

MANAGEMENT PRINCIPLES

MODULE1: INTRODUCTION

Management is a universal phenomenon. It is a very popular and widely used term. All organizations - business, political, cultural or social are involved in management because it is the management which helps and directs the various efforts towards a definite purpose.

According to Harold Koontz, “Management is an art of getting things done through and with the people in formally organized groups. It is an art of creating an environment in which people can perform and individuals and can co-operate towards attainment of group goals”.

According to F.W. Taylor, “Management is an art of knowing what to do, when to do and see that it is done in the best and cheapest way”.

Management is a purposive activity. It is something that directs group efforts towards the attainment of certain pre - determined goals. It is the process of working with and through others to effectively achieve the goals of the organization, by efficiently using limited resources in the changing world. Of course, these goals may vary from one enterprise to another. E.g.: For one enterprise it may be launching of new products by conducting market surveys and for other it may be profit maximization by minimizing cost.

Management involves creating an internal environment: - It is the management which puts into use the various factors of production. Therefore, it is the responsibility of management to create such conditions which are conducive to maximum efforts so that people are able to perform their task efficiently and effectively. It includes ensuring availability of raw materials, determination of wages and salaries, formulation of rules & regulations etc.

Therefore, we can say that good management includes both being effective and efficient. Being effective means doing the appropriate task i.e, fitting the square pegs in square holes and round pegs in round holes. Being efficient means doing the task correctly, at least possible cost with minimum wastage of resources.

Management as a Science

Science is a systematic body of knowledge pertaining to a specific field of study that contains general facts which explains a phenomenon. It establishes cause and effect relationship between two or more variables and underlines the principles governing their relationship. These principles are developed through scientific method of observation and verification through testing.

Science is characterized by following main features:

1. **Universally acceptance 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. E.g. - law of gravitation which can be applied in all countries irrespective of the time.

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. E.g. the principle that earth goes round the sun has been scientifically proved.

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. when metals are heated, they are expanded. The cause is heating & result is expansion.

The same is true for management, therefore it also establishes cause and effect relationship. E.g. lack of parity (balance) between authority & responsibility will lead to ineffectiveness. If you know the cause i.e. lack of balance, the effect can be ascertained easily i.e. in effectiveness. Similarly if workers are given bonuses, fair wages they will work hard but when not treated in fair and just manner, reduces productivity of organization.

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 test of time. Each time these tests will give same result. Moreover future events can be predicted with reasonable accuracy by using scientific principles. E.g. H_2 & O_2 will always give H_2O .

Principles of management can also be tested for validity. 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.

It cannot be denied that management has a systematic body of knowledge but it is not as exact as that of other physical sciences like biology, physics, and chemistry etc. The main reason for the inexactness of science of management is that it deals with human beings and it is very difficult to predict their behavior accurately. Since it is a social process, therefore it falls in the area of social sciences. It is a flexible science & that is why its theories and principles may produce different results at different times and therefore it is a behavior science. Ernest Dale has called it as a *Soft Science*.

Management as an Art

Art implies application of knowledge & skill to trying about desired results. An art may be defined as personalized application of general theoretical principles for achieving best possible results. Art has the following characters -

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. to become a good painter, the person may not only be knowing different colour and brushes but different designs, dimensions, situations etc to use them appropriately. A manager can never be successful just by obtaining degree or diploma in management; he must have also know how to apply various principles in real situations by functioning in capacity of 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. there are several qualified painters but M.F. Hussain is recognized for his style. Similarly management as an art is also personalized. 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 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 promote growth of an organization.

Thus, we can say that management is an art therefore it requires application of certain principles rather it is an art of highest order because it deals with moulding the attitude and behavior of people at work towards desired goals.

Management as both Science and Art

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

A manager to be successful in his profession must acquire the knowledge of science & the art of applying it. Therefore management is a judicious blend of science as well as an art because it proves the principles and the way these principles are applied is a matter of art. Science teaches to 'know' and art teaches to 'do'. E.g. a person cannot become a good singer unless he has knowledge about various ragas & he also applies his personal skill in the art of singing. Same way it is not sufficient for manager to first know the principles but he must also apply them in solving various managerial problems that is why, science and art are not mutually exclusive but they are complementary to each other (like tea and biscuit, bread and butter etc.).

The old saying that "Manager are Born" has been rejected in favor of "Managers are Made". It has been aptly remarked that management is the oldest of art and youngest of science. To conclude, we can say that science is the root and art is the fruit.

Levels of Management

The term "**Levels of Management**" refers to a line of demarcation between various managerial positions in an organization. The number of levels in management increases when the size of the business and work force increases and vice versa. The level of management determines a chain of command, the amount of

authority & status enjoyed by any managerial position. The levels of management can be classified in three broad categories:

1. **Top level / Administrative level**
2. **Middle level / Executory**
3. **Low level / Supervisory / Operative / First-line managers**

Managers at all these levels perform different functions. The role of managers at all the three levels is discussed below:

1. Top Level of Management

It consists of board of directors, chief executive or managing director. The top management is the ultimate source of authority and it manages goals and policies for an enterprise. It devotes more time on planning and coordinating functions.

The role of the top management can be summarized as follows -

- a. Top management lays down the objectives and broad policies of the enterprise.
- b. It issues necessary instructions for preparation of department budgets, procedures, schedules etc.
- c. It prepares strategic plans & policies for the enterprise.
- d. It appoints the executive for middle level i.e. departmental managers.
- e. It controls & coordinates the activities of all the departments.
- f. It is also responsible for maintaining a contact with the outside world.
- g. It provides guidance and direction.
- h. The top management is also responsible towards the shareholders for the performance of the enterprise.

2. Middle Level of Management

The branch managers and departmental managers constitute middle level. They are responsible to the top management for the functioning of their department. They devote more time to organizational and directional functions. In small organization, there is only one layer of middle level of management but in big enterprises, there may be senior and junior middle level management. Their role can be emphasized as -

- a. They execute the plans of the organization in accordance with the policies and directives of the top management.
- b. They make plans for the sub-units of the organization.
- c. They participate in employment & training of lower level management.

- d. They interpret and explain policies from top level management to lower level.
- e. They are responsible for coordinating the activities within the division or department.
- f. It also sends important reports and other important data to top level management.
- g. They evaluate performance of junior managers.
- h. They are also responsible for inspiring lower level managers towards better performance.

3. Lower Level of Management

Lower level is also known as supervisory / operative level of management. It consists of supervisors, foreman, section officers, superintendent etc. According to *R.C. Davis*, “Supervisory management refers to those executives whose work has to be largely with personal oversight and direction of operative employees”. In other words, they are concerned with direction and controlling function of management. Their activities include -

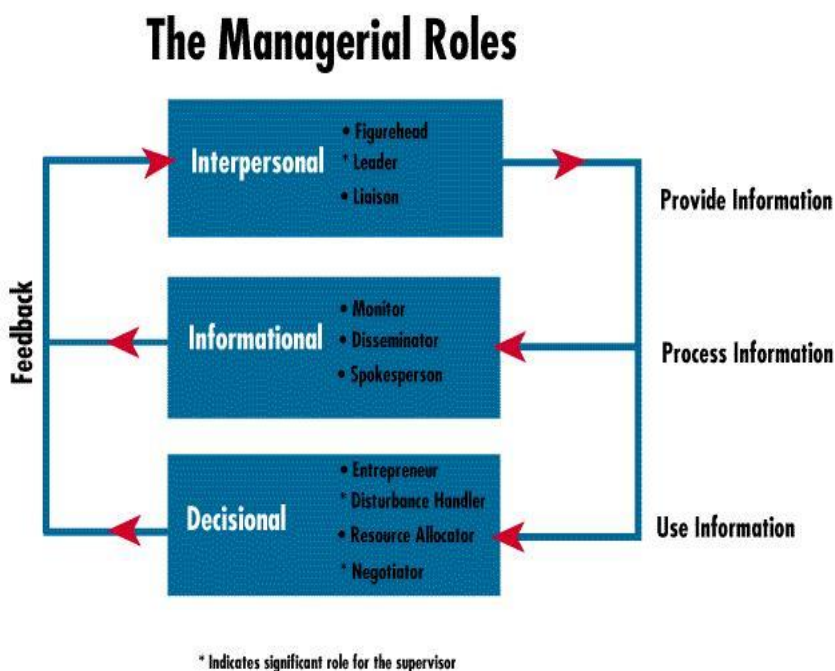
- a. Assigning of jobs and tasks to various workers.
- b. They guide and instruct workers for day to day activities.
- c. They are responsible for the quality as well as quantity of production.
- d. They are also entrusted with the responsibility of maintaining good relation in the organization.
- e. They communicate workers problems, suggestions, and recommendatory appeals etc to the higher level and higher level goals and objectives to the workers.
- f. They help to solve the grievances of the workers.
- g. They supervise & guide the sub-ordinates.
- h. They are responsible for providing training to the workers.
- i. They arrange necessary materials, machines, tools etc for getting the things done.
- j. They prepare periodical reports about the performance of the workers.
- k. They ensure discipline in the enterprise.
- l. They motivate workers.
- m. They are the image builders of the enterprise because they are in direct contact with the workers.

Managerial Skills

Managers at every level in the management hierarchy must exercise three basic types of skills: technical, human, and conceptual. All managers must acquire these skills in varying proportions, although the importance of each category of skill changes at different management levels.

- I. Technical skills:
 - Technical skills refer to the ability and knowledge in using the equipment, techniques and procedure involved in performing specific tasks.
 - These skills require specialized knowledge and proficiency in the mechanics of a particular.
 - Technical skills lose relative importance at higher levels of the management hierarchy, but most top executives started out as technical experts.
- II. Human skills:
 - Human skills refer to the ability of a manager to work effectively with other people both as individual and as members of a group.
 - Human skills are concerned with understanding of people.
 - These are required to win cooperation of others and to build effective work teams.
- III. Conceptual skills:
 - Conceptual skills involve the ability to see the whole organization and the interrelationships between its parts.
 - These skills refer to the ability to visualize the entire picture or to consider a situation in its totality.
 - These skills help the managers to analyze the environment and to identify the opportunities.
 - Conceptual skills are especially important for top-level managers, who must develop long-range plans for the future direction of their organization.

Managerial Roles



To meet the many demands of performing their functions, managers assume multiple roles. A role is an organized set of behaviors. Henry Mintzberg has identified ten roles common to the work of all managers.

The ten roles are divided into three groups:

1. Interpersonal
2. Informational
3. Decisional

The performance of managerial roles and the requirements of these roles can be played at different times by the same manager and to different degrees depending on the level and function of management. The ten roles are described individually, but they form an integrated whole.

1. Interpersonal Roles

The interpersonal roles link all managerial work together. The three interpersonal roles are primarily concerned with interpersonal relationships.

- **Figurehead Role:** The manager represents the organization in all matters of formality. The top level manager represents the company legally and socially to those outside of the organization. The supervisor represents the work group to higher management and higher management to the work group.
- **Liaison Role:** The manager interacts with peers and people outside the organization. The top level manager uses the liaison role to gain favors and information, while the supervisor uses it to maintain the routine flow of work.
- **The leader Role:** It defines the relationships between the manager and employees.

2. Informational Roles

The informational roles ensure that information is provided. The three informational roles are primarily concerned with the information aspects of managerial work.

- **Monitor Role:** The manager receives and collects information about the operation of an enterprise.
- **Disseminator Role:** The manager transmits special information into the organization. The top level manager receives and transmits more information from people outside the organization than the supervisor.
- **Spokesperson Role:** The manager disseminates the organization's information into its environment. Thus, the top level manager is seen as an industry expert, while the supervisor is seen as a unit or departmental expert.

3. Decisional Roles

The decisional roles make significant use of the information and there are four decisional roles.

- **Entrepreneur Role:** The manager initiates change, new projects; identify new ideas, delegate idea responsibility to others.
- **Disturbance Handler Role:** The manager deals with threats to the organization. The manager takes corrective action during disputes or crises; resolve conflicts among subordinates; adapt to environmental crisis.
- **Resource Allocator Role:** The manager decides who gets resources; schedule, budget set priorities and chooses where the organization will apply its efforts.
- **Negotiator Role:** The manager negotiates on behalf of the organization. The top level manager makes the decisions about the organization as a whole, while the supervisor makes decisions about his or her particular work unit.

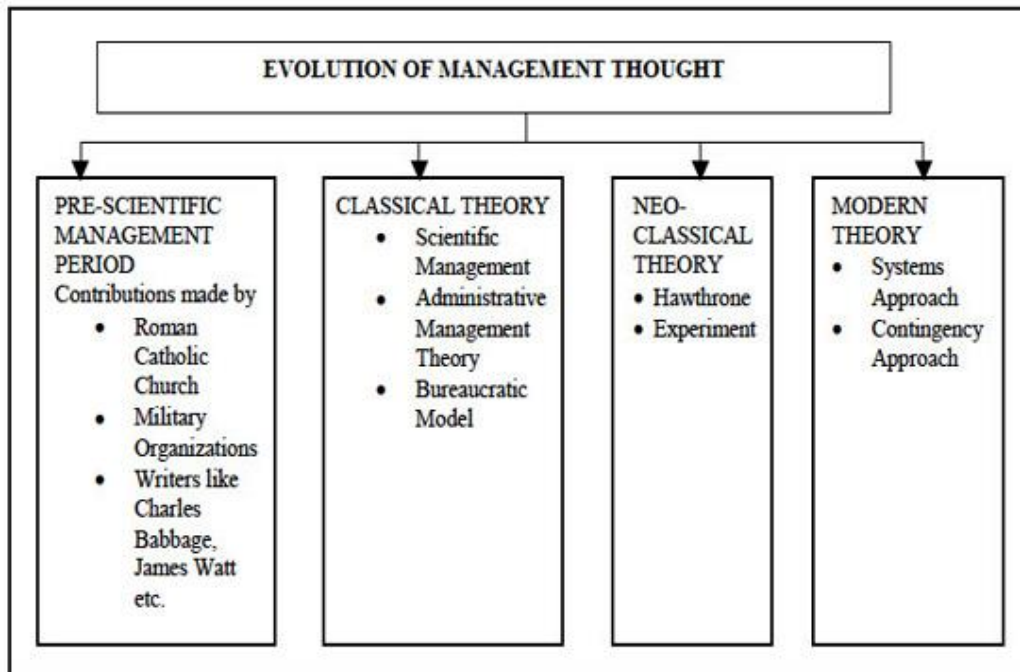
Schools of Management Thoughts

The origin of Evolution management can be traced back to the days when man started living in groups. History reveals that strong men organized the masses into groups according to their intelligence, physical

and mental capabilities. Evidence of the use of the well-recognized principles of management is to be found in the organization of public life in ancient Greece, the organization of the Roman Catholic Church and the organization of military forces. Thus management in some form or the other has been practiced in the various parts of the world since the dawn of civilization. With the onset of Industrial Revolution, however, the position underwent a radical change. The structure of industry became extremely complex. At this stage, the development of a formal theory of management became absolutely necessary. It was against this background that the pioneers of modern management thought laid the foundations of modern management theory and practice.

Evolution of management thought may be divided into four stages

1. Pre-scientific management period.
2. Classical Theory
 1. Scientific Management of Taylor
 2. Administrative Management of Fayol
 3. Bureaucratic Model of Max Weber
3. Neo-classical Theory or Behaviour Approach
4. Modern Theory or Systems Approach



1. Pre-scientific Management Period

The advent of industrial revolution in the middle of the 18th century had its impact on management. Industrial revolution brought about a complete change in the methods of production, tools and equipments, organization of labour and methods of raising capital.

Employees went to their work instead of receiving it, and so, the factory system, as it is known today, became a dominant feature of the economy. Under this system, land and buildings, hired labour, and capital are made available to the entrepreneur, who strives to combine these factors in the efficient achievement of a particular goal. All these changes, in turn, brought about changes in the field of management. Traditional, conventional or customary ideas of management were slowly given up and management came to be based on scientific principles. In the words of L. F. Urwick- "Modern management has thrown open a new branch of human knowledge, a fresh universe of discourse". During the period following the industrial revolution,

certain pioneers tried to challenge the traditional character of management by introducing new ideas and character of management by introducing new ideas and approaches. The notable contributors of this period are:

- a) Professor Charles Babbage (UK 1729 -1871): He was a Professor of Mathematics at Cambridge University. Prof Babbage found that manufacturers made little use of science and mathematics, and that they (manufacturers) relied upon opinions instead of investigations and accurate knowledge. He felt that the methods of science and mathematics could be applied to the solution of methods in the place of guess work for the solution of business problems. He advocated the use of accurate observations, measurement and precise knowledge for taking business decisions. He urged the management of an enterprise, on the basis of accurate data obtained through rigid investigation, the desirability of finding out the number of times each operation is repeated each hour, the dividing of work into mental and physical efforts, the determining of the precise cost for every process and the paying of a bonus to the workers in proportion to his own efficiency and the success of enterprise.
- b) James Watt Junior (UK 1796 - 1848) and Mathew Robinson Boulton(1770 - 1842): James Watt Junior and Mathew Robinson Boulton contributed to the development of management thought by following certain management techniques in their engineering factory at Soho in Birmingham.
- c) Robert Owens (UK 1771 - 1858): Robert Owens, the promoter of co-operative and trade union movement in England, emphasized the recognition of human element in industry. He firmly believed that workers' performance in industry was influenced by the working conditions and treatment of workers. He introduced new ideas of human relations - shorter working hours, housing facilities, training of workers in hygiene, education of their children, provision of canteen etc. Robert Owen, managed a group of textile mills in Lanark, Scotland, where he used his ideas of human relations. Though his approach was paternalistic, he came to be regarded as the father of Personnel Management.
- d) Henry Robinson Towne (USA 1844 -1924): H.R Towne was the president of the famous lock manufacturing company "Yale and Town". He urged the combination of engineers and economists as industrial managers. This combination of qualities, together with at least some skill as an accountant, is essential to the successful management of industrial workers. He favored organized exchange of experience among managers and pleaded for an organized effort to pool the great fund of accumulated knowledge in the art of workshop management.
- e) Seebohm Rowntree (UK 1871- 1954): Rowntree created a public opinion on the need of labor welfare scheme and improvement in industrial relations. The Industrial Welfare Society, The Management Research Groups and the Oxford Lecture Conferences in the U.K owed their origin and progress to the interest and zeal of Rowntree.
- f) Charles Dupin: He was an industrial educator in France. According to him, besides technical knowledge for contributing to organisational output, managers also needed broader management skills to maximise industrial output. He emphasised more on management education than technical education.

There was no single universally accepted management theory that could apply to all organisations at all times. It was by the end of the 19th century that management became a systematic field of study. The early contributions include those made by Taylor in the early 20th century as scientific management.

2. Classical Theory:

It is the oldest theory of management and is, therefore, called the traditional theory of management. The classical viewpoint finds ways to manage business organisations effectively. It includes management

theories that provide foundation to the study of management. It is the first step towards the study of management as a distinct field of study.

With increase in complexity of organisations, the need to have systematic approach to management became inevitable. The focus was on industrial production. Financial incentives were considered important contributors to organisational output.

Features:

1. It includes some of the early works on management which provide foundation to the modern management theory.
2. It attempts to find methods that increase output of workers.
3. Employees have strong economic needs which can be satisfied through financial incentives.
4. It stresses on formal structure of jobs and work schedules to satisfy individual and organisational needs.
5. It views organisations as closed systems which do not interact with the external environment
6. It develops a set of 'management principles' which universally apply to all organisations : business and non-business.

Three main theories that developed in the classical school of thought are:

- a. Taylor's Scientific Management Theory,
- b. Fayol's Classical Organisation Theory and
- c. Weber's Bureaucracy Theory.

Scientific Management

Fredric Winslow (F.W.) Taylor develops the concept of scientific management. He is known as the father of scientific management. He was born in 1856 in Philadelphia USA. He belonged to a middle class family. In 1878 he joined the Midvale Steel Company in USA as a labourer and within a short span of six years (1884) he was able to reach the position of Chief Engineer in the same company. During this period Taylor conducted many experiments and gave suggestions how to select and trained the workers to improve their performance for maximum output. In 1911 he also wrote a famous book “Principles of Scientific Management” which make a history in the field of management. Frank & Lillian Gilberth, Henry L Gantt and Harrington Emerson have also made significant contribution to the development of scientific management.

Meaning and Definition of Scientific Management

In simple words, scientific management implies the art of knowing exactly what is to be done and how it is to be done. Under this approach, scientific techniques are applied in the recruitment, selection and training of workers and are also used in tackling various industrial problems.

“Scientific management means knowing exactly what you want men to do and seeing that they do it in the best and the cheapest way”. —F.W. Taylor

“Scientific management characterises that form of organization and procedure in purposive collective effort which rests on principles or laws derived by the process of scientific investigation and analysis instead of tradition or policies determined empirically and casually by the process of trial and error”. —Harlow Person

“Its core is the organised study of work, the analysis of work into its simplest elements and the systematic improvement of the worker’s performance of each element”. —Peter F. Drucker

Principles of Scientific Management

1. Replacing the Rule of Thumb with Science: -According to this principle instead of old rule of thumb efforts should be made to develop new techniques of production to accomplish the maximum possible work in an efficient manner and at the minimum possible cost. All the related activities must be performed in a scientific manner.

2. Scientific Selection and Training of Workers: - Scientific selection means only those persons should be selected who possess the necessary capabilities and capacities to perform a

specific task. The workers must be provided proper training from time to time so, that their knowledge and efficiency may be increased.

3. Cooperation: - According to Taylor there must be cooperation between management and labour. Taylor develops the concept of 'Mental Revolution' which means there must not be any clash between the labour and management. Both of them are complementary to each other as one has no existence without the other. Management must understand the problems of labour and labour should also cooperate with management.

4. Division of Work/ Responsibility: - This principle states that only that work should be assigned to a group which can be perform effectively and efficiently. Management should take decisions and make plan and labour should be responsible for actually doing the work. In this way, each will be responsible and accountable for their tasks and the productivity of the organization will increase. All this promoted the division of responsibility and work.

5. Maximum Output: - Taylor suggested that both labour and management should make efforts to increase the production and it must be continuous. Continuous increase in production ensures the optimum utilization of resources and it will bring higher profits. As a result higher wages will be given to the workers.

Techniques of Scientific Management

1. Functional Foremanship: - F.W. Taylor suggested the concept of functional foremanship. This concept is totally based on the principle of specialisation and makes full utilisation of the expertise of various experts. Taylor stated that four foremen should be appointed for planning department and four for production department which is known as 'functional foremanship'. In planning department they were route clerk, instruction cord clerk, time and cost clerk and disciplinarian and in production department they were speed boss, gang boss, repair boss and inspector.

2. Scientific Study of Work: - Taylor conducted various studies like method study, motion study, time study and fatigue study on the workers during their job. Scientific management requires detailed analysis of all the activities being performed in the organization with the aim of producing maximum possible quality output at minimum possible cost.

3. Standardization of Work: - Taylor recommended that the standard should be fixed for different factors. He explained that the work to be done by a worker may be decided. Similarly,

the standard may also be set for raw materials, machines and tools, techniques, condition of work etc. which will help in maximum output at minimum cost.

4. Scientific Task Planning: - Taylor stated that all the different aspects related to a job must be analysed before accomplish it. In any organisation it should be decided in advance that what work is to be done? How is it to be done? Where, when and by whom is it to be done? For this purpose a planning department should be established.

5. Differential Wage System: - Taylor has advised that there should be differential wage systems in order to motivate the employees. In this system, wages are paid on the basis of work done and two different wage rates are used one, is the high wage rate and the other is the low wage rate and minimum standard of work also fixed. High wage rate pay to those workers who are able to produce the minimum standard of work and those workers who are not able to produce the minimum standard of work are paid as per the lower wage rate.

6. Mental Revolution: - Taylor develops the concept of mental revolution which calls for a change in the mindset of both employers and workers which will promote the cooperation and understanding between employers and workers. According to Taylor, instead of fighting over division of profits, both the parties should make efforts for increasing the profits. Such a situation will result in an increase in production, and as such a high increase in profits will ensure the higher payment to the workers.

Advantages of Scientific Management

- Better utilization of resources through scientific techniques and reduction of cost
- Scientific selection and training of employees ensures increase in efficiency and output
- Harmonious relationship between the workers and the management with better working conditions
- Standardization of tools, materials, techniques , equipments for increasing efficiency
- Scientific investigation promotes technological development

Administrative Management

Henry Fayol developed the concept of administrative management. He was born in 1841 and he started his career at an early age of nineteen in 1860 in a French company as a junior engineer. He was appointed as the Chief Executive Officer of the same company in 1888. Based largely on his own management experience, he developed his concept of administration. In 1916 he published these experience in the book "Administration Industrielle et Générale", at about the same time as Frederick Winslow Taylor published his Principles of Scientific Management. Fayol's work became more generally known with the 1949 publication of General and industrial administration. Fayol's work was one of the first comprehensive statements of a general theory of management. He proposed that there were six primary functions of management and fourteen principles of management.

Fourteen Management Principles developed by Henri Fayol

1. Division of Work: - This principle stated that the whole work should be divided into different parts and each individual should be assigned only one part of the work according to his ability and taste. When a particular individual performs the same job repeatedly, he will become an expert of that job. As a result, the benefits of specialisation will become available.

2. Authority and Responsibility: - According to this principle, authority and responsibility should go parallel. It means that when a particular individual is given a particular work and he is made responsible for the results, he must be given the sufficient authority to fulfill his responsibility.

3. Discipline: - Discipline is essential for any successful work performance. It means obedience, respect for authority, and observance of established rules. For a good discipline in an organisation there must be the system of reward and punishment and good supervision. A manager can also present a good example to his subordinates by disciplining himself.

4. Unity of Command: - According to the principle of unity of command, an individual should receive orders from only one superior at a time and that employee should be answerable only to that superior. If there are many superiors giving orders to the same employee, he will not be able to decide as to which order is to be given priority. He thus finds himself in a confused situation.

5. Unity of Direction: - Unity of direction means that there should be one head for one plan for a group of activities having the same objective. In other words, there should be one plan of action for a group of activities having the same objective and there should be one manager to control them.

6. Subordination of Individual Interest to General Interest: - According to this principle, the instead of individual interest priority should be given to general interest. The interest of the organization is above everything.

7. Remuneration to Employees: - Fayol suggested that the employees should get a fair remuneration so, that they may feel satisfaction from their job. It is the duty of the manager to ensure that employees are being paid remuneration according to their work. If, however, they are not paid properly for their work, they will not do their work with perfect dedication, honesty and capacity.

8. Centralisation: - According to this principle, the management should adopt effective centralisation which means that only the important decisions should be taken by the top management and rests may be taken by the middle and lower level management.

9. Scalar Chain: - It refers to a formal line of authority which moves from highest to the lowest ranks in a straight line. This chain must be followed in a strict manner. It means each communication must move from top to bottom and vice versa in a straight line. Under this no step should be overlooked during communication.

10. Order: - According to the principle of order, a right person should be placed at the right job and a right thing should be placed at the right place. According to Fayol, every enterprise should have two different orders- Material Order for Physical Resources and Social Order for Human Resources.

11. Equity: - This principle tells that the managers should treat their subordinates in a just and kind manner so that they develop a feeling of dedication and attachment for their work. All the employees should be treated equally and impartially.

12. Stability of Personnel: - According to this principle there should be stability of tenure of the employees which means they should not be changed frequently. A stable employee easily came to know about the atmosphere and working conditions of an organisation and may work continuously efficiently.

13. Initiative: - Initiative means the capacity to work while expressing one's thoughts. According to Fayol, it is the duty of the manager to encourage the feeling of initiative among his employees for doing some work or taking some decision but within the limits of authority and discipline.

14. Esprit de corps: - As per this principle, a manager should continuously make efforts to develop a team spirit among the subordinates. A manager should use us instead of i and me.

Bureaucratic Management

Max Weber, a German social scientist developed the bureaucratic approach to management. Bureaucracy is an administrative system which is designed to accomplish large-scale administrative tasks by systematically coordinating the work of many individuals. Weber stated that bureaucratic type of power is the ideal one.

Features of Bureaucratic Management

1. Division of Work: - In this type of system, work of the organization is divided on the basis of specialisation to take the advantages of division of labour. Each and every department in the bureaucratic organization has specific area of competence.

2. Hierarchy of Authority: - Weber stated that there should be a hierarchy of positions in the organization. Hierarchy is a system of ranking of various positions in descending order from top to bottom of the organization. In bureaucratic organization, different departments also follow the principle of hierarchy and each department is subject to control and supervision by higher authorities.

3. System of Rules: - Bureaucratic management is based on proper rules and regulations. These rules and regulations are equally applicable for every department and members of the organisation and helps in smooth running of the business.

4. Impersonal Relationships: - In a bureaucratic system relationships among individuals are governed through the system of official authority and rules. Official positions are free from personal involvement, emotions and sentiments. Thus, decisions are governed by rational factors rather than personal factors.

5. Official Record: - Proper official records are maintained in bureaucratic organisation. The decisions and activities of the organization are formally recorded and uses for future reference. Proper filing system is maintained in the organization and these records act as an encyclopedia for the organization.

Advantages of Bureaucracy

1. The rules and procedures are decided and followed by the employees and it helps in proper management.
2. There is no overlapping of job and work as the duties and responsibilities of each job and person are clearly defined.
3. In this system the selection process and promotion procedures are based on merit as a result right person is appointed on right job.
4. The division of labour helps in improving the performance of employees continuously.
5. The work of the enterprise does not suffer due to leaving of any employee.

Limitations of Bureaucracy

1. Red tapism and too much paper work adversely affect this system.
2. The employees do not develop belongingness to the organization.
3. Too much dependence on rules and regulations become an adherence to the enterprise.
4. The employees are treated like machines and not like individuals. There is neglect of human factor.

Evaluation

Weber's model will be performed in those enterprises where change is not anticipated. Big business houses and government departments use this type of organization. Weber is credited for attempting to develop Bureaucratic model for the first time. Weber's model has some drawbacks. It has rigidity, impersonality, excessive cost of control, excessive dependence on superiors, tendency to ignore organizational goals. In spite of these limitations this model is very useful in large enterprises.

Conclusion

Classical management thoughts only explain the image of an organisation that is not shaped by the external influences. In today's world the classical management theories are gradually lost their importance and the principal reason behind this is that people and their needs are considered as secondary to the needs of an organisation by classical theorists. Nowadays, Human Resource Management has also very seriously challenged the scientific approach. Furthermore, in organisations the Bureaucratic Management is rapidly giving way to the Matrix structure. However, Classical Management Theories are still important because they had introduced the concepts of management for intellectual analysis and provided ideas which were further developed by the subsequent management schools of thought.

Items	Description of Module
Subject Name	Management
Paper Name	Business Management
Module Title	Behavioural Schools of Management
Module Id	Module no.-6
Pre- Requisites	Basic knowledge of management
Objectives	To understand about behavioural schools of management
Keywords	Classical, Behavioural, motivation, participation

QUADRANT-I

1. Introduction
2. Behavioural Theory of Management
3. Features of Behavioural Theory of Management
4. Elton Mayo's Hawthorne study
5. Mayo's Contribution to Management Thought
6. Maslow's Need Hierarchy Theory of Management
7. Herzberg's Motivation hygiene Theory
8. McGregor's participation Theory
9. Conclusion

Introduction

Classical school of management was concerned for high production and efficiency which considered being the most important to an organization's success at the initial stage. After that, the good working conditions, motivation and satisfaction formed the foundation for behavioral management theory. Behavioral school of management relies on the concept that managers will better understand the human aspect of workers and treat employees as important assets to achieve the goals of the organization. Management taking a special interest in workers makes them feel like part of a special group.

As time went on, thinking shifted, and management started looking at employee satisfaction and working conditions as a way to increase productivity. Theorists like Elton Mayo, Abraham Maslow, Douglas McGregor, Herzberg and others studied employee productivity under different conditions to determine a connection.

Behavioural Theory of Management

The Behaviour Science approach to management laid more stress on the application of the methods and findings of general social psychology and sociology for understanding the organizational behaviour. Behaviour Science Movement is regarded as a further refinement of human relations movement. With its major emphasis on human relations, informal groups, communication, employee motivation and leadership styles, the behaviour approach to management has drawn attention to a wide range of socio-psychological phenomena like the dynamics of organizational behaviour, group dynamics, organizational conflict, change and techniques of organizational development. This approach is, therefore, also known as “Human Relations Approach” or “Behavioural Science Approach”.

Features of Behavioral Theory of Management

- 1. Motivation:** - Behavioural theory of management considers the different motivational factors which lead to high productivity and high morale.
- 2. Social System:** -It is based on social system of organisation and includes different role of employees as well as the role of informal groups in the organisation.
- 3. Leadership:** - Behavioural theory explains the role of personal leadership in management and studies the human relations and the relationship between the leader and workers. It also involves the study of successful and unsuccessful managerial behaviour.
- 4. Communication:** - It includes the study of factors relating to the persons and organisation which helps in communication channels.
- 5. Employee Development:** - It is concerned with the continued upgrading of employee skills and managerial skills.

Elton Mayo's Hawthorne Studies

Elton Mayo was born in Australia in 1880. He became a lecturer at the University of Queensland and worked there from 1911 to 1923 and the University of Pennsylvania and then became a professor of Industrial Research at Harvard University from 1926 to 1949. He is best known for his work on the Hawthorne Studies and is considered one of the fathers of the human relations movement. Elton Mayo started his work at Hawthorne in 1924. At the Hawthorne plant of Western Electric, he discovered that job satisfaction increased through employee participation in decisions rather than through short-term incentives. Although Elton Mayo and his team conducted the Hawthorne Experiments over a number of years, it is his work with 6 women workers in the relay assembly room that made his name. Throughout the series of experiments,

one of Mayo's team sat with the girls as they worked, noting everything they did, keeping them up-to-date with the experiment, asking for clarification, and listening to their views. The experiment began by introducing carefully controlled changes, each of which was continued for a test period of 4 to 12 weeks. The results of the experiment are discussed below:

1. Social Factors: -At Hawthorne studies Elton Mayo described that organization is a 'social system' and social norms at work play an important role in motivating people. Mayo stated that main cause of changes in productivity study is the restructuring of social relationships.

2. Informal Groups are important: -Elton Mayo stated that informal groups have a favourable impact on productivity and attitude of the workers and influence the work performance. Informal groups may help to overcome the limitations of the formal group.

3. Leadership: -Leadership is very important in each and every organisation to achieve the desired results. Informal leaders are more acceptable in an organisation because they have more influence on the behaviour of the subordinates as, they associate themselves with the social problems of the workers and able to get the cooperation from them.

4. Communication:- During decision making workers participation is must and the logic behind every decision should explained and communicate to the workers. This will not only help to brought much better results but also useful to understand the attitude of the workers and give them due recognition.

5. Balanced Approach: -The management must take into account every aspect of the problems of the workers. All the problems should be discussed and decisions should be taken for improving these problems/limitations. Experiments showed that a balanced approach should be taken to manage the situation.

Mayo's Contribution to Management Thought

Mayo was the first person to advocate for the understanding of workers problems in the context of growth of science and technology. He wanted the management to understand the problems of workers and make efforts to improve them.

1. Human Relations Approach: -Mayo stated that human beings are the most important factor in organisation and influence its performance. So, social and psychological needs of human beings cannot be ignored. He is rightly called the father of human relations movement. His ideas were a milestone and a turning point in human relations approach of the management.

2. Non Economic Awards: -Elton Mayo criticized the traditional assumption that workers will work more if more monetary incentives are provided to them. He said that the techniques of monetary incentives were unrealistic and respectful treatment, sense of participation and belonging, recognition, morale, human pride and social interaction are sometimes more important than monetary incentives.

3. Social System: -Mayo was of the opinion that informal relationships in the organization are more effective than formal relationships. People form informal groups learnt a lot of things and implement these into the organisation. He explained that besides logic and facts people are also guided by sentiments and feelings.

The main conclusion of Hawthorne experiments was that the prevailing view of that time people went to work purely for money and a living was deeply imperfect. It was first and foremost a group activity in which other people and their behaviour, be they colleagues, managers or observers, affected how well people worked. People's morale and productivity were affected not so much by the conditions in which they worked but by the recognition they received. The rises in productivity in the Relay Assembly Room were achieved under the interested eye of the observers not because the conditions made the workers feel good but because the workers felt valued. Hawthorne's experiments were criticized for lack of scientific and dynamic research. The experiments were too narrow to warrant generalizations. Despite these observations Mayo's work was a turning point in the development of management thought.

Maslow's Need Hierarchy Theory of Motivation

Abraham Maslow is well renowned for proposing the Hierarchy of Needs Theory in 1943. This theory is a classical representation of human motivation. This theory is based on the assumption that there is a hierarchy of five needs within each individual. The urgency of these needs varies. According to Maslow, individuals are motivated by unsatisfied needs. As each of these needs is significantly satisfied, it drives and forces the next need to emerge. Maslow grouped the five needs into two categories – higher order needs and lower-order needs. The physiological and the safety needs constituted the lower-order needs. These lower-order needs are mainly satisfied externally. The social, esteem, and self-actualization needs constituted the higher-order needs. These higher-order needs are generally satisfied internally, i.e., within an individual. Thus, it may be said that during boom period, the employees lower-order needs are significantly met.

Abraham Maslow's motivation theory is based on the human needs. These needs are classified into a sequential hierarchy from the lower to higher order.

1. Physiological Needs: -These needs are of the lowest-order and most basic needs of human beings. Physiological needs involve food, air, water, cloth, and shelter. These needs put remarkable influence on human behaviour because one has to meet his physiological needs for survival. So, people are motivated to work in the enterprise to have economic rewards to meet their basic needs.

2. Safety and Security Needs: -When a person met his physiological needs then he looks for the safety and security needs. Safety and security needs involve the need for a secure environment, which is free from threats of physical and psychological harm. These needs find expression in such desires as economic security and protection from physical dangers.

3. Social Needs: -Man is social animal. These needs, therefore, refer to belongingness or affiliation. All individuals want to be recognized and accepted in the society.

4. Esteem Needs: -These needs are related to self-esteem and self-respect. These include such needs that indicate self-confidence, achievement, competence, knowledge, and independence. In case of entrepreneurs, the ownership and self-control over enterprise satisfies their esteem needs by providing them status, respect, reputation, and independence.

5. Self-Actualization: -The final step under the need hierarchy model is the need for self-actualization. This refers to self-fulfillment. The term 'self-actualization' means to become actualized in what one is potentially good. An entrepreneur may achieve self-actualization in being a successful entrepreneur.

In Maslow's above need hierarchy theory, human needs are arranged in a lowest to the highest order. The second need does not dominate unless the first is reasonably satisfied and the third need does not dominate until the first two needs have been reasonably satisfied. This process goes on till the last need. This is because man is never satisfied. If one need is satisfied, another need arises. Once a need is satisfied, it ceases to be a motivating factor.

Herzberg's Motivation Hygiene Theory

The psychologist Frederick Herzberg extended the work of Maslow and proposed a new motivation theory which is known as Herzberg's Motivation Hygiene (Two-Factor) Theory.

The two-factor theory is based on the assumption that there are two sets of factors that influence motivation in the workplace. The first of the two are called hygiene factors. Herzberg used the term 'hygiene' to describe factors that cause dissatisfaction in the workplace.

- Compensation
- Job Security
- Organizational Policies
- Working Conditions
- Leadership Quality
- Supervisors and Subordinates Relationship

According to Herzberg, these factors do not motivate employees. However, when they are missing or inadequate, hygiene factors can cause serious dissatisfaction. Hygiene factors are all about making an employee feel comfortable, secure, and happy.

The second factor is motivators or satisfiers. These are related to employee motivation and arise from inherent, dependent, conditions of the job itself. Factors for satisfaction include:

- Responsibility
- Job Satisfaction
- Recognition
- Achievement
- Growth Opportunities
- Advancement

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

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

McGregor's Participation Theory

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

Theory X

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

- Dislike working.
- Avoid responsibility and need to be directed.
- Have to be controlled, forced, and threatened to deliver what's needed.
- Supervised at every step, with controls put in place.
- Need to be control to produce results;

- They have no ambition or incentive to work.

X-Type organizations required many managers and supervisors to control workers. There is little delegation of authority and control remains firmly centralized. McGregor recognized that X-Type workers are in fact usually the minority, and yet in mass organizations, such as large scale production environment, X Theory management may be required and can be unavoidable.

Theory Y

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

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

Theory X represents the traditional and narrow view of human nature while Theory Y represents a modern and dynamic nature of workers. An organization designed on the basis of Theory Y will assume decentralization, participation of leadership and two-way communication.

Theory X and the Theory Y represent two extremes. No person can belong to these two extreme situations. Each person possesses the traits of Theory X and theory Y, though the degrees may be different under different situations. Though, no generalizations can be made, still it appears that theory X is more applicable to unskilled and uneducated lower class workers who work for the satisfaction of their physiological needs only. Theory Y appears to be applicable to the educated, skilled and professional employees who understand their responsibilities and do not need any direction and control. However, there can be exceptions. A lower level employee may be more responsible and mature than a well qualified high level employee. Still these theories are very important tools in understanding the behaviour of human being and in designing the motivational schemes. The management should use a combination of both the theories to motivate different employees.

Conclusion

Behavioural management thoughts were developed in response to know about the employee behaviour and motivation. These thoughts moved the management from a production orientation style to a leadership style and consider the workers' human need for work-related satisfaction and good working conditions. Hawthorne experiments were first and foremost group activity in

which other people and their behaviour, be, they colleagues, managers or observers, affected how well people worked. People's morale and productivity were affected not so much by the conditions in which they worked but by the recognition they received. Through need hierarchy theory Maslow, arranged the human needs in a lowest to the highest order. The second need does not dominate unless the first is reasonably satisfied and the third need does not dominate until the first two needs have been reasonably satisfied. This process goes on till the last need. The Two-Factor theory implies that the managers must stress upon guaranteeing the adequacy of the hygiene factors to avoid employee dissatisfaction. Also, the managers must make sure that the work is stimulating and rewarding so that the employees are motivated to work and perform harder and better. Theory X represents the traditional and narrow view of human nature while Theory Y represents a modern and dynamic nature of workers. An organization designed on the basis of Theory Y will assume decentralization, participation of leadership and two-way communication. So, all the behavioural school of management thoughts considered the social and welfare aspects of employees which further increase the satisfaction and motivation among them.

System Approach to Management

Introduction

There are various approaches to management like classical approach, neo-classical approach and modern approach. Systems approach to management is a part of modern approach. This approach was developed by Chester I. Bernard, Herbert Simon and their colleagues. Due to the limitations of considering only a particular aspect by classical and neo - classical approach, systems approach was developed. this approach considers the organisation as a whole rather than considering some particular aspect.

Meaning of System

System as the name suggests is a group of related parts that move or work together like the human body consists of several parts and each part works in connection with the other. A single function of the body is performed when a number of organs work together as a system. According to the definition given in the Webopedia, "System means a group of interdependent items that interact regularly to perform a task. In other words it is an established or organised procedure.

Meaning of System Approach

Now relating the word system with approach to management, it conveys that the whole of the organisation is interconnected and interdependent. Every organisation has a structure, where we can see the various departments in which the whole of the organisation is divided. Each department works at its own but can not work in absolute isolation. It has to depend on other departments for various functions to be performed. So the efficiency of one department depends upon the efficiency of another department. For example, if purchase department does not purchase raw material in time, production department can not produce the product in time. So here it can be said that each department works as a sub-system to make the whole organisation a system. Managers following this approach to management considers the organisation as a whole rather than considering various parts of the organisation separately.

Key Concepts of a System

- **Sub-System :**

A system is made up of various integrated and interdependent parts. Each such part is known as a sub-system. For example an automobile firm may have several departments like purchase department, production department, finance department , marketing department, personnel department etc. So each such department is a sub-system of the whole firm and the whole firm is a sub-system of the automobile industry, which is a sub-system of the Indian economic system and which is a subsystem of world economic system. Each sub-system is a part of other sub-system and change in one sub-system leads to a change in other sub-system.

- **Open and Closed System:-**

The system may be a closed system or an open system depending upon their interaction with the environment. Here environment is the sum total of the factors and forces outside the organisation such as customer, competitors, suppliers, investors, government etc. The system which have no interaction with the environment , self contained, rigid, static and mechanical are known as the closed systems. These are not at all affected by the environmental factors whereas on the other hand open system are those which interacts with the outside environment, are dynamic and flexible in nature. Systems approach to management follows open system and thus receive inputs from the environment and gives output to the environment.

But infact systems should not be differentiated as open or closed rather they should be differentiated on the basis of degree of openness. Because there is hardly any system which is not at all affected by the environmental forces.

- **Synergy:**

According to the business dictionary synergy is a state in which two or more things work together in a particularly fruitful way that produce an effect greater than the sum of their individual effects. In other words it can be expressed as ‘ the whole is greater than the sum of its parts.’ It actually refers to the teamwork in which all individuals work together and their collective total output is more than the sum of their individual output if they do it in isolation. So in regard to the system approach to management we can say that a business organisation operates more efficiently if it work in co-operation with each other in a systematic manner rather than working separately.

- **System Boundary:**

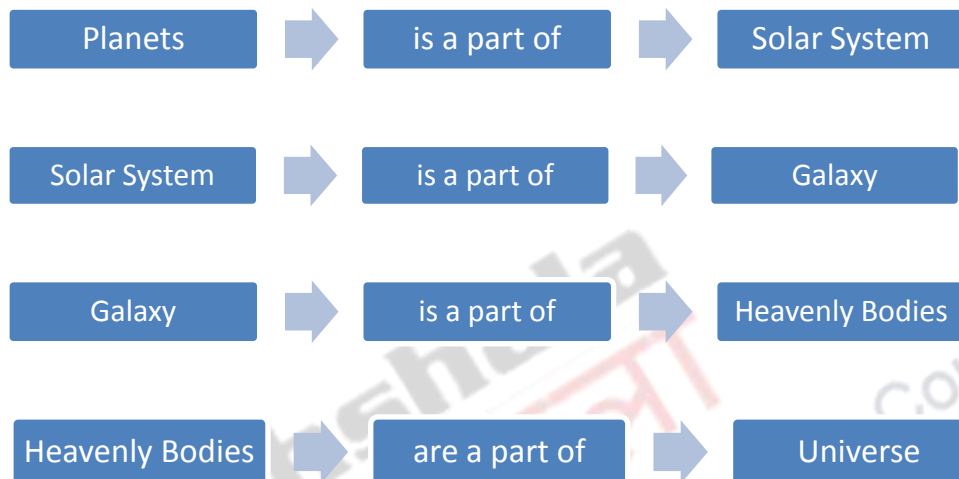
Line that separates the system from its environment is known as boundary. If the boundary is visible and rigid like a wall it is like the closed system but if the boundary is flexible and is visible in form of relationship between the various parts of the organisation and environment, it is like open-system. From here a manager can also know which part he can better control and which he can not control. For example he can not change the policies made by the Government but can replace a worker who is not performing well.

- **Feedback:**

Feedback means the response, which may either be positive or negative. If the feedback is positive then the manager gets motivated as the plan he initiated was successful and if feedback is negative, he has to check where the problem is, what are the causes and what are the possible ways to remove it.

Features of System Approach to Management

- **Hierarchy of Sub-System;** It is the basic feature of system-approach which explains that within an organisation there are several parts, where each part is considered to be a sub-system of another sub-system. For example;



Similarly in an organisation there are many interdependent parts and each part may consist of various sub-parts.

- **Inter-related and Inter-dependent:** The sub-system or parts prevailing in a system are connected to each other and performance of one part is affected by the performance of the other. These sub-parts are always considered in connection to each other and not in isolation.
- **Boundary:** This approach clearly defines what is within the organisation and what is outside the organisation. In other words a manager is well aware about the controllable factors and uncontrollable factors.
- **Input-Output Process:** System takes input from the environment and gives output to the environment. As raw material is purchased from the market, processed in the organisation and transformed into the finished product to supply into the market.
- **Open System:** As discussed earlier that system can be either closed or open. An organisation being a social system is an open system which puts effect on the environment and is affected by the environment.
- **Adaptive:** Adaptability means adjusting with the changing environment. Under the system approach to management, the organisation is an open organisation and it takes input from the environment and adjust accordingly.
- **Dynamic:** An organisation can not be static. It has to move on and on with every change in the environment. So system approach says that the organisation is dynamic and responsive. Within an organisation there are several sub-systems and the process in between these sub-systems are all dynamic and vulnerable.

- **Multidisciplinary:** Management in any organisation is not influenced by a single discipline. It is a result of so many disciplines like Economics, Statistics, Sociology, Psychology, Operation Research, mathematics and various schools of Management Thoughts. Management is also described as both science as well as arts since it has its own principles which are applied in most of the organisations and it tries to do the work in a systematic manner. This approach to management integrates knowledge from all the above mentioned disciplines and many more.
- **Probabilistic:** In a chemical reaction one can always be sure that what will be the result of mixing different compounds but in an organisation a manager can not be sure that what will be the exact result of his efforts. Thus, system approach to management says that it is probabilistic because the outcome is not certain. For example, a manager asks purchase manager to buy more of raw material in comparison to the last month in anticipation of huge demand in the near future, but he can just predict the probable demand and not the exact demand.
- **Integration of Activities:** System Approach is an integrated approach as it integrates the activities and the departments in order to derive the best use of scarce resources. It takes into consideration all the sub-systems of the system.

Critical Evaluation of System Approach to Management

- **Contributions:**

The contributions given by the system approach to management are:

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

- (vii) The mechanism of feedback in this approach provides the manager chances to reallocate the resources according to the changed environment and also to remove the problems which arise in the path of the performance.

- **Limitations:**

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

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

Relationship between Contingency Approach and Systems Approach

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

Conclusion

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



CONTRIBUTIONS IN THE FIELD OF MANAGEMENT

1. PETER F. DRUCKER:

Introduction:

Born in Vienna in 1909, (recently expired in 2005) Drucker outshines all contemporary management thinkers. He has varied experience and background in management for reasons of his multi-faceted careers in fields like journalism, consultancy assignments, professorship etc.

Important books authored by Drucker include: The Practice of Management; Managing by Results; Management: Tasks, Responsibilities and Practices; Managing in Turbulent Times; The Frontiers of Management; Managing the Non-Profit Organization; Managing for the Future; Managing in a Time of Great Change; The Effective Executive; The Age of Discontinuity etc.

Contributions by Drucker:

We can present an overview of Drucker's contribution to management, in terms of the following points:

(i) Nature of Management:

Drucker considers management as a way of life for the well-being of society. According to him, management is the dynamic, life-giving element in an organization, which converts resources into results. Drucker has treated management as a discipline as well as a profession; but only as a liberal profession without meeting criteria of a true profession.

According to him, management is more a practice than a science. However, he recognizes the value of Taylor's scientific work study approach.

(ii) Functions of Management:

According to Drucker, among management functions, the function of objective-setting is very important.

He sets out eight areas in which objectives should be set and performance should be measured:

1. Market standing
2. Innovation
3. Productivity
4. Physical and financial resources
5. Profitability
6. Managers' performance and development
7. Workers' performance and attitude
8. Public responsibility

(iii) Management by Objectives (MBO):

The concept of MBO is regarded as the most significant contribution by Drucker to present-day-management. Drucker introduced this concept in 1954 in his classical work, "The Practice of Management" Following is given a detailed account of MBO.

MBO might be defined as follows:

MBO is a distinct philosophy of managing any business enterprise in which (under a short-term management-programme) objectives for subordinates are worked out through a process of mutual consultation between

subordinates and concerned superiors, in verifiable (i.e. numerical) terms; and such objectives subsequently becoming standards of control for measuring performance of individuals against these.

Analysis of the definition:

For a better and quick comprehension of the concept of MBO, the above definition could be analyzed in terms of the following points:

(i) MBO is a distinct philosophy of any management. In fact, there is no universal scheme of MBO that could be applied to all organizations, alike, MBO, is something, like a railway time-table; which is different in every country operating railways.

(ii) MBO is a short-term management programme. MBO schemes may range from a week to a year. A year perhaps, is the maximum time period for an operational system of MBO.

(iii) MBO is based on principles of democratic management. Under MBO, objectives are set through a process of mutual consultation between subordinates and concerned superiors.

(iv) Verifiability is the key to MBO. Under MBO, objectives are determined in numerical or quantitative terms; which alone carry an element of verifiability.

(v) MBO is a complete philosophy of managing. It is both a technique of planning and a technique of controlling. It is a technique of planning in that objectives become assignments for people. And it is also a technique of controlling; when these very objectives are used as standards of control for measuring performance of individuals against these.

George Odiorne defines MBO as follows:

“MBO is a process whereby the superior and the subordinate managers of an enterprise jointly identify its common goals, define each individual’s major areas of responsibility in terms of the result expected of him, and use these measures as guides for operating the unit and assessing the contribution of each of its members.”

The Process of MBO:

Formulation of a MBO scheme in a typical enterprise entails the following usual steps:

(i) Preliminary setting of objectives at the top management level:

Top management usually gives a start to launching of scheme of MBO; by identifying the fundamental objectives of the enterprise as a guide to superiors and subordinates throughout the organisation for setting their own objectives.

(ii) Clarification of organisational roles:

As a background step to MBO, each role in the organisation is clarified; so that each organisational role is somebody’s clear responsibility.

(iii) Setting individual objectives:

Superiors and subordinates throughout the enterprise determine their individual objectives through a process of mutual consultation. Such setting of individual objectives is the core aspect of MBO.

(iv) Matching goals with resources:

To make MBO scheme realistic, goals of individuals are compared to the resources available for their implementation. At this stage, objectives might be revised suitably, in view of limitations of resources.

(v) Recycling objectives:

Recycling or reshuffling objectives under MBO is done to take care of the interconnection among related objectives i.e. objectives of individuals in one department may not be inconsistent with related objectives of subordinates, in other departments.

(vi) Performance appraisal:

As a final step of MBO, performance of people is judged against objectives (which now become standards of control) determined for them initially.

An Evaluation of MBO Merits:

Some major merits of MBO are as follows:

(i) Overall improvement in organizational performance:

Provided, a scheme of MBO is appropriately designed in a 'tailor-made' system; it is likely to lead to an overall improvement in the organizational performance.

(ii) Specific Planning:

Because of numerical expression of objectives under MBO, planning becomes more specific. Subordinates better appreciate as to what exactly is expected to them.

(iii) Elicits commitment:

Perhaps the biggest advantage of MBO is that it is a great motivational device. It elicits commitment to objectives on the part of subordinates, as subordinates feel inclined towards achieving those targets which they have determined for themselves.

(iv) Better controlling:

MBO leads to better controlling in two senses:

(a) Controlling is immediate, as standards of controlling are the objectives themselves.

(b) There is least or no resistance to controlling; because objectives (i.e. standards of controlling) are determined by subordinates themselves in consultation with superiors.

Limitations:

Some serious limitations of MBO are:

(i) Failure of teach philosophy of MBO:

It is rather difficult for management to teach the philosophy of MBO to rank and file of the organisation, because of the technical processes involved in making a scheme of MBO. One must not expect success of a scheme; basics of which are not fully comprehended by people.

(ii) Tug-of-war phenomenon:

Setting of objectives under MBO creates a sort of tug-of-war; situation among superiors and subordinates. Subordinates prefer objectives to be set on a lower side; superiors would like more work to be assigned to

subordinates. In fact, the dominating party-whether the superior or the subordinate will have a major impact on the determination of objectives. As such, realistic goal setting under MBO may be a rarity.

(iii) Over-emphasis on short-run goals:

Under MBO, there is an over emphasis on short-run goals to the exclusion of long-run goals; which might be critical for the survival and growth of the enterprise.

(iv) Over-quantification of management:

Because of the need to quantify objectives under MBO, qualitative aspects of managing may be completely overlooked.

(v) Wastage of time:

MBO involves wastage of a lot of valuable time of managers in joint consultations; and they are left with little time for efficiently discharging their jobs.

Concluding observations:

Researchers conducted in the past on performance of MBO schemes point out that in less than 10% of cases have such scheme been exceedingly successful. In most of the cases, MBO schemes have been either a flop or only a mediocre success.

(iv) Organisational Structure:

Drucker has decried bureaucratic organisation structure; because of its too many dysfunctional effects.

He has emphasized three basic characteristics of an effective organisational structure:

1. An enterprise should be organized for performance
2. It should contain the least possible number of managerial levels.
3. It must make possible the training and testing of tomorrow's top managers.

(v) Organisational Change:

Drucker has visualized rapid changes in society because of rapid technological developments. Managers must accept changes for making the society better. Dynamic structures of the organisation should be developed to cope with environmental changes and challenges.

(vi) Federalism:

Drucker has developed the concept of federalism; which refers to centralised control in a decentralised structure.

(vii) Miscellaneous Contributions:

- (1) An organisation is a social system as well as an economic one.
- (2) People are a resource and they would be better able to satisfy customers; if they had more involvement in their jobs and gained some satisfaction from doing them.
- (3) Risky decisions should be allowed to take place at lower levels in the organisation.
- (4) Managers must see the business as a whole i.e. they must view organisation from the system's perspective.
- (5) Drucker advocates privatization, pointing out the ineffectiveness of government.
- (6) According to Drucker, quality is a measure of productivity.
- (7) Knowledge worker depends on the organisation; and that the organisation equally depends on him. To conclude, we may say that Drucker's contributions are substantial to different areas of management. His contributions are a landmark in contemporary management.

2. MICHAEL E. PORTER:

Introduction:

Born in 1947, Michael E. Porter is an authority on competitive strategy. According to Porter, “**Strategy is not a subject of poets**”. It is a set of ideas which give competitive advantage to business units.

Important books authored by Porter include:

Competitive Strategy; Cases in Competitive Strategy; Competitive Advantage; Competition in Global Industries; the Competitive Advantage of Nations etc. Some of Porter's books have been included in the course curriculum of management programmes of institutes and universities, throughout the world.

Contributions by Porter:

Two most important contributions by Porter include:

- (i) Value chain analysis
- (ii) Generic strategies driven by five force analysis

Following is a brief account of these concepts:

(i) Value Chain Analysis:

For a strategic analysis of internal resources, Porter suggests the use of 'value-chain' as a framework. According to Porter, there are two categories of value activities: primary activities and support activities. In his view, competitive advantage lies not in activities themselves; but the way the activities relate to each other, forming a value chain for competitive advantage.

I. Primary Activities:

Primary activities are connected with physical creation of a firm's product or service, its marketing and after-sales support.

Following are the primary activities:

1. Inbound Logistics:

Activities associated with procurement, storage and flow of inputs like receipts, handling, warehousing, inventory control etc.

2. Operations:

Activities connected with turning inputs into finished goods like, machining, assembling, packaging, equipment maintenance etc.

3. Outbound Logistics:

Activities connected with collection, storage and physical distribution of goods like, order processing, scheduling deliveries, operation of delivery vehicles etc.

4. Marketing and Sales:

Activities inducing customers to buy and ensuring that products are available like, advertising, sales promotion, sales force management, channel selection etc.

5. Service:

Activities connected with maintaining or enhancing products' value like, installation, repairs, warranty services etc.

II. Support Activities:

Support activities are those which provide infrastructure for primary activities to be performed.

Following are the support activities:

1. Procurement:

Activities including purchase of materials and service inputs, equipment and machinery etc. In fact, every activity in the value chain needs to use purchase inputs of some kind.

2. Technology Development:

Activities to be performed for perfection and up-gradation of technology involved in product designing, equipment designing, servicing procedures, manufacturing processes etc.

3. Human Resource Management:

Activities connected with recruitment, training, development, and compensation etc. of manpower. Manpower is needed for every activity in the value chain.

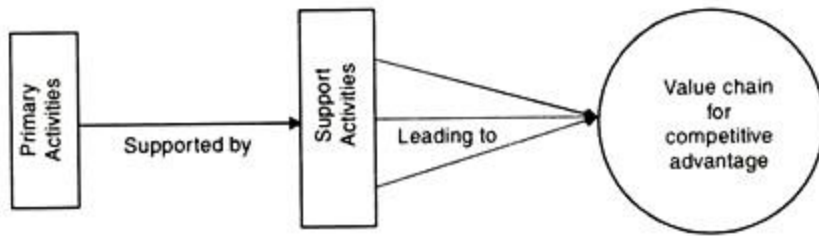
4. Company's infra-structure:

Activities relating to general management practices, finance, accounting, legal affairs etc. These activities are essential to the entire chain of value activities.

Point of Comment:

To survive amidst competitive conditions, the company must link all value chain activities together; as weakness in any of the activities will have impact on the entire value-chain and affecting competitiveness adversely.

We can depict the concept of value-chain through the following chart:



(ii) Generic strategies driven by five force analysis:

The bases on which an organisation may seek to achieve a lasting position in environment are known as generic strategies.

According to Porter, there are three fundamental generic strategies:

1. Cost leadership strategy
2. Differentiation strategy
3. Focus strategy

Cost leadership strategy implies achieving the lowest cost in production and marketing to gain a large market share compared with competitors, over time. Differentiation strategy implies differentiating the product in terms of physical and psychological attributes, making the product unique which is valued by customers.

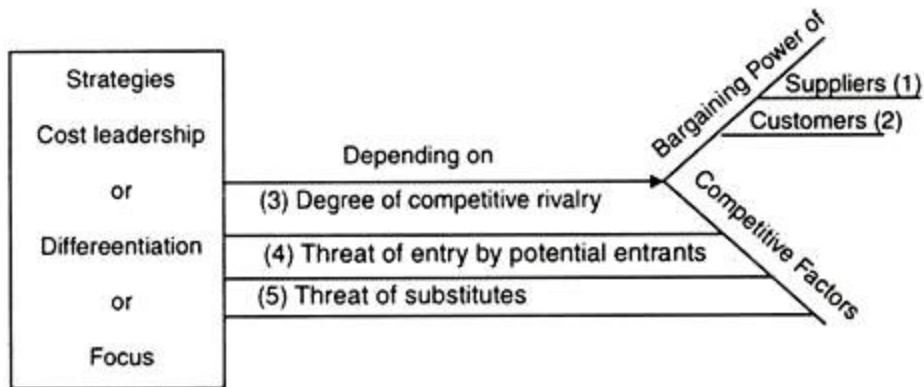
Such a product commands a premium price. Focus strategy implies narrowing competitive scope by selecting a market segment; and tailoring strategy for serving the segment (niche market) to the exclusion of others.

Further, these three generic strategies are driven by five competitive forces; which are:

1. Degree of competitive rivalry among competitors
2. Threat of entry posed by potential entrants
3. Threat of actual or potential substitutes
4. Bargaining power of suppliers
5. Bargaining power of customers

The skill of a firm lies in choosing the right strategy at the right time, in view of the five-force analysis.

The idea of generic strategies and five forces analysis is illustrated below through a chart:



3. C.K. PRAHALAD:

Introduction:

Born in 1941, C.K. Prahalad, entered management sphere from the world of physics – one of the most precise sciences. C .K. Prahalad is regarded as a very influential thinker on strategy; giving strategic concepts much different from traditional strategic thinking.

His outstanding work on strategy is contained in a book ‘Competing for the Future’, written in association with Gary Hamel. Prahalad and Hamel coined the term ‘core-competence’ a fountain head from which stronger competitive advantages keep sprouting.

Developing core-competence is a process of competence – building; which even enables smaller rivals to face against much larger and richer organisations. In a way, Prahalad has given a new shape and orientation to strategic thinking; and his work has been widely acknowledged, specially in the U.S.A.

An Account of Prahalad’s Thinking on Strategy:

C.K. Prahalad and Gary Hamel define core competence as follows:

“A core competence is a bundle of skills and technologies that enables a company to provide a particular benefit to the customers”.

Some examples of core competence include: Sony’s competence in miniaturization (a very small model); Philips optical-media expertise; Du Pont’s core competence in chemical technology; Honda’s core competence in engines, giving it an advantage in diverse products like two-wheelers, three-wheelers, generators and the like. Many more examples of core competence may be cited.

Point of Comment:

Core competency theory of Prahalad leads to the concept of Business Process Outsourcing; which advises business enterprises to identify their core competencies and focus only on the them and getting everything else done through outside agencies.

Salient features of the concept of core competence:

Some salient features of the concept of core competence may be summarized as under:

(i) Core competence is that strength of a firm which competitors cannot easily match or imitate i.e. core competence cannot be copied easily by others. However, it is a dynamic concept, rather than an absolute and static one.

It gives advantage for a specific period; because new competitors may come out with still superior core-competence. However, it is true that by the time competitors come out with superior core competence; the company in question has taken the cream out of the opportunity.

(ii) Core competence is largely a technological competence; because new products are an outcome of technology. However, core competence as a means of creating competitive advantage, may be developed in other areas also, such as marketing.

(iii) Core competence does not reside in one particular product; it underscores leadership in a wide range of products/services. Accordingly, core competence makes for or mars the success of a company.

It may lead to winning or losing the battle for competitive leadership in a particular field. Failure of one product built on the capitalisation of core competence may lead to failure of all products based on that core competence and vice-versa.

(iv) Development of core competence requires a learning organisation. In fact, core competence represents the sum of learning of individual skills and is unlikely to reside entirely in a single individual or a small team of individuals. Core competence is developed through collective learning of organisational members.

(v) Core competence requires corporate imagination, to realize its potential. Corporate imagination, according to Prahalad, implies visualizing new markets and leading customers rather than following them through making a search for innovative product concepts.

4. CHESTER I. BARNARD (1886-1961):

Chester Barnard's theory is based on social systems school of thought. It fills the gap between the traditional and modern theories of management. He defines organisation as "system of consciously coordinated activities or forces of two or more persons." He emphasised on the role of executives in business organisations, small or big. He focused on principles of management (introduced by Henri Fayol) in practical business situations.

Contribution to Management Thought:

His contribution to management thought is discussed below:

(i) Elements of Organisation:

Barnard focused on three important elements of organisations: willingness to cooperate, common purpose and communication. Willingness to cooperate refers to collective contribution to organisational activities. All individuals should collectively work towards organisational goals and consider individual goals as subordinate to organisational goals.

Common purpose is the unified goal that all individuals must strive to achieve. People cooperate if there is a common purpose to achieve. Communication refers to exchange of ideas for willingly cooperating to achieve the common purpose.

(ii) Balance:

He emphasised on internal and external balance between forces that affect functioning of the organisation. Internal balance is balance between organisational goals and individual goals. Individuals should derive satisfaction out of their work. This will contribute to organisational goals. Both, organisation and its people should look after the needs of each other accepting that needs keep changing over time.

The needs are dynamic and not static and therefore, organisation and individuals should cooperate with each other. This promotes and maintains balance in the organisational activities in the dynamic environment. External balance refers to adaptability of organisation with its external environment. Organisation should be able to operate in the changing environmental conditions.

Organisation is part of the society and has to accept changes in the society. The organisational balance, internal and external can be achieved through logical reasoning, intuition, scientific analysis, emotions and attitudes.

(iii) Authority:

Barnard introduced the acceptance theory of authority which is an improvement over classical view of authority according to which people obey orders because they are issued by their superiors. He said that superiors have authority to command the subordinates only if it is accepted by the subordinates, Authority does not, thus, necessarily flow from top to bottom.

A subordinate will accept the authority if:

- (a) He understands the communication,
- (b) He believes that it is not inconsistent with organisational goals,
- (c) It is compatible with his personal goal, and
- (d) He can physically and mentally comply with it.

(iv) Decisions and Functions of the Executive:

The executive takes decisions based on his reasoning and intuition. His decisions should be acceptable to subordinates. More than formal command, they should be acceptable commands.

His functions include:

- (a) Maintaining communication in organisations.
- (b) Obtaining essential services from individuals through right selection process and providing necessary incentives,
- (c) Formulating objectives for all levels of the organisation.

(v) Incentives:

Barnard considered incentives as motivating forces to contribute towards organisational goals. He emphasised on financial and non-financial incentives, like money, opportunities for growth, social interaction, participative decision-making, feeling of belongingness etc.

(vi) Formal and Informal Organisations:

Barnard focused on coexistence of formal and informal organisations. While formal organisation is a deliberately designed structure which aims to achieve a common purpose, informal organisation is a spontaneous outgrowth of formal organisation structure.

It arises out of social interactions amongst people in the formal communication network. Informal organisation is not the creation of managers and, therefore, cannot be avoided by them. In fact, it solves many problems that arise in the formal organisation and managers should encourage them to supplement the formal organisation and not substitute it.

It binds the organisational members and makes them more committed to organisational goals by strengthening the informal communication network. It is used to know the reaction and feedback on organisational policies. Informal organisations promote social interactions and through it, formal organisational goals.

(vii) Communication:

Communication is an important means of telling people the purpose or objectives of the organisation. There should be formal, short and clear channels of communication so that quick and efficient transmission of information takes place throughout the organisation.

(viii) Leadership:

Good managers have to be good leaders. Leadership qualities (creativity, imagination, understanding etc.) help to unify individual goals with organisational goals. They also integrate formal organisation structure with the informal one.

Chester Barnard's work is famous for providing behavioural outlook to business organisations. His concepts synthesised social aspects of people with technical aspects of organisations. He developed the social systems approach to management.

5. McGregor (1906-1964):

McGregor's theory focused on behavioural management. He mainly contributed to management thought by developing theory X and theory Y of motivation.

Contribution:

McGregor's contribution to management is discussed below:

(i) Professional Managers:

McGregor emphasised on professionalisation of management. He felt that professional managers are more effective in making decisions, solving problems and administering the organisation. They realise the importance of management by objectives and self-control to integrate individual goals with organisational goals. A professional manager can understand social and psychological needs of employees and relate them with technical needs of the organisation.

(ii) Self-Appraisal:

McGregor emphasised on self-appraisal and evaluation rather than appraisal by superiors. Self-appraisal leads to self-control and self-development. Developed individuals are the assets of an organisation.

(iii) Management Team:

He focused on effective management team with the qualities of understanding, mutual trust, support and agreement.

(iv) Cooperation Rather than Collective Bargaining:

Management and labour union should cooperate rather than bargain on labour-management issues.

(v) Management Responsibilities:

Management has the responsibility of:

- (a) Increasing organisational profits,
- (b) Keeping the labour satisfied,
- (c) Renewing plant and machinery, and
- (d) Maintaining productive efficiency.

McGregor's theory provided a new sight to superior-subordinate relationships. Superiors can adopt management styles depending upon the nature of subordinates. Concern for people means concern for production.

6. Rensis Likert (1903-1981):

Rensis Likert conducted research at the Institute of Social Research, University of Michigan (U.S.A) and developed theories which moved management.

Contribution:

His contribution to management thought is summarised below:

(i) Management Styles:

Likert developed leadership theories based on his observation of leader behaviour in business and non-business organisations. According to him, best supervisors focus on human aspects of subordinates' problems. He developed four leadership styles;

(a) System 1 (Exploitative-authoritative style):

All decisions are made by top managers. They have no confidence in their subordinates and the subordinates also, therefore, contribute the minimum to organisational output.

(b) System 2 (Benevolent authoritative style):

Major decisions are made by top managers. Very few decisions are made by people at lower levels. Leaders have some confidence in subordinates and the subordinates, therefore, contribute slightly more than system 1 to organisational output.

(c) System 3 (Consultative style):

Leaders have substantial confidence in subordinates. All operating decisions are made at lower levels. Subordinates' contribution to organisational output is good.

(d) System 4 (Participative style):

Leaders have complete confidence in subordinates. Managers at different levels make decisions jointly. Subordinates' contribution to organisational output is also excellent.

(ii) Behaviour of Leaders:

Best known leaders are generally employee-centered. They help the subordinates by solving their problems, allow them to participate in decision-making processes, develop their confidence and merge the individual goals with organisational goals.

(iii) Linking Pins:

In order to integrate individual goals with organisational goals, Likert developed the concept of linking pins. Linking pins are members of more than one group. They act as leaders of groups (units) below their units and are members of upper units. They link each work group with rest of the organisation.

(iv) Theory of Organisation:

If personal needs of employees are satisfied, they are committed towards the organisational goals and contribute their best to achieve them. This increases productivity. A satisfied work force creates a productive organisation. Workers should not be considered as economic means of production. Managers and workers should support each other and maximise each other's interests.

(v) Management by Group Objectives:

He advocated the concept of management by group objectives (MBGO) rather than management by objectives (MBO). He suggested that people should set individual goals and group goals. Each individual synthesizes his goals with group goals and group goals with organisational goals.

Likert's work is appreciated for its contribution to leadership styles and motivational forces. His thoughts are similar to those of McGregor's theory. "We believe that Likert's theory is basically correct, that it can be translated into organisation development interventions and programmes, and that it represents a significant contribution both to management theory and to the theory of planned change,"— French and Bell

However, his work is criticised by Hersey and Blanchard. They believe that leadership style (employee-centered or task-centered) depends upon maturity level of employees. Democratic leaders may not always prove to be

successful. Subject to developments and modifications, Likert's work is highly appreciated by business managers.

7. McKinsey 7S Framework:

McKinsey 7S Framework or Model is used for analyzing management activities of the business and making them as effective as possible for achieving success. McKinsey 7S Framework provides a structure that considers the company as a whole so that the organization's problems may be identified, analyzed and a strategy may be developed and implemented for tackling it.

The organization's effectiveness is determined by seven factors whose nomenclature begins with the alphabetic "S" therefore the name 7S. The seven factors are- superordinate goals, strategy, staff, skills, structure, system, shared values, and style. The framework gives equal weight to each of the seven factors and emphasizes the interrelatedness and the "fit" among them.

If the structure does not support the strategy or if the skills are not in consonance with the strategy the fit is reduced and so the effectiveness of the organization.

The 7S framework was a prescriptive framework. It can be used as a tool of internal analysis by drawing up the indicative factors for each of the seven framework elements. The 7S model developed out of the practice of the consulting firm McKinsey.

Consultants at McKinsey & Company developed the 7S Framework or model in the late 1970s to aid managers in addressing difficulties of change in the organization. It was developed and also used during the research work of two bestselling books "The Art of Japanese Management" and "In Search of Excellence".

The most outstanding fact about the McKinsey 7S Framework is that McKinsey consultants tested extensively in their studies of many companies. Also, At the same time, respected business schools used this framework.

Perhaps the most surprising element about the 7-S model is that it supports and is similar in nature of the managerial functions such as planning, organizing, staffing, leading and controlling.

So the seven elements of McKinsey 7S Framework can be categorized as hard and soft elements.

Hard Elements are Easier for management to identify and influence them. They are more tangible.

Soft elements are difficult for management to identify and influence them; also Intangible and influenced by culture.

1. Strategy,
2. Structure,
3. Systems,
4. Shared Values,
5. Skills,

6. Style, and
7. Staff.

1. Strategy:

“Strategy” is formulated plans for the organization to reach identified goals. A strategy is the plan to develop long-term advantages.

Competitive advantage derives from meeting customer expectations. The organization examines if the strategy is appropriate and the organization competitive in terms of meeting those expectations.

2. Structure:

The hierarchical setting or an organizational structure where and authority and responsibility, relationships are well-defined.

Structure embodies the reporting and accountability relationships within an organization. The structure must support the strategy. The Strategy for electronic retail cannot be met with a functional command and control-based structure.

The organization examines the extent to which the structure facilitates the coordination and cooperation and extent of centralization and decentralization among the different parts of the organization.

3. System:

“System’s” refers to the procedures and processes that staff members engage in such as information systems, manufacturing processes, budgeting and control processes; to get the job done.

The system refers to the routines, procedures activities necessary to carry out the operations of the organization.

Every organization derives its strength from some key systems: marketing, finance, production, procurement, human resources, and so on. The other systems perform a strengthening role.

Given the centrality of the system in creating an advantage, are the rules, procedures, and controls adequate?

4. Style:

“Style” indicates leadership techniques of management. The way the management behaves to achieve organizational goals.

Leadership can be exercised in the organization in many ways. Style refers to the leadership pattern in the organization.

- Does it motivate and inspire?
- Are the expectations from the employees and the rewards to them balanced?
- Does the leadership and the overall climate foster teamwork?

The style can either reinforce or reduce cross-functional learning and sharing among the organization members.

5. Staff:

“Staff” refers to the number and types of employees within the organization.

The people and their capabilities create advantages for the organization. A talent pool and qualitatively superior competencies are the intangible assets on which strategy rides.

A highly specialized competency is difficult to emulate. The organization must consistently seek to find out if the staff is compatible with the changes and if there are any competency gaps.

6. Shared Values:

“Shared Values” is the joining center of McKinsey’s model. It refers to the values the members of the organization share. The superordinate goals or shared values signify what we stand for and are the glue that holds the organization together.

They direct the culture of the organization in terms of its work and value ethic. The farther down the organization these are disseminated the greater is the sense of belongingness created among its members. It is similar to strategic intent.

7. Skills:

“Skills” refer to the distinctive capabilities of personnel.

As you see, The McKinsey 7S Framework shows the multiplicity interconnected of elements that define an organization’s ability to change.

It changed the manager’s thinking of how companies could be improved. There is no hierarchical chain in the different factors of the McKinsey 7S Framework.

Notice that the “Shared Values” is placed in the middle of the Framework or model. It highlights that values are central to the development of all the other critical elements of the McKinsey 7S Framework.

Entrepreneurs always form the original organization vision. As the values change in an organization, so do all the other elements in it