depends upon environmental variables like size, technology, people, etc.

Basis	Classical	Behavioural	Systems	Contingency
Focus	Work and economic needs of workers	Small groups and human behaviour	Interrelationships	Situational variables
Structure	Mechanical and impersonal	Organisation as a social system	Open systems view of organisation	Environmental determinants of organisation
Means	Empirically derived principles	Group participation	Conceptual skills	Environmental scanning
Results	Work alienation and dissatisfaction	Satisfied and efficient employees	Systems theory and design	Dynamic management style
Practices	Authoritarian and bureaucratic	Democratic and participative	Systems concepts	Business environment interface
Main Exponents	F. W. Taylor, Henri Fayol, Max Weber	Elton Mayo, A.H. Maslow, Douglas MrGreor	F.E. Kast, J.E. Rosen-zweig, R.A. Johnson	P.R. Lawrence, J.W. Lorsch, J. Woodward