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# UNIT 2 THEORIES AND APPROACHES OF MANAGEMENT

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## 2.1 INTRODUCTION

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Before the 20<sup>th</sup> Century, there was no real knowledge of management theories. During 20<sup>th</sup> century, many theories have been proposed to increase productivity of organizations and reduce cost. The changes in management theories were driven partly by transition from industrial-electronic- information revolutions and partly by parallel progress in the fields of psychology and social sciences. This unit focus is to explain you few important theories / approaches of management noting how they differ from each other.

After studying this unit, you should be able to:

- discuss the important scientific and administrative theories of management.
- explain the major human relations, systems and contingency approaches to management.
- illustrate the concept of management by objective.

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## 2.2 SCIENTIFIC AND ADMINISTRATIVE MANAGEMENT THEORIES

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### 2.2.1 Scientific Management Theories

**Frederick Taylor:** F.W. Taylor is generally acknowledged as the “Father of scientific management” with his early works on the development of management. Taylor’s major concern throughout most of his life was to increase efficiency in production, not only to lower costs and raise profits but also to make possible increased pay for workers through their higher productivity. In brief, Taylor saw productivity as the answer to both higher wages and higher profits. He believed that the application of scientific methods, instead of custom and rule of thumb, could yield productivity without the expenditure of more human energy or effort.

### Taylor's Principles

Taylor's famous work entitled "Principles of Scientific Management" was published in 1911. The fundamental principles that Taylor saw underlying the scientific approach to management are summarized below:

- i) Replacing rules of thumb with science (organized knowledge)
- ii) Obtaining harmony in group action, rather than discord
- iii) Achieving cooperation of human beings, rather than chaotic individualism
- iv) Working for maximum output, rather than restricted output
- v) Developing all workers to the fullest extent possible for their own and their company's highest prosperity.

On the contrary, throughout Taylor's written work runs a strongly humanistic theme even though it preoccupied with productivity at the soap level. He believed that workers should be carefully selected and trained and that they should be given the work they were able to do best. He had perhaps an idealist's notion that the interests of workers, managers, and owners could and should be harmonized. Moreover, Taylor emphasized the importance of careful advance planning by managers and the responsibility of managers to design work systems so that workers would be helped to do their best. But as he spoke of management, he never overlooked the fact that 'the relations between employers and men and women from without question the most important part of this art'.

### Followers of Taylor

Among the immediate disciples of Taylor were Henry L. Gantt, Frank and Lillian Gilberth, to mention only a few.

**Henry L. Gantt:** Gantt although strongly supported Taylor's ideas and did much consulting work on the scientific selection of workers and the development of incentive bonus systems, he was far more cautious than Taylor in selling and implementing his scientific management methods. Like Taylor, he emphasized the need for developing a mutuality of interests between management and labor, a 'Harmonious cooperation'. In doing this, he stressed the importance of teaching, developing an understanding of systems on the part of both labor and management and appreciating that 'in all problems of management the human element is the most important one'.

Gantt is perhaps best known for his development of graphic methods of describing plans and making possible better managerial control. He emphasized the importance of time, as well as cost, in planning and controlling work. This led eventually to the famous Gantt chart which is in wide use today and was the forerunner of such modern techniques as the Programme Evaluation and Review Technique (PERT). The chart is regarded by some social historians as the most important social invention of the twentieth century (For more details on Gantt charts, please refer Unit 3 'Project Management Techniques' of Block 2 in this course)

**Frank and Lillian Gilbreth:** The ideas of Taylor were also strongly supported and developed by the famous husband-and-wife team of Frank and Lillian Gilbreth. After meeting Taylor in 1907, Frank combined his ideas with Taylor's to put scientific management into effect. In undertaking his work, Frank Gilbreth

was greatly aided and supported by his wife, Lillian. She was one of the earliest industrial psychologists and received her doctor's degree in this field in 1915. After her husband's untimely death in 1924, she carried on his consulting business and was widely acclaimed as the 'first lady of management' throughout her long life. Lillian Gilbreth's interest in the human aspects of work and her husband's interest in efficiency- the search for the one best way of doing a given task-led to a rare combination of talents. It is therefore not surprising that Frank Gilbreth long emphasized that in applying scientific management principles; we must look at workers first and understand their personalities and needs. Gilbreths came to the conclusion that it is not the monotony of work that causes so much worker dissatisfaction but, rather, management's lack of interest in workers.

## 2.2.2 Administrative Management Theories

**Henri Fayol :** Henri Fayol is the real 'Father of modern management theory'. Fayol attempted to develop a science of administration for management and believed that there was a universal science of management applicable to commerce, industry, politics, religion, war or philanthropy. He truly advocated the notion that if a manager wants to be successful, he only needs a certain set of management principles. If a manager climbed the corporate ladder and reached higher positions, this manager would depend less on technical knowledge and more knowledge of administration. When Fayol worked on his principles in France, Taylor's scientific management was developing 'independently' in the USA. Although he was trained as an engineer, he brilliantly realized that management of an enterprise required skills other than those he had studied.

Fayol emphasized the role of administrative management and concluded that all activities that occur in business organizations could be divided into six main groups.

- i) Technical (production, manufacturing)
- ii) Commercial (buying, selling, exchange)
- iii) Financial (obtaining and using capital)
- iv) Security (protection of property and persons)
- v) Accounting (balance sheet, stocktaking, statistics, costing)
- vi) Managerial (planning, organizing, commanding, coordinating, controlling).

These six groups of activities are interdependent and that it is the role of management to ensure all six activities work smoothly to achieve.

Please refer Unit 1 'Management: An Overview' of this block for details on Fayol's 14 principles of management.

### Check Your Progress 1

**Note:** a) Use the spaces given below for your answers.

b) Check your answers with those given at the end of the unit.

- 1) Name three pioneers in scientific management

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2) Write the principles of Taylor?

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3) Write Fayol's administrative management activities of business organizations.

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## 2.3 HUMAN RELATIONS THEORIES

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Managing requires the creation and maintenance of an environment in which individuals work together in groups toward the accomplishment of common objectives. This part emphasizes the importance of knowing and taking advantage of human and motivating factors in management which led to some influential theories. For example, Maslow's hierarchy of needs provided an individual focus on the reasons why people work. He argued that people satisfy in an ascending series of needs from survival, through security to eventual 'self-actualization'. In the same period, concepts of job design such as job enrichment and job enlargement were investigated. It was felt that people would give more to an organization if they gained satisfaction from their jobs. Jobs should be designed to be interesting and challenging to gain the commitment of workers - a central theme of human resource management.

Classic theories in this area are:

- Theory X and Theory Y of McGregor
- Motivation theories of Maslow and Herzberg

### 2.3.1 McGregor's Theory X and Y

In his famous book 'The Human Side of Enterprise' McGregor proposed two theories to view employees motivation at work. He avoided giving descriptive labels and simply called them as Theory X and Y. As per him, managing must start with the basic question of how managers see themselves in relation to others. Theory X and theory Y are two sets of assumptions about the nature of people.

**Theory X :** Theory X assumes that the average person:

- Dislikes the work and attempt to avoid it
- Prefer to be directed and follow than lead
- Wish to avoid responsibility

- Self centered and don't care organizational goals
- Resists change
- Have relatively little ambition
- Essentially work for money and security

Management under theory X has a range of hard and soft approaches. The hard approach depends on force, control, direct, and threats with punishment to achieve organizational objectives. The soft approach is to be permissive and seek harmony with the hope that in return employees cooperate to achieve organizational objectives. However, neither of these approaches is optimal. The hard approach results in hostility, purposively low out- put and hard line group demands. The soft approach results in ever increasing demands for more rewards in return to work. The optimal approach under theory X is somewhere in between these extremes.

**Theory Y** : Theory Y assumes that:

- The expenditure of physical effort and mental effort in work is as natural as play or rest.
- External control and the threat of punishment are not the only means for producing effort toward organizational objectives.
- People will exercise self-direction and self-control in the services of objectives to which they are committed.
- The degree of commitment to objectives is in proportion to the size of the rewards associated with their achievement.
- Average human beings learn under proper conditions not only to accept responsibility but also to seek it.
- The capacity to exercise a relatively high degree of imagination, ingenuity, and creativity in the solution of organizational problems is widely, not narrowly, distributed in the population.
- Under the conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilized.

In contrast to theory X, theory Y is optimistic, dynamic and flexible with an emphasis on self-direction and the integration of individual needs with organizational demands. There is little doubt that each set of assumptions will affect the way managers carry out their managerial functions and activities.

### 2.3.2 Hierarchy of Needs Theory

One of the most widely mentioned theories of motivation is the hierarchy of needs theory put forth by psychologist Abraham Maslow. Maslow saw human needs in the form of a hierarchy, ascending from the lowest to the highest and he concluded that when one set of needs is satisfied, this kind of need ceases to be a motivator.

The basic human needs placed by Maslow in an ascending order of importance are ( Fig 2.1):

- i) *Physiological needs*: They are the basic needs for sustaining human life such as food, water, warmth, shelter and sleep. Until these needs are satisfied other needs will not motivate people.
- ii) *Security or safety needs*: They are the needs to be free of physical danger and of the fear of losing a job, property, food or shelter.
- iii) *Affiliation or acceptance needs*: Since people are social beings, they need to belong to be accepted by others.
- iv) *Esteem needs*: Once people begin to satisfy their need to belong, they tend to want to be held in esteem both by themselves and by others like satisfaction with power, prestige, status, and self-confidence.
- v) *Need for self-actualization*: This is the highest need in hierarchy which is the desire to become what one is capable of becoming to maximize one's potential and to accomplish something

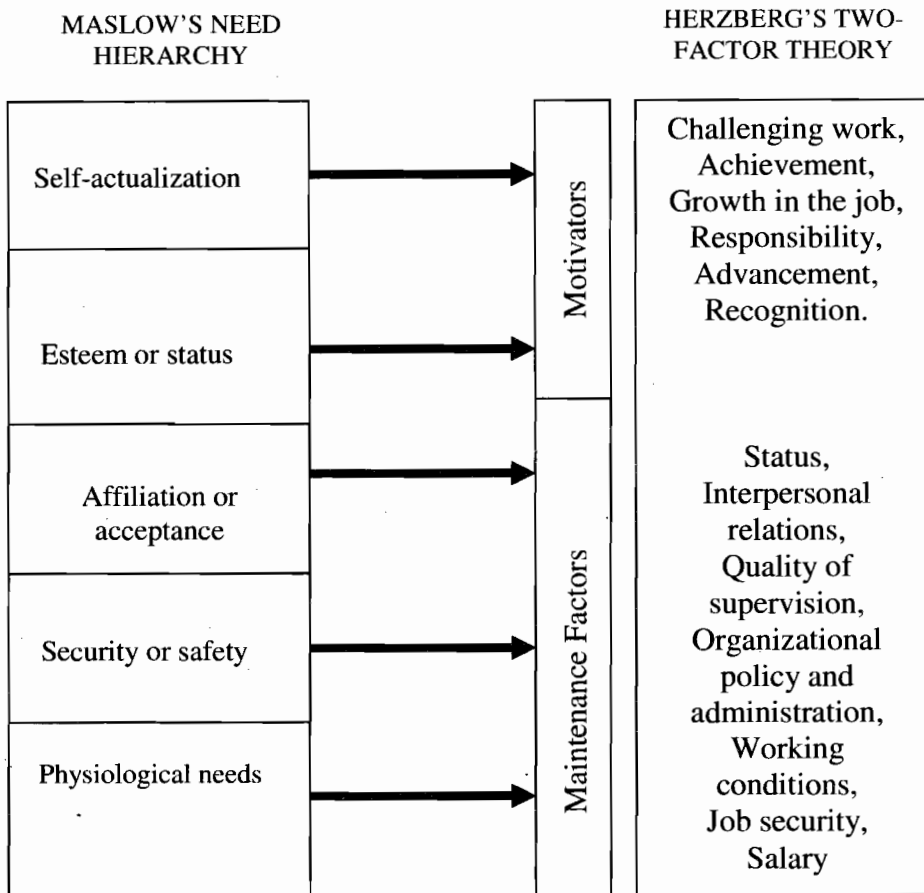


**Fig. 2.1: Maslow's Hierarchy of Needs**

### **2.3.3 Two Factor Theory**

Maslow's need approach has been considerably modified by Herzberg and his associates. Their research purports to find a two factor theory of motivation. In one group of needs are such things as organizational policy and administration, supervision, working conditions, interpersonal relations, salary, status, job security and personal life. These were found by Herzberg and his associates to be only dissatisfiers and not motivators. In other words, if they exist in a work environment in high quantity and quality, they yield no dissatisfaction. Their existence does not motivate in the sense of yielding satisfaction; their lack of existence would, however, result in dissatisfaction. Herzberg called them maintenance, hygiene or job context factors. In the second group, Herzberg listed certain satisfiers which include achievement, recognition, challenging work, advancement and growth in the job. Their existence will yield feelings of satisfaction or no

satisfaction (not dissatisfaction). The satisfiers and dissatisfiers identified by Herzberg are similar to the factors suggested by Maslow (Fig 2.2)



**Fig. 2.2: Comparison of Maslow's and Herzberg's theories**

### 2.3.4 McClelland's Needs Theory

David C. McClelland has contributed to the understanding of motivation by identifying three types of basic motivating needs:

- Need for power (n/PWR)
- Need for affiliation (n/AFF) and
- Need for achievement (n/ACH).

All three drives power, affiliation and achievement are of particular relevance to management, since all must be recognized to make an organized enterprise work well.

*Need for Power:* People with a high need for power have a great concern for exercising influence and control. Such individuals generally are seeking positions of leadership, good conversationalists, outspoken, hardheaded, and demanding and they enjoy teaching and public speaking.

*Need for Affiliation:* People with a high need for affiliation usually derive pleasure from being loved and tend to avoid the pain of being rejected by a social group. As individuals, they are likely to be concerned with maintaining pleasant social relationships, to enjoy a sense of intimacy and understanding, to be ready to console and help others in trouble and to enjoy friendly interaction with others.

*Need for Achievement:* People with a high need for achievement have an intense desire for success and an equally intense fear of failure. They take a realistic

approach for risk, they are not likely to be gamblers but, rather, prefer to analyze and assess problems, assume personal responsibility for getting a job done, and, like specific and prompt feedback on how they are doing.

### Check Your Progress 2

**Note:** a) Use the spaces given below for your answers.

b) Check your answers with those given at the end of the unit.

1) Write two important differences between Theory X and Theory Y?

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2) Name the three types of basic motivating needs as per McClelland's theory

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## 2.4 SYSTEMS AND CONTINGENCY APPROACHES

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These approaches advocates that, human behavior is not a simple matter but must be looked upon as a system of variables and interactions of which certain motivating factors are an important element. Motivation must be considered from a system and contingency point of view given the complexity of motivating people with individual personalities and in different situations.

### 2.4.1 Systems Approach to Operational Management

An organized enterprise is depended on its external environment and is a part of larger systems such as the industry to which it belongs, the economic system, and society. Thus, the enterprise receives inputs, transforms them, and exports the outputs to the environment. A model of operational management that indicates how the various inputs are transformed through the managerial functions of planning, organizing, staffing, leading, and controlling are shown in Fig 2.3.

*Communication System:* Communication is essential to all phases of the managerial process for two reasons.

- i) To integrates the managerial functions. For example, the objectives set in planning are communicated so that the appropriate organization structure can be devised.
- ii) To link the enterprise with its external environment. For example, through communication the needs of customers are identified.

*External Variables:* Effective manages will regularly scan the external environment. While it is true that managers may have little or no power to change the external environment, they have no alternative but to respond to it.



**Outputs :** It is the task of managers to secure and utilize inputs to the enterprise, to transform them through the managerial functions with due consideration for external variables into outputs.

**Reenergizing the System:** Finally, it is important to notice that in the systems model of operational management, some of the outputs become inputs again. Thus, the satisfaction and new knowledge or skills of employees become important human inputs. Similarly, profits, the surplus of income over costs, are reinvested in cash and capital goods, such as machinery, equipment, buildings, and inventory

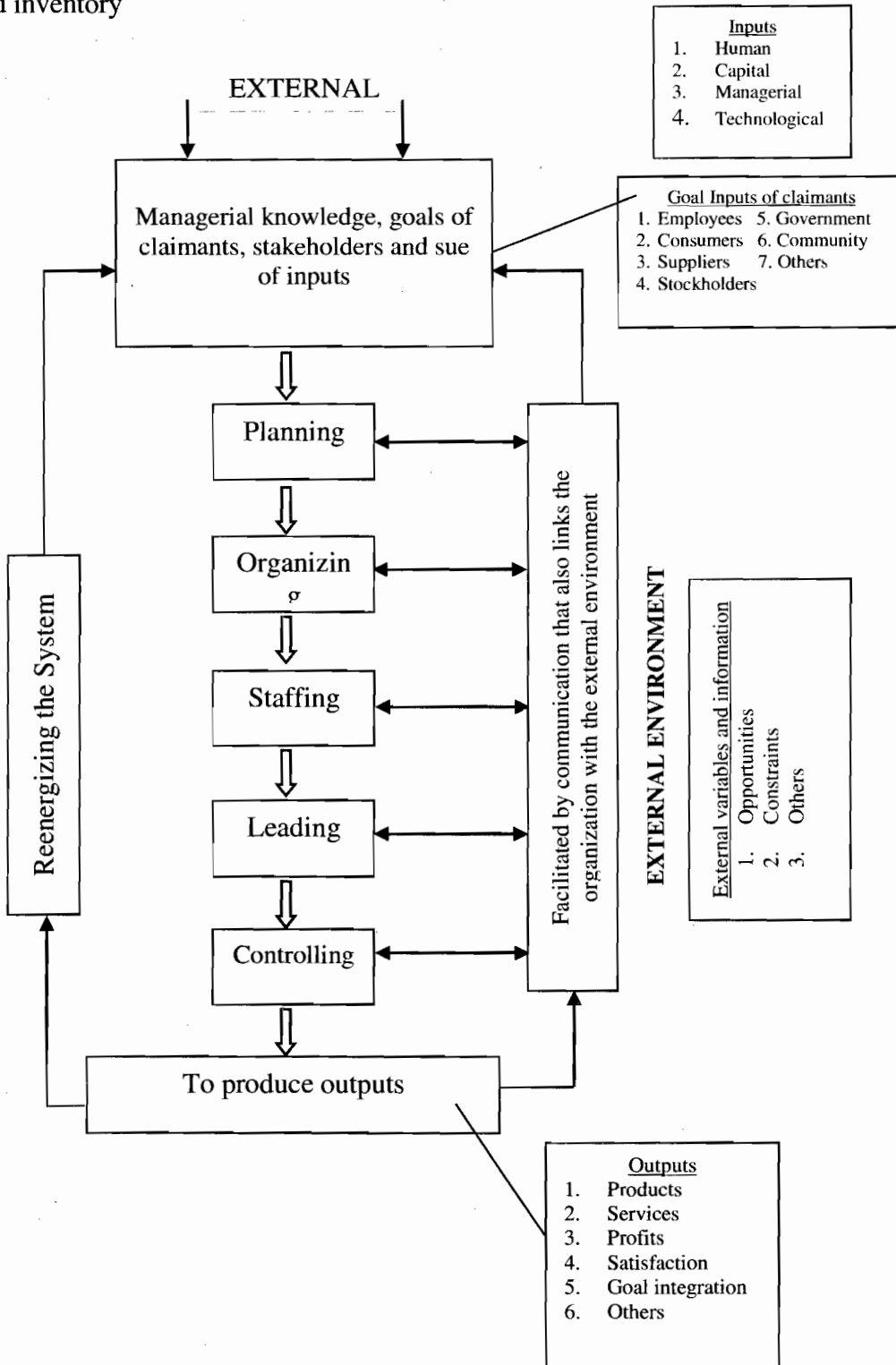


Fig. 2.3: Systems Approach to Management

## 2.4.2 Sociological Approach to Management

Before, during and after the development of scientific management by Taylor and administrative management by Foyal, a considerable amount of thinking and research was being devoted to observing people as products of group behavior. This is called the sociological approach to management. The outstanding scholars of social systems approach to management were - Max Weber, Emile Durkheim, Vilfredo Pareto and Chester Barnard.

**Max Weber:** A German intellectual Max Weber, whose empirical analyses of church, government, the military and business led him to the belief that hierarchy, authority and bureaucracy (including clear rules, definition of tasks and discipline) lay the foundation of all social organizations. He propounded the theory of bureaucracy.

**Emile Durkheim:** A French scholar Emile Durkheim, who emphasized the idea that groups, by establishing their values and norms, control human conduct in any social organization.

**Vilfredo Pareto:** A French-Italian, Vilfredo Pareto who earned the right to be called “the father of the social systems approach”. Pareto viewed society as intricate cluster of interdependent units, or elements- that is, as a social system with many sub-systems. Among his many ideas was the tendency of social systems to seek equilibrium upon being disturbed by outside or inside influence. Social attitudes or sentiments function to cause the system to seek equilibrium when disturbed by these forces. He saw also that it was the task of the elite in any society to provide the leadership to maintain the social system.

**Chester Barnard:** The ‘Functions of the Executive’ written by Chester Barnard is one of the most influential books published in the entire field of management. His analysis of the manager is truly a social systems approach, since in order to comprehend and analyze the functions of executives; Barnard looked for their major tasks in the system where they operate. In determining that the tasks of executives (by which he meant all kinds of managers) are to maintain a system of cooperative effort in a formal organization, Barnard addressed himself first to the reasons for, and the nature of cooperative systems. The book is a social systems approach, concentrating on major elements of the managerial job, containing extraordinary insights on decision making and leadership and bearing the authority of an intellectual with exceptional executive experience.

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## 2.5 MODERN MANAGEMENT APPROACHES

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Several authors have contributed many approaches to management in the recent years. Among them Management By Objectives is discussed below for your understanding.

### 2.5.1 Management By Objectives (MBO)

The term MBO was coined by Peter Druker in 1950s. MBO is a way of managing which focuses on tasks and activities. MBO emphasis participative management which motivate all employees. It focuses sharply on the objectives, which a manager is expected to achieve within a specified period.

Harold Koontz defines MBO as “a comprehensive managerial system that integrates many key managerial activities in a systematic manner consciously directed towards the effective and efficient achievement of organizational and individual objectives.”

MBO is a result oriented process of management for utilization of resources. MBO is based on the assumption that people perform better when they know what is expected of them and can relate their personal goals to organizational objectives.

**Process of MBO:** The process of MBO consists of the following steps.

- i) *Collectively formulating goals:* The superior and subordinate jointly decide and formulate goals, which the subordinates need to achieve. The goals are set in the Key Result Area (KRAs), such as in the area of production, marketing etc. For instance, the goals for the marketing manager can be ‘to increase market share of brand A from present 10% to 15% during a particular period.’
- ii) *Collectively formulating action plans:* After setting goals, the subordinate manager along with his superior formulates action plan(s) and alternative plans to achieve the goals.
- iii) *Evaluating the alternatives:* The superior and subordinate manager have to evaluate the alternative plans by cost-benefit analysis.
- iv) *Selection of best plans:* After the cost-benefit analysis of the alternative plans, the superior and subordinate would select the best plan that gives maximum benefits at minimum costs.
- v) *Implementation of plans:* The subordinate implements the plan by making optimum use of the resources. If required, he may take the assistance or guidance in the implementation of the plan.
- vi) *Collectively monitoring performance:* In the final stage, the subordinate reviews his performance by comparing against the planned targets. At the performance review, the superior acts as a coach or a guide rather than as a judge to take stock of the result. If deviation occurs, the superior and subordinate once again frame objectives.

### **Advantages of MBO**

- i) Better utilization of resources
- ii) Aid in planning
- iii) Development of personnel
- iv) Better team work
- v) Concentration on key result areas
- vi) Objective evaluation
- vii) Sound organizational structure.

### **Disadvantages / Limitations of MBO**

- i) Time consuming
- ii) Paper work

- iii) Problem in goal setting
- iv) Rewards may not match with the efforts
- v) Dominance by superiors
- vi) Clash in objectives

**Check Your Progress 3**

**Note:** a) Use the spaces given below for your answers.

b) Check your answers with those given at the end of the unit.

- 1) What do you mean by systems approach to operational management?

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- 2) Name the outstanding scholars of social systems approach to management.

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- 3) Write the steps in the MBO process.

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**2.6 LET US SUM UP**

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In this unit we started by discussing why different theories / approaches on management have been proposed and understood that they explained productivity increase in organizations in different ways with different perspectives. Also we discussed that different theories were driven partly by transition from industrial-electronic- information revolutions and partly by parallel progress in the fields of psychology and social sciences. Later we discussed the important scientific, administrative human relations, systems and contingency approaches to management. At the end we briefly discussed the management by objective.

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## 2.7 KEYWORDS

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- Frederick Taylor's Scientific Management Theory** : The major concern of this theory was to increase efficiency in production, not only to lower costs and raise profits but also to make possible increased pay for workers through their higher productivity in a scientific way.
- Henri Fayol's Administrative Management Theory** : It refers to universal science of management applicable to commerce, industry, politics, religion, war or philanthropy. It truly advocated the notion that if a manager wants to be successful, he only needs a certain set of management principles.
- McGregor's Theory X and Theory Y** : Theory X and theory Y are two sets of assumptions about the nature of people. McGregor chose these terms because of assumptions about the nature of people.
- Maslow's Need Hierarchy** : Basic human needs are placed by Maslow in an ascending order of importance.
- Physiological Needs** : They are the basic needs for sustaining human life such as food, water, warmth, shelter and sleep. Until these needs are satisfied other needs will not motivate people.
- Security Needs** : They are the needs to be free of physical danger and of the fear of losing a job, property, food or shelter.
- Affiliation Needs** : Since people are social beings, they need to belong to be accepted by others
- Esteem Needs** : Once people begin to satisfy their need to belong, they tend to want to be held in esteem both by themselves and by others like satisfaction with power, prestige, status, and self-confidence.
- Need for Self-actualization** : This is the highest need in hierarchy which is the desire to become what one is capable of becoming to maximize one's potential and to accomplish something.
- Herzberg's Motivation-Hygiene Approach** : It is a two factor theory of motivation. Herzberg mentioned it satisfiers and dissatisfiers.
- McClelland's Needs Theory** : McClelland has contributed to the understanding of motivation by identifying three types of basic motivating needs: need, power and affiliation.
- Systems Approach to Management** : This approach emphasizes that an organized enterprise depends on its external environment such as the industry to which it

belongs, the economic system, and society etc. Thus, the enterprise receives inputs, transforms them, and exports the outputs to the environment.

- Social System Approach** : It refers to observing people as products of group behavior. This is sometimes called the “social man” approach to management.
- Management By Objective (MBO)** : MBO is a comprehensive managerial system that integrates many key managerial activities in a systematic manner consciously directed towards the effective and efficient achievement of organizational and individual objectives.

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## 2.8 REFERENCES AND SELECTED READINGS

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## 2.9 CHECK YOUR PROGRESS – POSSIBLE ANSWERS

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### Check Your Progress 1

- 1) The three pioneers in scientific management are : Frederick Taylor, Henry L. Gantt, Frank and Lillian Gilbreth .
- 2) The principles of Taylor includes : Replacing rules of thumb with science (organized knowledge); Obtaining harmony in group action, rather than discord; Achieving cooperation of human beings, rather than chaotic individualism; Working for maximum output, rather than restricted output and ; Developing all workers to the fullest extent possible for their own and their company's highest prosperity.

- 3) Fayol emphasized the role of administrative management into six main groups : Technical (production, manufacturing); Commercial (buying, selling, exchange); Financial (obtaining and using capital); Security (protection of property and persons); Accounting (balance sheet, stocktaking, statistics, costing) and; Managerial (planning, organizing, commanding, coordinating, controlling).

### **Check Your Progress 2**

- 1) Management under theory X has a range of hard and soft approaches. The hard approach depends on force, control, direct, and threats with punishment to achieve organizational objectives. The soft approach is to be permissive and seek harmony with the hope that in return employees cooperate to achieve organizational objectives. In contrast to theory X, theory Y is optimistic, dynamic and flexible with an emphasis on self-direction and the integration of individual needs with organizational demands.
- 2) Need for power, affiliation and achievement are the three types of basic motivating needs as per McClelland's theory.

### **Check Your Progress 3**

- 1) Systems approach to operational management emphasizes that an organized enterprise depends on its external environment such as the industry to which it belongs, the economic system, and society etc. Thus, the enterprise receives inputs, transforms them, and exports the outputs to the environment.
- 2) The outstanding scholars of social systems approach to management includes: Max Weber; Emile Durkheim; Vilfredo Pareto and Chester Barnard.
- 3) The steps in the MBO process includes: Collectively formulating goals and action plans; Collectively formulating goals; Evaluating the alternatives; Selection of best plans; Implementation of plans and; Collectively monitoring performance.