

System Approach to Management

In the 1960s, a new approach to management appeared which attempted to unify the earlier schools of thought. This approach is commonly referred to as 'Systems Approach'. Basically, it took up where the functional process management school let off to try to unify management theory. "A system viewpoint may provide the impetus to unify management theory. By definition, it could treat the various approaches, such as the process, quantitative and behavioural ones, as subsystems in an overall theory of management. Thus, the systems approach may succeed where the process approach has failed to lead management out of the theory jungle".

The systems approach is based on the generalization that an organisation is a system and its components are inter-related and inter-dependent. "A system is composed of related and dependent elements which, when in interactions, form a unitary whole. It is simply an assemblage or combination of things or parts, forming a complex whole. Its important feature is that it is composed of hierarchy of sub-systems. The world as a whole can be considered to be a systems in which various national economies are sub-system. In turn, each national economy is composed of its various industries, each industry is composed of firms, and of course, a firm can be considered a system composed of sub-systems such as production, marketing, finance, accounting and so on". Thus, each system may comprise several sub-systems and in turn, each sub-system be further composed of sub-systems.

An organisation as a system has the following characteristics:

1. A system is goal-oriented.
2. A system consists of several sub-systems which are interdependent and inter-related.
3. A system is engaged in processing or transformation of inputs into outputs.
4. An organisation is an open and dynamic system. It has continuous interface with the external environment as it gets inputs from the environment and also supplies its output to the environment. It is sensitive to its environment such as government policies, competition in the market, technological advancement, tastes of people, etc.
5. A system has a boundary which separates it from other systems.

Open System Concept

A system may be closed or open. A closed system is self-dependent and does not have any interaction with the external environment. Physical and mechanical systems are closed systems.

Features of Systems Approach:

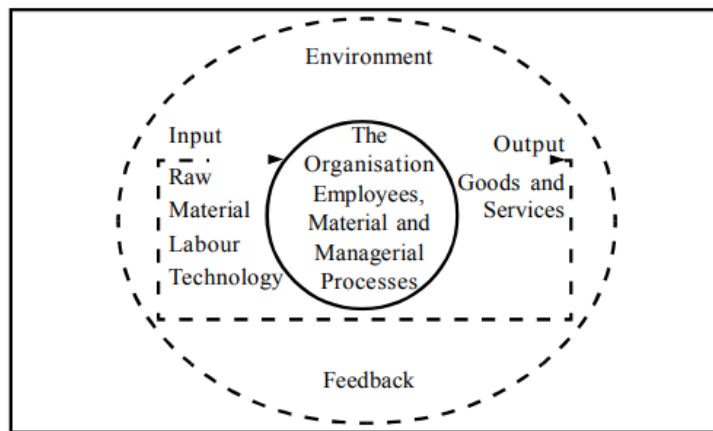
The systems approach is far more superior to classical and neo-classical approach because of the following features:

1. **Interdependent Sub-systems:** An organisation is a system consisting of several sub-systems.

For example, in a business enterprise, production, sales and other departments and subsystems. All these sub-systems are functionally interacting and interdependent. They are

used together into an organic whole through goals, authority flows, resources flows and so on.

Figure 2.1: Open System View of Organisation



2. Whole Organisation: The system approach provides a unified focus to organisational efforts. It gives managers a way of looking at the organisation as a whole that is greater than the sum of its parts. The stress is laid on integration of various sub-systems of the organisation to ensure overall effectiveness of the system.

3. Synergy: The output of a system is always more than the combined output of its parts. This is called the law of synergy. The parts of system become more productive when they interact with each other than when they act in isolation.

4. Multi-disciplinary: Modern theory of management is enriched by contributions from various disciplines like psychology, sociology, economics, anthropology, mathematics, operations research and so on.

Appraisal of Systems Approach

The system approach is an attempt to design an overall theory of management.

Interdependency and inter-relationships between various sub-systems of the organisation is adequately emphasized. A pressure for change in one sub-system generally has a direct or indirect influence on the other sub-systems also. Thus, the systems approach acknowledges environmental influences which were ignored by the classical theory.

The systems approach represents a balanced thinking on organisation and management. It stresses that managers should avoid analyzing problems in isolation and rather develop the ability for integrated thinking. It recognizes the interaction and interdependence among the different variables of the environment. It provides clues to the complex behaviour of an organisation. It warns against narrow fragmented and piecemeal approach to problems by stressing inter-relationships. The systems approach is criticized as being too abstract and vague. It cannot easily be applied to practical problems. It does not offer specific tools and techniques for the practising manager. Moreover, this approach does not recognize differences in systems. It fails to specify the nature of interactions and interdependencies between an organisation and its external environment.

Reference:

Dalton McFarland, Management: Foundations and Practices, Macmillan, New York, 1979.

J. Stoner, Management, Prentice-Hall of India, New Delhi, 1990.
Parag Diwan, Management Principles and Practices, Excel Books
Peter Drucker, The Practice of Management, New York, Harper, 1954
W.J. Duncan, Essentials of Management, Illinois, The Dryden Press, 1975.