

# Unit-Two

## **Perspectives and Evaluation of Management**

# Early Development

- Present management is outcome of reactions and practices of management appeared in different periods
- Many theories, approaches and principles were developed in historical sequences
- Robert Owen made a significant contribution in staffing function
- Charles Babbage advocated idea of profit sharing, group decision making, division of labor and mechanization
- Hennery Robinson suggested team work for high productivity
- Henry Metcalfe developed system of controls for better administration

# Classical Perspective

- Initial stage of development of management thought
- Focuses on efficiency and productivity through optimum use of resources
- Includes three approaches to management such as Scientific Management, Administrative Management and Bureaucratic Management
- These three were propounded on almost similar assumptions and were complementary to each other

# Scientific Management Theory

- Means the organized study of work, analysis of work in micro level and systematic management of workers' performance
- The philosophy which discards the conservative traditional methods
- F.W. Taylor, a mechanical engineer developed this theory as outcome of long experience, devotion and academic enhancement
- He suggested to develop the best scientific method by observations, experimentation and reasoning on facts and truth for doing each element of job
- Also called the 'Taylor System or Taylorism' he is known as 'Father of Scientific Management'

# Principles of Scientific Management

- Science, not Rule of Thumb; suggest for applying scientific methods
- Harmony, not Discord; focuses on team spirit among the members
- Co-operation, not Individualism; essential for organizational goal
- Maximum Output, not Restricted; large scale production for optimum utilization of resources, more profit and benefit to stakeholders
- Scientific Selection and Development of Workers; ability and skill for each job should be scientifically specified
- Mental Revolution; changing the attitudes, beliefs and thought of employees and management towards each other

# Contributions of Scientific Management

- Application of differential payment system(i.e. piece rate system)
- Focuses on optimum utilization of resources for high productivity
- Emphasis on large scale production to minimize unit production cost
- Scientific selection, training and development of employees
- Close relation, harmony and cooperation between employees and management
- Use of one best method for doing each job
- Financial incentives to motivate workers

# Limitations of Scientific Management

- Neglects human aspects, regards it as parts of machines
- Only financial incentive is not sufficient to motivate workers
- More emphasis on technical aspects rather than other aspects
- Fails to address value of team work for productivity and efficiency
- 'One best method' suggested by Taylor may not be applicable in modern, dynamic and complex situation
- Expensive to develop and adopt scientific methods of production

# Administrative Management Theory

- Henry Fayol, a French industrial and mining engineer is pioneer
- Focuses on identification of the best method to run an organization rather than a job
- Known as 'father of general or administrative management'
- Age of 19 as mining engineer and later became director of company
- Developed 14 principles of management, gave unified concept of management, grouped business activities into six categories and published book of administrative management



# Principles of Administrative Theory

- |                      |  |
|----------------------|--|
| 1 Division of Work   | 9 Equity   |
| 2 Discipline         | 10 Initiative  |
| 3 Unity of Command   | 11 Subordination of individual interest to<br>the general interest |
| 4 Unity of Direction | 12 Authority and Responsibility                                    |
| 5 Remuneration       | 13 Stability of tenure of personnel                                |
| 6 Centralization     | 14 Esprit De Corps   |
| 7 Scalar Chain       |  |
| 8 Order              |  |

# Contributions of Administrative Management

- Proposes the clear ,definite and acceptable five functions of management; planning, organizing, commanding, coordinating and controlling
- Universally applicable principles of management
- Grouping of business activities into major six categories; technical, commercial, financial, security, accounting and managerial
- Introduction of management as a separate discipline
- Recognized the essential skills for managers such as physical, mental, moral, educational, technical, experience etc.
- Provides macro approach to management to deal with general problem

# Limitations of Administrative Management

- Ignores human relation and behavior in organization only management oriented
- Fails to provide clear idea to apply principles as per situation
- Expensive and time consuming to bring in practice
- Principles developed by Fayol are only based on personal experience
- Does not consider the importance of informal structure or groups

# Bureaucracy Theory

- Refers to administrative system governing any large organization
- Max Weber, a political economist and sociologist, propounded this
- Contains major two element; hierarchical structure and clearly defined rules, regulations and procedures
- Characterized by division of labor, clear hierarchy, detailed rules and regulations, impersonal relation
- Acts as remedy to provide grounds for organizing group efforts

# Principles of Bureaucratic Management

- **Formal rules and procedures;** no one can break the rules and procedures of the organization
- **Functional specialization;** jobs are assigned to persons on the basis of functional specialization
- **Well defined hierarchy of authority;** should be clear scalar chain of authority from top to bottom level, each superior controls the immediate subordinates and s/he is controlled by immediate superior
- **Technical competence for employment;** employees should be selected on the basis of technical qualification, skills and experience needed for the job

# Principles contd...

- **Supervision by high authority;** supervision by higher authority(i.e. superior) is necessary to solve problem, control and maintain discipline among workers
- **Decisions should be recorded;** all the decisions made by management should be recorded for future reference
- **Impersonal relation;** interpersonal relation among organizational members should be based on authority, hierarchy and rules to avoid discrimination, nepotism and favoritism

# Contributions of Bureaucratic Management

- This model is useful to manage big and complex organization
- Chain of command is beneficial to maintain superior-subordinates relationship and fix responsibility
- Functional specialization and technical competence support productivity and improve efficiency
- Clearly defined rules and procedures are helpful for smooth functioning of organization
- Impersonal relation facilitates to prevent biasness among members
- Recorded decisions facilitates future planning and policies

# Limitations of Bureaucracy Theory

- Very rigid rules and formalities(i.e. red tapism) can brings inflexibility
- Lengthy and time consuming procedures are tedious and monotony
- Ignores informal personal relation, i.e. neglects humanities
- Lacks effective communication due to formal rules and regulation
- Lacks innovation and creativity due to over dependency on rules and regulations
- can not be changed with complex and dynamic business environment



# Behavioral Perspective

- Based on classical perspective and also known as neo-classical theory of management
- Identified the value of human aspect and group behavior rather than one best method, structures, rules of classical approach
- Proposed humanistic and people oriented ideas in the organization as human relation and behavioral approach

# Human Relation Movement: Hawthorne Studies

Elton Mayo and his associates conducted series of research studies at the Hawthorne plant of Western Electric Company, major experiments are as follows-

- **Illumination Experiments;** measuring impact of lighting on productivity of workers; changing light in experimental group and constant in control group but in both condition productivity increased; informal social relations among workers was reason

# Human Relation Movement: Hawthorne Studies

- **Relay assembly test room experiments;** determining effect of changing working conditions on productivity; six women employees of relay assembly were isolated in a room and changed working condition like shorter working hours, rest periods; but productivity increased when these changes were withdrawn ;factors responsible for productivity were special attention, friendly supervision etc.
- **Mass interviewing program;** about 21000 workers were interviewed over 3 years to determine their attitude and work behavior; direct questions were asked in 1<sup>st</sup> phase and indirect interviews were taken in 2<sup>nd</sup> phase where employees were made free to talk; informal relations, autonomy, psychological needs had greater impact

# Human Relation Movement: Hawthorne Studies

- **Bank wiring observation room experiment;** a small group of 14 male workers was formed to explore the impact of informal group norms and financial incentives on productivity; it was expected that highly efficient workers would bring pressure on less efficient workers to increase output but they established their own standard of output; informal group norms had greater impact on productivity rather than financial incentives

# Emergence of Organizational Behavior: Behavioral Science Approach

- An improved and mature version of human relation theory and concerned with scientific analysis and understanding of human behavior in organization
- Provides important insights into importance of motivation, group dynamics and interpersonal relationship in organizations
- Abraham Maslow, Douglas McGregor, Frederic Herzberg etc. are major contributors

# MASLOW'S HIERARCHY OF NEEDS

ABRAHAM MASLOW



MORALITY,  
CREATIVITY,  
SPONTANEITY,  
PROBLEM SOLVING,  
LACK OF PREJUDICE,  
ACCEPTANCE OF FACTS

## SELF-ACTUALIZATION

SELF-ESTEEM, CONFIDENCE,  
ACHIEVEMENT, RESPECT OF  
OTHERS, RESPECT BY OTHERS

## ESTEEM

FRIENDSHIP, FAMILY,  
SEXUAL INTIMACY

## LOVE/BELONGING

SECURITY OF BODY, OF EMPLOYMENT, OF  
RESOURCES, OF MORALITY, OF THE FAMILY,  
OF HEALTH, OF PROPERTY

## SAFETY

BREATHING, FOOD, WATER, SEX, SLEEP,  
HOMEOSTASIS, EXCRETION

## PHYSIOLOGICAL

**Abraham Harold Maslow** (April 1, 1908 - June 8, 1970) was a psychologist who studied positive human qualities and the lives of exemplary people. In 1954, Maslow created the Hierarchy of Human Needs and expressed his theories in his book, Motivation and Personality.

**Self-Actualization** - A person's motivation to reach his or her full potential. As shown in Maslow's Hierarchy of Needs, a person's basic needs must be met before self-actualization can be achieved.

# Maslow's Need Hierarchy Theory

- **Physiological Needs;** basic human needs essential for survival; includes food, shelter, air, clothing etc. fulfilled by reasonable remuneration
- **Safety Needs;** related to economic, physical and job security; become pro-dominant after satisfying basic needs; includes permanent job, protection against accidents, diseases, security in old age and risk
- **Social Needs;** feeling loved and accepted by others; includes need for belongingness, love, affection, care and friendship; emotional relationship drives human behavior and can motivate such people by providing chance to interact with each other, developing team etc.

# Maslow's Need Hierarchy Theory

- **Ego/Esteem Needs;** high order needs and related to prestige and status of person; when satisfied they produce feelings of confidence and worth; includes power, dignity, recognition, appreciation etc. fulfilled by providing challenging jobs, authority and autonomy, opportunity for leading etc.
- **Self-actualization needs;** highest level of needs and concerned with achieving a person's mission of life; may be described as the full utilization of capabilities and potentialities; are unique in nature and can never be fully satisfied; satisfied by providing challenging jobs, encouraging creativity, autonomy



# Two Factor Theory of Motivation

## Motivators

Achievement  
Recognition  
The work itself  
Responsibility  
Advancement  
Growth

## Hygiene Factors

Company policies  
Supervision  
Relationships  
Work conditions  
Remuneration  
Salary  
Security

# Frederick Herzberg's Two Factor Theory

- **Hygiene Factors;** are external to job and also called dissatisfiers or maintenance factors; do not motivate workers but the absence cause dissatisfaction so must be maintained; involves compensation, job security, organizational policies, leadership, working condition, labor relation etc. can be compared with lower level needs of Maslow's need hierarchy
- **Motivating factors;** related to job contents and also known as satisfiers or motivators; presence of these factors create high level of motivation and satisfaction but their absence do not cause dissatisfaction; involves recognition, achievement, advancement, personal growth, responsibility etc. can be compared with higher level needs of Maslow's need hierarchy

# Douglas McGregor's Theory X and Y

- A management professor, developed the theory X and Y with two assumptions about human behavior
- **Theory X;** represents a negative view about people like naturally people are lazy, have low ambition, dislike work, avoid responsibility, require close direction and direct control
- **Theory Y;** represents positive view about people; assumes that people are more optimistic and ambitious, self-directed and motivated, self- controlled and creative, enjoy the work as playing and eating, highly responsible and committed to organizational goal

# Contributions of Behavioral Perspective

- Shifted the focus of technical aspect to the human and social side of the organization
- Emphasis on informal and personal relationship among employees
- Identified the importance of non-financial incentives to motivate
- Highlighted the importance of team work, friendly supervision, autonomy for better performance and behavior of employees
- Identified the value of respect, dignity, special attention on employee efficiency
- Provide many motivational theories to motivate and retain employees

# Limitations of Human Relation and Behavioral Theory

- Gives more emphasis on human aspects rather than work
- Difficult to understand complex human behavior by managers so assumptions of theories are vague
- Informal and personal relationship in organization may minimize the morale and discipline of formal organizational structure
- Fails to consider the environmental and situational factors
- Experiments were conducted under controlled situations, findings may not be applicable in real practice

# Quantitative perspective: Management Science Theory

- Concerned with developing and applying mathematics, statistics and other quantitative tools for solving managerial problems
- Assumes managerial problems can be described in terms of mathematical symbols and data
- Originated during second world war for best use of limited resources and proved an effective mean for maximizing resources
- Linear programming, game theory, sampling theory etc. are quantitative theories for resource allocation and problem solving

# Contributions of Management Science Theory

- Believes on logical process for maximizing productivity and managerial efficiency
- Facilitates the production and operation management
- Focuses on application of computer and IT in field of management
- Encourages solving managerial problems objectively
- Facilitates the replacement of intuition by factual data and logical analysis
- Advocates participation in the decision making process

# Limitations of Management Science Theory

- Does not deal with quality and human aspect of organization
- Very complex approach and assumptions may not be realistic in the reality
- All the data and information may not be reliable and valid
- Gives more emphasis on technical aspects
- Not appropriate for organizing, staffing and leading function



# Decision Theory

- Herbert Simon, an American political scientist, main contributor
- Looks management as a decision making process and managers as decision makers
- Rational decisions can be made based on reliable data and formal process
- Managers have reliable and sufficient data for making decisions
- Suggest formal decision making process with steps- defining problem, identifying alternatives, evaluating and comparing alternatives and selecting the best alternative

# Contributions of Decision Theory

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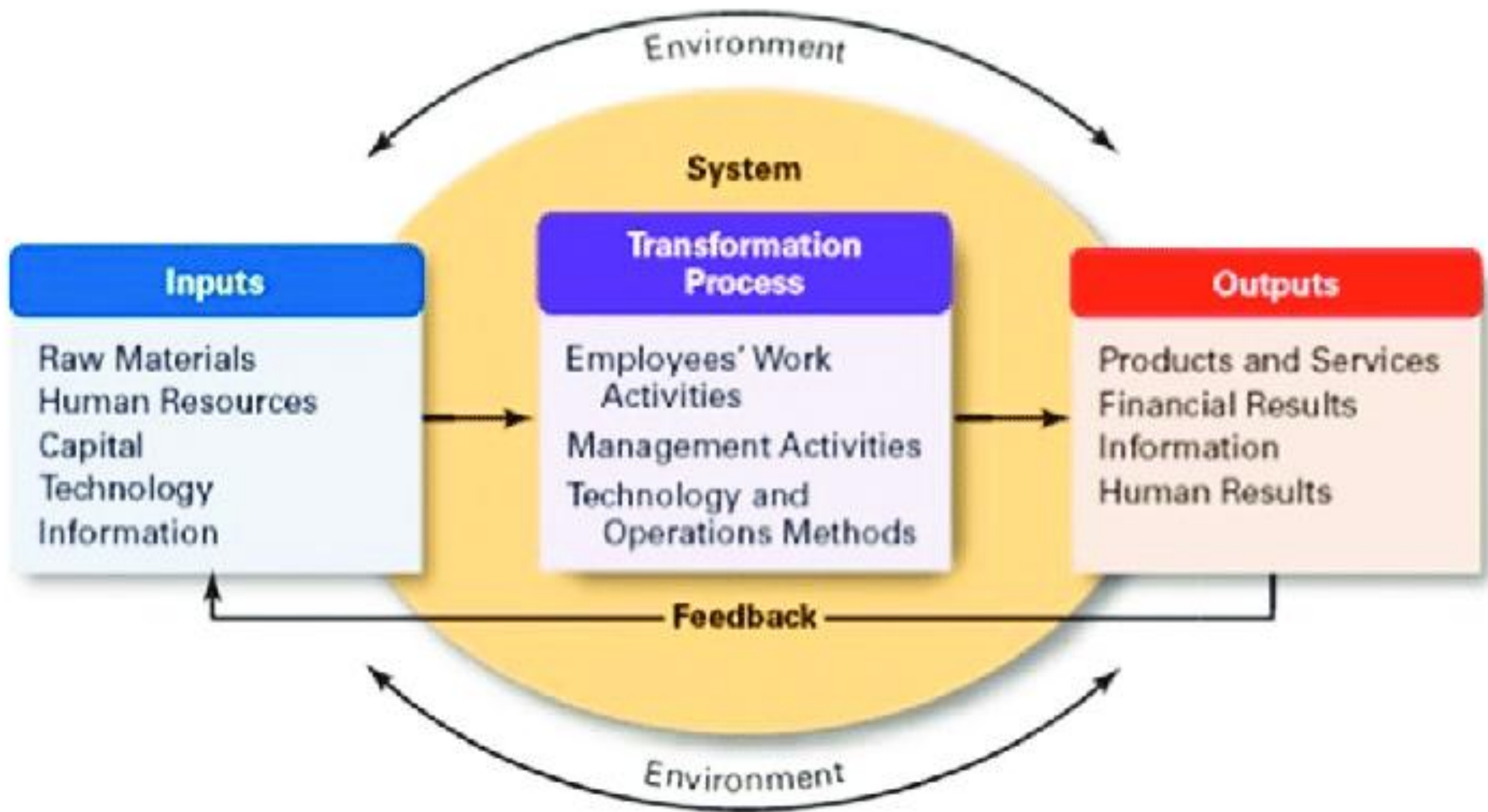
- Provides proper guideline to take quick and rational decisions
- Special attention towards participative decision making process
- Emphasizes the importance of informal decision on formal decisions
- Focuses the importance of information management, mathematical tools and techniques for effective decision

# Limitations of Decision Theory

- Fails to give overall concept of management
- Ignores human aspects in organization
- Can not be applied in human nature functions like organizing, staffing and leading
- Fails to consider impact of situation on decision making
- Very complex, managers rarely have perfect information

# Integrating Perspectives: System Theory

- May be defined as a set of interrelated and interdependent parts working together as a network (body)
- Assumes an organization as an open system which interact with environment
- An organization is a system composed of four parts such as people, task, structure and technology
- Organizational system has four major components; inputs, processing, output and feedback



# System Theory

- **Inputs;** gets inputs such as human, financial, physical and informational resources from the environment
- **Processing;** inputs go through processing where they are planned, organized, directed and controlled to meet objectives
- **Output;** product or result of the system; goods, services, profits, goal achievement, satisfaction
- **Feedback;** providing response or reaction about system by connecting the output to its inputs
- **Environment;** system regularly interact with its environment; works under the influence of environment

# Contributions of System Theory

- Considers the impact of environment in management and organization
- Takes organization as an integrated body of various components and subsystems
- Provides conceptual framework for viewing an organization
- Gives equal importance to both internal and external context of an organization
- Provides a good basis for planning, executing and controlling

# Limitations of System Theory

- Does not consider human factors of an organization
- Very abstract and vague so can not be easily applied in practice
- Fails to specify the nature of interaction and interdependence between organization and its environment
- Not relevance to small organization
- Fails to provide specific guidelines and tools of management to managers



# Contingency Theory/Perspectives

- Situational approach was developed in 1970s as a practical approach to management
- Assumes no one best method /way to solve managerial problem
- Management is situational in nature hence no plans, structures, leadership styles will fit in all situation and people
- Managers must understand the uniqueness and complexity of each situation
- Suggest 'if-then' model to management with dependent variable if and independent variable then
- Organizational size, nature of task and technology, environmental uncertainty, individual differences are major contingency variables

# Contributions of Contingency Theory

- Suggest managers to think in analytical, critical and multi-dimensional ways
- Enables managers becoming innovative and creative
- Integrates different school of thoughts and applies as per situation
- Applicable in planning, organizing, leading functions
- Managers have more freedom in decision making
- Makes managers more sensitive and alert about situations

# Limitations of Contingency Theory

- Ignores the universality of principles
- costly and time consuming to analyze situations
- Fails to consider the human behavior in an organization
- Not applicable for all types of managerial issues
- Fails to enlist all contingency variables