

MODERN THEORY (SYSTEM APPROACH)

The systems approach to management indicates the fourth major theory of management thought called modern theory. Modern theory considers an organization as an adaptive system which has to adjust to changes in its environment. An organization is now defined as a structured process in which individuals interact for attaining objectives.

Meaning of “System”

The word system is derived from the Greek word meaning to bring together or to combine. A system is a set of interconnected and inter-related elements or component parts to achieve certain goals. A system has three significant parts:

1. Every system is goal-oriented and it must have a purpose or objective to be attained.
2. In designing the system we must establish the necessary arrangement of components.
3. Inputs of information, material and energy are allocated for processing as per plan so that the outputs can achieve the objective of the system.

Systems Approach Applied to an Organization:

When systems approach is applied to organization, we have the following features of an organization as an open adaptive system:-

1. It is a sub-system of its broader environment.
2. It is a goal-oriented – people with a purpose.
3. It is a technical subsystem – using knowledge, techniques, equipment and facilities.
4. It is a structural subsystem – people working together on interrelated activities.
5. It is a psychosocial system – people in social relationships.
6. It is co-ordinate by a managerial sub system, creating, planning, organizing, motivating, communicating and controlling the overall efforts directed towards set goals.

Characteristics of Modern Management Thought:

1. The Systems Approach:

An organization as a system has five basic parts -

- Input
- Process

- Output
- Feedback and
- Environment.

It draws upon the environment for inputs to produce certain desirable outputs. The success of these outputs can be judged by means of feedback. If necessary, we have to modify our mix of inputs to produce as per changing demands.

2. Dynamic:

We have a dynamic process of interaction occurring within the structure of an organization. The equilibrium of an organization and its structure is itself dynamic or changing.

3. Multilevel and Multidimensional:

Systems approach points out complex multilevel and multi dimensional character. We have both a micro and macro approach. A company is micro within a business system. It is macro with respect to its own internal units. Within a company as a system we have:-

- Production subsystem
- Finance subsystem
- Marketing subsystem
- Personnel subsystem.

All parts or components are interrelated. Both parts as well as the whole are equally important. At all levels, organizations interact in many ways.

4. Multi-motivated:

Classical theory assumed a single objective, for instance, profit. Systems approach recognizes that there may be several motivations behind our actions and behaviour. Management has to compromise these multiple objectives, eg: - economic objectives and social objectives.

5. Multidisciplinary:

Systems approach integrates and uses with profit ideas emerging from different schools of thought. Management freely draws concepts and techniques from many fields of study such as psychology, social psychology, sociology, ecology, economics, mathematics, etc.

6. Multivariable:

It is assumed that there is no simple cause-effect phenomenon. An event may be the result of so many factors which themselves are interrelated and interdependent. Some factors are controllable, some uncontrollable. Intelligent planning and control are necessary to face these variable factors.

7. Adaptive:

The survival and growth of an organization in a dynamic environment demands an adaptive system which can continuously adjust to changing conditions. An organization is an open system adapting itself through the process of feedback.

8. Probabilistic:

Management principles point out only probability and never the certainty of performance and the consequent results. We have to face so many variables simultaneously. Our forecasts are mere tendencies. Therefore, intelligent forecasting and planning can reduce the degree of uncertainty to a considerable extent.

Contingency Theory:

Systems approach emphasizes that all sub- systems of an organization along with the super system of environment are interconnected and interrelated. Contingency approach analysis and understands these inter relationship so that managerial actions can be adjusted to demands of specific situations or circumstances.

Thus the contingency approach enables us to evolve practical answers to problems demanding solutions. Organization design and managerial actions most appropriate to specific situations will have to be adopted to achieve the best possible result under the given situation. There is no one best way (as advocated by Taylor) to organize and manage. Thus, Contingency Approach to management emphasizes the fact that management is a highly practice-oriented discipline. It is the basic function of managers to analyse and understand the environments in which they function before adopting their techniques, processes and practices. The application of management principles and practices should therefore be contingent upon the existing circumstances.

Contingency approach guides the manager to be adaptive to environment. It tells the manager to be pragmatic and open minded. The contingency approach is an improvement over the systems approach. It not only examines the relationships between sub-systems of the organization, but also the relationship between the organization and its environment.

However, the contingency approach suffers from two limitations:-

1. It does not recognize the influence of management concepts and techniques on environment.
2. Literature on contingency management is yet not adequate.

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