

# UNIT 11 - Evolution of Management Thoughts (Managerial Function) – UPSC STUDY MATERIAL

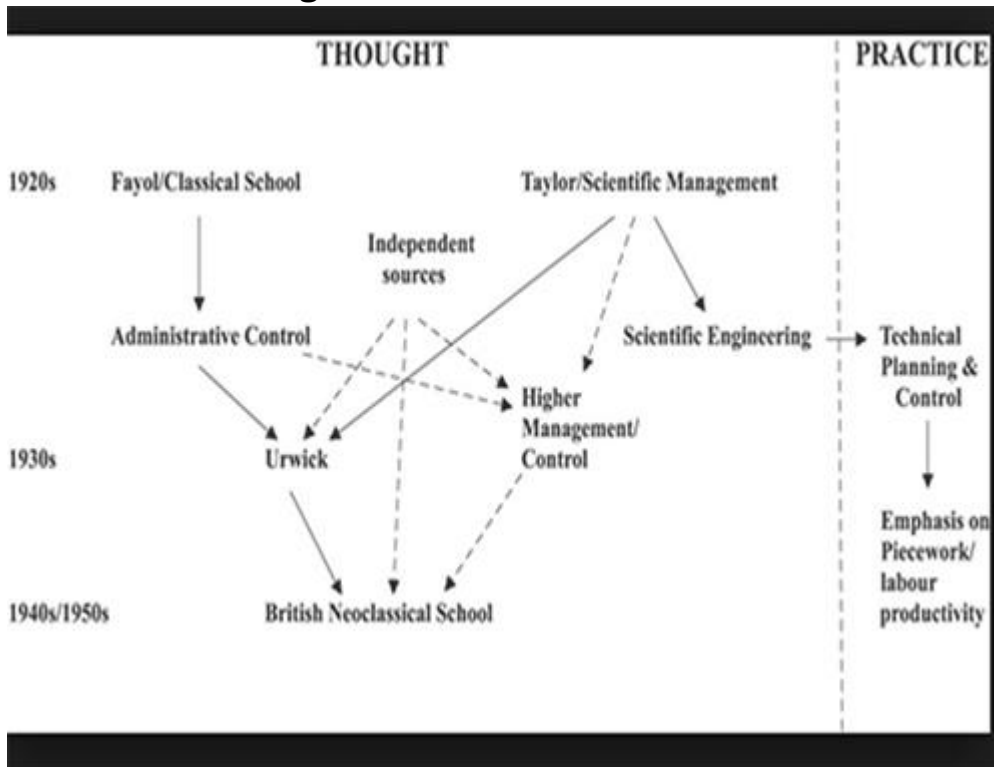
Management is studied in business academics since earlier times and it is considered as an integral part to understand business operations. People have been changing and redesigning organizations for centuries. Though the 20th century is noticeable in history as an 'Era of scientific management', still it does not indicate that management tactics were not used in yester years. Many studies indicated that Management theory evolved with "scientific" and "bureaucratic" management that used measurement, procedures and routines as the basis for operations. Firms developed hierarchies to apply standardized rules to the place of work and penalized labour for violating rules. With the "human relations" movement, companies emphasized individual workers. Modern management theories, including system theory, contingency theory and chaos theory, focus on the whole organization, with employees as a key part of the system.



The evaluation of management can be categorized in to different parts:

- Pre-Scientific Management Era (before 1880),
- Classical management Era (1880-1930),
- Neo-classical Management Era (1930-1950),
- Modern Management era (1950-on word).

Classical Management includes Scientific Management School, Administration Management School, and Bureaucracy Management. Neo- classical Management includes Human relation school and Behavioural Management School. Modern Management includes Social system school, Decision theory school, Quantitative Management School, System Management School, and Contingency Management School.

**evaluation of management**

## Early Management Thought

The period of 1700 to 1800 emphasizes the industrial revolution and the factory system highlights the industrial revolution and the importance of direction as a managerial purpose. Thus, the development of management theory can be recognized as the way people have struggled with relationships at particular times in olden periods. Many economic theorists during this period described the notion of management. Adam Smith and James Watt have been recognized as two theorists who launched the world toward industrialization. Adam Smith brought about the revolution in financial thought and James Watt's steam engine provided cheaper power that revolutionized English commerce and industry. Both provided the base for modern concepts of business management theory and practice. Adam Smith explicated the concept of division of labour and Jacques Turgot described the importance of direction and control. Smith stated that market and competition should be the controllers of economic activity and that tax policies were destructive. The specialization of labour was the basis of Smith's market system. According to Smith, division of labour provided managers with the maximum opportunity for improved output. In the period of 1771–1858, Robert Owens studied for concern for the workers. He was repulsed by the working conditions and poor treatment of the workers in the factories across Scotland. Owen became a reformer. He reduced the use of child labour and used ethical influence rather than physical punishment in his factories. He reproached his fellow factory owners for treating their equipment better than they treated their workers.

In quantitative approach of early management thought, Charles Babbage (1792–1871) is recognized as the supporter of operations research and management science. Babbage's scientific innovations are mechanical calculator, a versatile computer, and a punch-card machine. His projects never became a commercial reality. However, Babbage is considered the creator of the

concepts behind the present day computer. The most popular book of Babbage, *On the Economy of Machinery and Manufacturers*, described the tools and machinery used in English factories. It discussed the economic principles of manufacturing, and analysed the operations and the skills used and suggested improved practices. Babbage considered in the benefits of division of labour and was a supporter of profit sharing. He developed a method of observing manufacturing that is the same approach utilized today by operations analysts and consultants analysing manufacturing operations. Other theorists who contributed in quantitative approach of early management thought were Robert Owen, Andrew Ure and Charles Dupin, Henry Robinson Towne.

Another theorist Baptiste, explained the significance of planning. But management is appeared as a different discipline in the second half of 19th century with the beginning of Joint Stock Company. This type of enterprises separated management of business from their ownership and gave emphasis to labour incompetence and improper systems of wage payments. To resolve such problem, people began to identify management as a separate field of study. During 20th century, Management has become more scientific discipline with standard principles and practices.

## The Classical Approach

The classical approach is the earliest thought of management .The classical approach was associated with the ways to manage work and organizations more efficiently. The classical approach are categorized into three groups namely, scientific management, administrative management, and bureaucratic management.

**I. Scientific Management:** Scientific management which is also referred to Taylorism or the Taylor system is a theory of management that evaluates and synthesizes workflows, with the aim of improving labour productivity. In other words, conventional rules of thumb are substituted by accurate procedures developed after careful study of an individual at work. Universal approaches of Scientific management are developed for Efficiency of workers, Standardization of job roles/activities and Discipline - the role of managers and the business hierarchy. The scientific management theory had an enormous impact on the business industry at the beginning of the 20th century. Many big and victorious organizations, such as McDonalds hamburger chain or call centres, utilised a modern version of scientific management. Among famous theorist, Taylor's contribution in the area of scientific management is invaluable. The components of scientific management are determination of the task, planning, proper selection and training of workers improvement in methods, modification of organization and mental revolution such as 'job specialization'. As a result, it became more concerned with physical things than towards the people even though increased the output. Scientific Management focuses on worker and machine relationships. Organizational productivity can be increased by enhancing the competence of production processes. The competence viewpoint is concerned with creating job that economizes on time, human energy, and other productive resources. Jobs are planned so that each worker has a specified, well controlled task that can be performed as instructed. Principle of scientific management are replacement of old rule of thumb method, scientific selecting and training, labour management co-operation, maximizes output, equal division of responsibility. There are four scientific management systems such as develop a science for each element of the job to replace old rule of thumb method, Scientifically select employees and then train them to do the job as

described in step, supervise employees to make sure they follow the prescribed method for performing their job and continue to plan the work but use worker to actually get the work done.

**Taylor's Scientific Management:** Academic records indicated that F.W. Taylor and his colleagues developed the first systematic study in management. He initiated an innovative movement in 1910 which is identified as scientific management. Frederick Taylor is known as the father of Scientific Management and he published *Principals of Scientific Management* in which he proposed work methods designed to boost worker productivity. Taylor asserted that to succeed in these principles, it is necessary to transform completely the part of management and labour. His philosophy was based on some basic principles. The first principle is separation of planning and doing. In the pre-Taylor era, an employee himself used to choose or plan how he had to do his work and what machines and equipment would be necessary to perform the work. But Taylor divided the two functions of planning and doing, he stressed that planning should be delegated to specialists. Second principle of Taylor's management approach is functional foremanship. Taylor launched functional foremanship for administration and direction. Under eight-boss-scheme of functional foremanship, four persons like route clerk, instruction card clerk, time and cost clerk and disciplinarian are associated with planning function, and the remaining four speed boss, inspector, maintenance foreman, and gang boss are concerned with operating function. Third principle is elements of scientific management. The main constituents of scientific management are work study involving work important and work measurement using method and time study, standardization of tools and equipment for workmen and improving working conditions, scientific Selection, placement and training of workers by a centralized personal department. Fourth principle is bilateral mental revolution. Scientific management involves a complete mental change of employees towards their work, toward their fellow-men and toward their employers. Mental revolution is also necessary on the part of management's side, the foreman, the superintendent, the owners and board of directions. Fifth principle is financial incentives. In order to encourage workers to give better performance, Taylor introduced differential piece-rate system. According to Taylor, the wage should be based on individual performance and on the position which a worker occupies. Economy is other principle of management devised by Taylor. According to him, maximum output is achieved through division of labour and specialization. Scientific Management concentrates on technical aspects as well as on profit and economy. For this purpose, techniques of cost estimates and control should be adopted. Taylor concluded that science, not rule of thumb, Harmony, not discord, Cooperation and not individualism, Maximum output, in place of restricted output.

**(ii) Administrative Management:** Administrative Management emphasizes the manager and the functions of management. The main objective of Administrative management is to describe the management process and philosophy of management. In contradiction of scientific management, which deals mainly with jobs and work at individual level of scrutiny, administrative management gives a more universal theory of management.

**Henry Fayol's Administrative Management (1841–1925):** Henri fayol is known as the father of modern Management. He was popular industrialist and victorious manager. Fayol considered that good management practice falls into certain patterns that can be recognized and analysed. From this basic perspective, he devised a blueprint for a consistent policy of managers one that retains much of its force to this day. Fayol provided a broad analytical framework of the process of management. He used the word Administration for Management. Foyal categorized activities of

business enterprise into six groups such as Technical, Financial, Accounting, Security, and Administrative or Managerial. He stressed constantly that these managerial functions are the same at every level of an organization and is common to all firms. He wrote General and Industrial Management. His five function of managers were plan, organize, command, co-ordinate, and control. Principal of administrative management: 1.Division of labour, 2.Authority & responsibility, 3.Discipline, 4.Unity of command, 5.Unity of direction, 6.Subordination of individual interests to general interest, 7.Remuneration of personnel, 8.Centralization, 9.Scalar chain, 10.Order, 11.Equity, 12.Stability of tenure, 13.Initiative and 14 .Esprit de corps (union of strength). These 14 principles of management serve as general guidelines to the management process and management practice. His principles of management are described below.

1. Division of work: This is the principle of specialization which is detailed by economists as an important to efficiency in the utilization of labour. Fayol goes beyond shop labour to apply the principle to all kinds of work, managerial as well as technical.
2. Authority and responsibility: In this principle, Fayol discovers authority and responsibility to be linked with the letter, the consequence of the former and arising from the latter.
3. Discipline: This discipline denotes "respect for agreements which are directed at achieving obedience, application, energy and the outward marks of respect". Fayol declares that discipline requires good superiors at all levels, clear and fair agreement, and judicious application of penalties.
4. Unity of command: This is the principle that an employee should receive orders from one superior only.
5. Unity of direction: Fayol asserted that unity of direction is the principle that each group of activities having the same objective must have one head and one plan. As distinguished from the principle of unity of command, Fayol observes unity of direction as related to the functioning of personnel.
6. Subordination of individual interest to general interest: In any group the interest of the group should supersede that of the individual. When these are found to differ, it is the function of management to reconcile them.
7. Remuneration of personnel: Fayol recognizes that salary and methods of payment should be fair and give the utmost satisfaction to worker and boss.
8. Centralization: Fayol principle of centralization refers to the extent to which authority is concentrated or dispersed in an enterprise. Individual circumstances will determine the degree of centralization that will give the best overall yield.
9. Scalar chair: Fayol believe of the scalar chair as a line of authority, a 'Chain of Superiors' from the highest to the lowest ranks and held that, while it is an error of subordinate to depart 'needlessly' from lines of authority, the chain should be short-circuited when scrupulous following of it would be detrimental.
10. Order: Breaking this principle into 'Material order' and 'Social Order', Fayol thinks of it as the simple edge of "a place for everything (everyone), and everything (everyone) in its (his) place". This is basically a principle of organization in the arrangement of things and persons.
11. Equity: Fayol perceives this principle as one of eliciting loyalty and devotion from personnel by a combination of kindness and justice in managers dealing with subordinates.



12. Stability of tenure of personnel: Finding that such instability is both the cause and effect of bad management, Fayol indicated the dangers and costs of unnecessary turnover.
13. Initiative: Initiative is envisaged as the thinking out and execution of a plan. Since it is one of the "Keenest satisfactions for an intelligent man to experience", Fayol exhorts managers to "Sacrifice Personal Vanity" in order to permit subordinates to exercise it.
14. Esprit de corps: This is the principle that 'union is strength' an extension of the principle of unity of command. Fayol here emphasizes the need for teamwork and the importance of communication in obtaining it.

### **(iii) Bureaucratic Management:.**

Bureaucratic management denotes to the perfect type of organization. Principal of Bureaucracy include clearly defined and specialized functions, use of legal authority, hierarchical form, written rules and procedures, technically trained bureaucrats, appointment to positions based on technical expertise, promotions based on competence and clearly defined career paths. The German sociologist, Max Weber recognized as father of modern Sociology who appraised bureaucracy as the most logical and structure for big organization. With his observation in business world, Weber summarized that earlier business firms were unproductively managed, with decisions based on personal relationships and faithfulness. He proposed that a form of organization, called a bureaucracy, characterized by division of labour, hierarchy, formalized rules, impersonality, and the selection and promotion of employees based on ability, would lead to more well-organized management. Weber also argued that authoritative position of managers in an organization should be based not on tradition or personality but on the position held by managers in the organizational hierarchy.

Max Weber (1864-1920) devised a theory of bureaucratic management that emphasized the need for a firmly defined hierarchy governed by clearly defined regulations and lines of authority. He considered the perfect organization to be a bureaucracy whose activities and objectives were reasonably thought out and whose divisions of labour were clearly defined. Weber also believed that technical capability should be emphasized and that performance evaluations should be made completely on the basis of merit. Presently, it is considered that bureaucracies are huge, impersonal organizations that put impersonal competence ahead of human needs. Like the scientific management theorists, Weber sought to advance the performance of socially important organizations by making their operations predictable and productive. Although we now value innovation and flexibility as much as efficiency and predictability, Weber's model of bureaucratic management evidently advanced the development of vast corporations such as Ford. Bureaucracy was a particular pattern of relationships for which Weber saw great promise. Although bureaucracy has been successful for many companies, in the competitive global market of the 1990s organizations such as General Electric and Xerox have adopted bureaucracy, throwing away the organization chart and replacing it with ever-changing constellations of teams, projects, and alliances with the goal of unleashing employee creativeness.

Chester I. Barnard: Chester Barnard (1886-1961) also devised components to classical theory such as Follett that would be further developed in later schools. Barnard, who became president of New Jersey Bell in 1927, used his work experience and his wide reading in sociology and philosophy to devise theories about organizations. Barnard stated that people join in formal

organizations to accomplish such goals that cannot be fulfilled by working alone. But as they follow the organization's goals, they must also gratify their individual needs. Barnard came to conclusion that an enterprise can operate efficiently and survive only when the organization's goals are kept in balance with the aims and needs of the individuals working for it. Barnard denotes a principle by which people can work in stable and mutually constructive relationships over time. Barnard believed that individual and organizations purposes must be in balance if managers understood an employee's zone of indifference that is, what the employee would do without questioning the manager's authority. Apparently, the more activities that fell within an employee's zone of indifference the smoother and more cooperative an organization would be. Barnard also believed that managers had a duty to inspire a sense of moral purpose in their employees. To do this, they would have to learn to think beyond their narrow self-interest and make an ethical promise to society. Although Barnard emphasized the work of administrative managers, he also focused substantial attention on the role of the individual employee as the basic strategic factor in organization.

## Modern Management Approaches

**Behavioural Approach:** Numerous theorists developed the behavioural approach of management thought as they observed weaknesses in the assumptions of the classical approach. The classical approach emphasized efficiency, process, and principles. Some management scholars considered that this thought ignored important aspects of organizational life, particularly as it related to human behaviour. Therefore the behavioural approach concentrated on the understanding of the factors that affect human behaviour at work. This is an improved and more matured description of human relations approach. The various theorists who have great contribution in developing principles of management in this are Douglas Mc Gregor, Abraham Maslow, Curt Levin, Mary Parker Follett, Rensis Likert. Behavioural Scientists hold the classical approach as highly mechanistic, which tends to degrade the human spirit. They choose more flexible organization structures and jobs built around the capabilities and talent of average employees. The behavioural approach has based the numerous principles.

1. Decision-making is done in a sub-optimal manner, because of practical and situational constraints on human rationality of decision-making. The behaviourists attach great weight age on participative and group decision-making.
2. Behavioural Scientists promote self-direction and control instead of imposed control.
3. Behavioural Scientists believe the organization as a group of individuals with certain goals.
4. Behavioural scientists perceive that the democratic-participative styles of leadership are enviable, the autocratic, task oriented styles may also be appropriate in certain situation.
5. Behavioural scientists propose that different people react differently to the same situation. No two people are exactly similar and manager should tailor his attempts to influence his people according to their needs.
6. Behavioural scientists identify that organizational variance and change are predictable.

**Approach of Mary parker follett:** Mary Parker Follett (1868-1933) developed classic structure of the classical school. However, she initiated many new elements particularly in the area of human

relations and organizational structure. In this, she introduced trends that would be further developed by the talented behavioural and management science schools. Follett was persuaded that no one could become a whole person except as a member of a group. Human beings grew through their relationships with others in organizations. In fact, she explained management as "the art of getting things done through people." She took for granted Taylor's statement that labour and management shared a common purpose as members of the same organization, but she considered that the artificial difference between managers and subordinates is vague in this natural partnership. She believed in the power of the group, where individuals could combine their diverse talents into something bigger. Moreover, Follett's "holistic" model of control took into account not just individuals and groups, but the effects of such environmental factors as politics, economics, and biology. Follett's model was significant precursor of the idea that management meant more than just what was happening inside a particular organization.

Maslow's theory of self-actualisation: His theory is recognized as Hierarchy of Needs. It is illustrated in a pyramid and elucidates the different levels and importance of human's psychological and physical needs. It can be used in business by managers to better understand employee motivation. The general needs in Maslow's hierarchy include physiological needs (food and clothing), safety needs (job security), social needs (friendship), self-esteem, and self-fulfilment or actualisation. Maslow's Hierarchy of Needs relates to organizational theory and behaviour because it explores a worker's motivation. Some people are prepared to work just for money, because of friends, or the fact that they are respected by others and recognized for their good work. The final level of psychological development that can be achieved when all basic and mental needs are fulfilled and the "actualization" of the full personal potential takes place. In the organizational situation, if an employee's lower need on the hierarchy is not met, then the higher ones are ignored. For example, if employees are worried that they will be fired, and have no job security, they will be concerned about friendship and respect.

Douglas McGregor theory of management suggested that there is need to motivate employees through authoritative direction and employee self-control and he introduced the concept of Theory X and Y. Theory X is a management theory focused more on classical management theory and assumes that workforce need a high amount of supervision because they are inherently lazy. It presupposes that managers need to motivate through coercion and punishment. Theory Y is a management theory that assumes employees are determined, self-motivated, exercise self-control, and generally enjoy mental and physical work duties. Theory Y is in line with behavioural management theories. Theory X and Theory Y relates to Maslow's hierarchy of needs in how human behaviour and motivation is the main priority in the workplace in order to maximize output. Theory X: The theory that employees are inherently lazy and irresponsible and will tend to avoid works unless closely supervised and given incentives, contrasted with Theory Y. Theory Y: The theory that employees are capable of being ambitious and self-motivated under suitable conditions, contrasted with Theory X.

An influential theorist in behaviour approach of management thought was Likert. His principles based on four System such as supportive relationships between organizational members, multiple overlapping structures, with groups consisting of superiors and their subordinates, group problem solving by consensus within groups and overlapping memberships between groups by members who serve as linking pins.



**Human Relations Approach:** The human rationalists which is also denotes to neo-classicists, focused as human aspect of business. These theorists emphasize that organization is a social system and the human factor is the most vital element within it.

There are numerous basic principles of the human relations approach that are mentioned below:

1. **Decentralization:** The concept of hierarchy employed by classical management theorists is replaced with the idea that individual workers and functional areas (i.e., departments) should be given greater autonomy and decision-making power. This needs greater emphasis on lateral communication so that coordination of efforts and resources can occur. This communication occurs via informal communication channels rather than the formal, hierarchical ones.
2. **Participatory Decision-Making:** Decision-making is participatory in the sense that those making decisions on a day-to-day basis include line workers not normally considered to be "management." The greater sovereignty afforded individual employees and the subsequent reduction in "height" and increase in span of control of the organizational structure requires that they have the knowledge and ability to make their own decisions and the communication skill to coordinate their efforts with others without a nearby supervisor.
3. **Concern for Developing Self-Motivated Employees:** The importance on a system of decentralized and autonomous decision-making by members of the organization necessitates that those members be extremely "self-motivated". Goal of managers in such an organization is to design and implement organizational structures that reward such self-motivation and autonomy. Another is to negotiate working relationships with subordinates that foster effective communication in both directions.

Therefore, the human relations approach implies modifications in the structure of the organization itself, in the nature of work, and in the association between manager and assistant. Each of these changes depends upon assumptions about the individual, the organization, and communication, just like any other theory of organizations. Elton Mayo and others conducted experiments that was known as Hawthorne experiments and explored informal groupings, informal relationships, patterns of communication, and patterns of internal leadership. Elton Mayo is usually popular as father of Human Relations School. The human relationists, advocates the several factors after conducting Hawthorne experiments which are mentioned below.

1. **Social system:** The organization in general is a social system consists of numerous interacting parts. The social system established individual roles and establishes norms that may differ from those of formal organization.
2. **Social environment:** The social climate of the job affects the workers and is also affected.
3. **Informal organization:** The informal organization does also exist within the frame work of formal organization and it affects and is affected by the formal organization.
4. **Group dynamics:** At the place of work, the workers often do not act or react as individuals but as members of group. The group plays an important role in determining the attitudes and performance of individual workers.
5. **Informal leader:** There is an appearance of informal leadership as against formal leadership and the informal leader sets and enforces group norms.

6. Non-economic reward: Money is an encouraging element but not the only motivator of human behaviour. Man is diversely motivated and socio psychological factors act as important motivators.

**Behavioural Science:** Behavioural science and the study of organizational behaviour emanated during 1950s and 1960s. The behavioural science approach was a natural development of the human relations movement. It concentrated on applying conceptual and analytical tools to the problem of understanding and foresees behaviour in the place of work. The behavioural science approach has contributed to the study of management through its elements of personality, attitudes, values, motivation, group behaviour, leadership, communication, and conflict, among other issues.

**Contingency Approach:** This approach of management thought focuses on management principles and concepts that have no general and universal application under all conditions. Joan Woodward in the 1950s has contributed to develop this approach in management. Contingency school states that management is situational and the study of management recognize the important variables in the situation. It distinguishes that all the subsystem of the environment are interconnected and interrelated. By studying their interrelationship, the management can find resolution to specific situation. Theorists stated that there is not effective way of doing things under all business conditions. Methods and techniques which are extremely effective in one situation may not give the same results in another situation. This approach proposes that the role of managers is to recognize best technique in particular situation to accomplish business goals. Managers have to develop situational understanding and practical selectivity. Contingency visions are applicable in developing organizational structure, in deciding degree of decentralization, in motivation and leadership approach, in establishing communication and control systems, in managing conflicts and in employee development and training. The contingency approach is associated with applying management principles and processes as dictated by the sole characteristics of each situation. It depends on various situational factors, such as the external environment, technology, organizational characteristics, characteristics of the manager, and characteristics of the subordinates. Contingency theorists often implicitly or explicitly disapprove the classical approach as it focuses on the universality of management principles.

## The Quantitative Approach Of Management Thought

The quantitative approach aimed at enhancing the process of decision making through the use of quantitative techniques. It is evolved from the principles of scientific management.

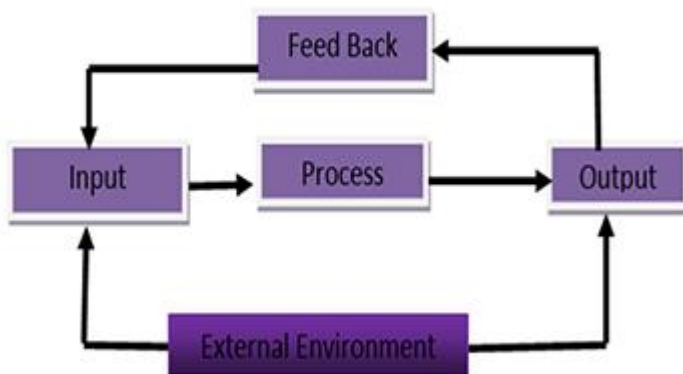
1. **Management Science (Operations Research):** Management science which is also known as operations research utilized mathematical and statistical approaches to resolve management issues. It was developed during World War II as strategists attempted to apply scientific knowledge and methods to the intricate troubles of war. Industry started to apply management science after the war. The introduction of the computer technology made many management science tools and concepts more practical for industry

2. **Production and Operations Management:** This approach emphasizes the operation and control of the production process that changes resources into manufactures goods and services. This approach is emerged from scientific management but became a specific area of management study after World War II. It uses many of the devices of management science. Operations management underlines productivity and quality of both manufacturing and service organizations. W. Edwards Deming exercised a great influence in developing contemporary ideas to improve productivity and quality. Major areas of study within operations management include capacity planning, facilities location, facilities layout, materials requirement planning, scheduling, purchasing and inventory control, quality control, computer integrated manufacturing, just-in-time inventory systems, and flexible manufacturing systems.

## Systems Approach Of Management Thought

The systems approach deals with the thoroughly understanding the organization as an open system that converts inputs into outputs. The systems approach has great impact on management thought in the 1960s. During this period, thinking about managing practices allowed managers to relate different specialties and parts of the company to one another, as well as to external environmental factors. The system approach focuses on the organization as a whole, its communication with the environment, and its need to achieve equilibrium.

### System approach



To summarize, there are important theories of Management and each theory has distinct role to knowledge of what managers do. Management is an interdisciplinary and global field that has been developed in parts over the years. Numerous approaches to management theory developed that include the universal process approach, the operational approach, the behavioural approach, the systems approach, the contingency approach and others. F W Taylor, Adam Smith, Henry Fayol, Elton Mayo and others have contributed to the development of Management concept. The classical management approach had three major categories that include scientific management, administrative theory and bureaucratic management. Scientific management highlighted the scientific study of work methods to improve worker efficiency. Bureaucratic management dealt with the characteristics of an perfect organization which operates on a rational basis.

Administrative theory explored principles that could be used by managers to synchronise the internal activities of organizations. The behavioral approach emerged mainly as an outcome of the Hawthorne studies. Mary Parker Follet, Elton Mayo and his associates, Abraham Maslow, Douglas McGregor and Chris Argyris were main players of this school.