

Finance & Management- RBI Grade B

Development of Management Thoughts

Chapter 1

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DEFINITION OF MANAGEMENT

- According to Henry Fayol, "To manage is to forecast and to plan, to organise, to command, to coordinate and to control".
- According to Peter Drucker, "Management is a multi-purpose organ that manages business and manages managers and manages workers and work".
- According to Harold Koontz, "Management is the art of getting things done through and with people in formally organized groups".
- According to Mary Parker Follett, "Management is the art of getting things done through people".

CHARACTERISTICS OF MANAGEMENT

❖ **Management is a managerial process**

Management is a process and not merely a body of individuals. Those who perform this process are called managers. The managers exercise leadership by assuming authority and direct others to act within the organisation.

❖ **Management is a social process**

Management takes place through people. The importance of human factor in management cannot be ignored. A manager's job is to get the things done with the support and cooperation of subordinates.

❖ **Management is action-based:**

Management is always for achieving certain objectives in terms of sales, profit, etc. It is a result-oriented concept and not merely an abstract philosophy. It gives importance to concrete performance through suitable actions. It is an action based activity.

❖ **Management involves achieving results through the efforts of others:**

Management is the art of getting the things done through others. Managers are expected to guide and motivate subordinates and get the expected performance from them. Management acts as an activating factor.

❖ **Management is a group activity**

Management is not an isolated individual activity but it is a collective activity or an activity of a group. It aims at using group efforts for achieving objectives. Managers manage the groups and coordinate the activities of groups functioning in an organisation.

❖ **Management is intangible**

Management is not directly visible but its presence is noticed in the form of concrete results. Management is intangible. It is like invisible spirit, which guides and motivates people working in a business unit. Management is like government, which functions but is not visible in physical form.

❖ **Management is all pervasive**

Management is comprehensive and covers all departments, activities and employees. Managers operate at different levels but their functions are identical. This indicates that management is a universal and all pervasive process.

❖ **Management is an art, science as well as a profession**

Management is an art because certain skills, essential for good management, are unique to individuals. Management is a science because it has an organised body of knowledge. Management is also a profession because it is based on advanced and cultivated knowledge.

❖ **Management aims at coordination of activities**

Coordination is the essence of management. It gives one clear direction to the whole organisation and brings unity and harmony in the whole business unit. For such coordination, effective communication at all levels is essential.

❖ **Management is innovative**

Management techniques are dynamic and innovative. They need to be adjusted as per the requirements of the situations. Another manager need not repeat the decisions of one manager. Similarly, a manager has to change his decisions under different situations.

❖ **Management is different from ownership**

Management is concerned with the management of business activities. Managers are not the owners but they manage the business on behalf of the owners. Separation of ownership and management is a special feature of modern business organisation.

❖ **Management is dynamic**

Business is influenced by changes in economic, social, political technological and human resource. Management adjusts itself to the changing atmosphere making suitable forecasts and changes in the policies. Hence, management is treated as a dynamic activity.

❖ **Management aims at achieving predetermined objectives**

Management is a meaningful activity. All organisations are essentially groups of individuals formed for achieving common objectives. An Organisation exists for the attainment of specific objectives.

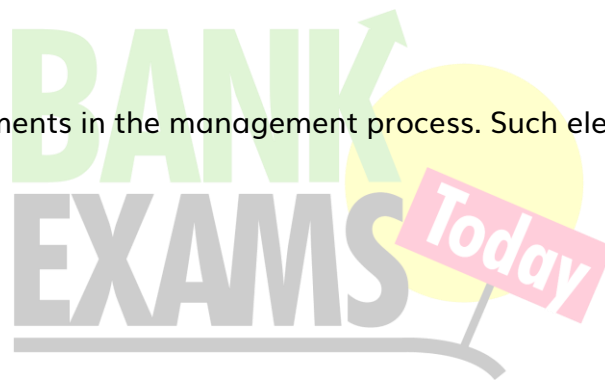
FUNCTIONS OF MANAGEMENT

The essential elements/components of Management Process are four.

1. Planning
2. Organising
3. Directing and
4. Controlling.

We may add some more elements in the management process. Such elements are:-

1. Motivating
2. Co-coordinating
3. Staffing and
4. Communicating.



The elements in the management process are actually the basic functions of management these functions constitute the management process in practice. Management process is in fact, management in practice. This process suggests what a manager is supposed to, do or the basic functions that he has to perform while managing the job assigned to him.

PLANNING

Planning is the primary function of management. It involves determination of a course of action to achieve desired results/objectives. Planning is the starting point of management process and all other functions of management are related to and dependent on planning function. Planning is the key to success, stability and prosperity in business. It acts as a tool for solving the problems of a business unit. Planning plays a pivotal role in business management It helps to visualize the future problems and keeps management ready with possible solutions.

ORGANISING

Organising is next to planning. It means to bring the resources (men, materials, machines, etc.) together and use them properly for achieving the objectives. Organisation is a process as well as it is a structure. Organising means arranging ways and means for the execution of a business plan. It provides suitable administrative structure and facilitates execution of proposed plan. Organising involves different aspects such as departmentation, span of control delegation of authority, establishment of superior-subordinate relationship and provision of mechanism for co-ordination of various business activities.

STAFFING

Staffing refers to manpower required for the execution of a business plan. Staffing, as managerial function, involves recruitment, selection, appraisal, remuneration and development of managerial personnel. The need of staffing arises in the initial period and also from time to time for replacement and also along with the expansion and diversification of business activities. Every business unit needs efficient, stable and cooperative staff for the management of business activities. Manpower is the most important asset of a business unit. In many organisations, manpower planning and development activities are entrusted to personnel manager or HRD manager. 'Right man for the right job' is the basic principle in staffing.

DIRECTING (LEADING)

Directing as a managerial function, deals with guiding and instructing people to do the work in the right manner. Directing/leading is the responsibility of managers at all levels. They have to work as leaders of their subordinates. Clear plans and sound organisation set the stage but it requires a manager to direct and lead his men for achieving the objectives. Directing function is quite comprehensive. It involves Directing as well as raising the morale of subordinates. It also involves communicating, leading and motivating. Leadership is essential on the part of managers for achieving organisational objectives.

COORDINATING

Effective coordination and also integration of activities of different departments are essential for orderly working of an Organisation. This suggests the importance of coordinating as management function. A manager must coordinate the work for which he is accountable. Co-ordination is rightly treated as the essence of management. It may be treated as an independent function or as a part of organisations function. Coordination is essential at all levels of management. It gives one clear-cut direction to the activities of individuals and departments. It also avoids misdirection and wastages and brings unity of action in the Organisation. Co-ordination will not come automatically or on its own Special efforts are necessary on the part of managers for achieving such coordination.

CONTROLLING

Controlling is an important function of management. It is necessary in the case of individuals and departments so as to avoid wrong actions and activities. Controlling involves three broad aspects: (a) establishing standards of performance, (b) measuring work in progress and interpreting results achieved, and (c) taking corrective actions, if required. Business plans do not give positive results automatically. Managers have to exercise effective control in order to bring success to a business plan. Control is closely linked with other managerial functions. It is rightly treated as the soul of management process. It is true that without planning there will be nothing to control. It is equally true that without control planning will be only an academic exercise. Controlling is a continuous activity of a supervisory nature.

MOTIVATING

Motivating is one managerial function in which a manager motivates his men to give their best to the Organisation. It means to encourage people to take more interest and initiative in the work assigned. Organisations prosper when the employees are motivated through special efforts including provision of facilities and incentives. Motivation is actually inspiring and encouraging people to work more and contribute more to achieve organisational objectives. It is a psychological process of great significance.

COMMUNICATING

Communication (written or oral) is necessary for the exchange of facts, opinions, ideas and information between individuals and departments. In an organisation, communication is useful for giving information, guidance and instructions. Managers should be good communicators. They have to use major portion of their time on communication in order to direct, motivate and co-ordinate activities of their subordinates. People think and act collectively through communication. According to Louis Allen, "Communication involves a systematic and continuing process of telling, listening and understanding".

14 PRINCIPLES OF MANAGEMENT DESCRIBED BY HENRI FAYOL

1. DIVISION OF WORK -

The specialization of the workforce according to the skills a person, creating specific personal and professional development within the labour force and therefore increasing productivity; leads to specialization which increases the efficiency of labour. By separating a small part of work, the workers

speed and accuracy in its performance increases. This principle is applicable to both technical as well as managerial work.

2. AUTHORITY AND RESPONSIBILITY-

The issue of commands followed by responsibility for their consequences. Authority means the right of a superior to give order to his subordinates; responsibility means obligation for performance. This principle suggests that there must be parity between authority and responsibility. They are co-existent and go together, and are two sides of the same coin.

3. DISCIPLINE-

Discipline refers to obedience, proper conduct in relation to others, respect of authority, etc. It is essential for the smooth functioning of all organizations.

4. UNITY OF COMMAND -

This principle states that every subordinate should receive orders and be accountable to one and only one superior. If an employee receives orders from more than one superior, it is likely to create confusion and conflict. Unity of Command also makes it easier to fix responsibility for mistakes.

5. UNITY OF DIRECTION -

All those working in the same line of activity must understand and pursue the same objectives. All related activities should be put under one group, there should be one plan of action for them, and they should be under the control of one manager. It seeks to ensure unity of action, focusing of efforts and coordination of strength.

6. SUBORDINATION OF INDIVIDUAL INTEREST

The management must put aside personal considerations and put company objectives first. Therefore the interests of goals of the organization must prevail over the personal interests of individuals.

7. REMUNERATION -

Workers must be paid sufficiently as this is a chief motivation of employees and therefore greatly influences productivity. The quantum and methods of remuneration payable should be fair, reasonable and rewarding of effort.

8. THE DEGREE OF CENTRALIZATION -

The amount of power wielded with the central management depends on company size. Centralization implies the concentration of decision making authority at the top management. Sharing of authority with lower levels is called decentralization. The organization should strive to achieve a proper balance.

9. SCALAR CHAIN -

Scalar Chain refers to the chain of superiors ranging from top management to the lowest rank. The principle suggests that there should be a clear line of authority from top to bottom linking all managers at all levels. It is considered a chain of command. It involves a concept called a "gang plank" using which a subordinate may contact a superior or his superior in case of an emergency, defying the hierarchy of control. However the immediate superiors must be informed about the matter

10. ORDER -

Social order ensures the fluid operation of a company through authoritative procedure. Material order ensures safety and efficiency in the workplace.

11. EQUITY -

Employees must be treated kindly, and justice must be enacted to ensure a just workplace. Managers should be fair and impartial when dealing with employees.

12. STABILITY OF TENURE OF PERSONNEL -

The period of service should not be too short and employees should not be moved from positions frequently. An employee cannot render useful service if he is removed before he becomes accustomed to the work assigned to him.

13. INITIATIVE -

Using the initiative of employees can add strength and new ideas to an organization. Initiative on the part of employees is a source of strength for the organization because it provides new and better ideas. Employees are likely to take greater interest in the functioning of the organization.

14. ESPRIT DE CORPS -

This refers to the need of managers to ensure and develop morale in the workplace; individually and communally. Team spirit helps develop an atmosphere of mutual trust and understanding.

These can be used to initiate and aid the processes of change, organization, decision making, skill management and the overall view of the management function.

DIFFERENTIATE BETWEEN UNITY OF COMMAND & UNITY OF DIRECTION

Basis	Unity of command	Unity of direction
Meaning	It implies that a sub-ordinate should receive orders & instructions from only one boss.	It means one head, one plan for a group of activities having similar objectives.
Nature	It is related to the functioning of personnel's.	It is related to the functioning of departments, or organization as a whole.
Necessity	It is necessary for fixing responsibility of each subordinate.	It is necessary for sound organization.
Advantage	It avoids conflicts, confusion & chaos.	It avoids duplication of efforts and wastage of resources.

SCIENTIFIC MANAGEMENT.

- Fredrick Winslow Taylor commonly known as “Father of Scientific Management” started his career as an operator and rose to the position of chief engineer. He conducted various experiments during this process which forms the basis of scientific management. It implies application of scientific principles for studying & identifying management problems.

- According to Taylor, —Scientific Management is an art of knowing exactly what you want your men to do and seeing that they do it in the best and cheapest way. In Taylor's view, if a work is analysed scientifically it will be possible to find one best way to do it.
- Hence scientific management is a thoughtful, organized, dual approach towards the job of management against hit or miss or Rule of Thumb.
- According to Drucker, —The cost of scientific management is the organized study of work, the analysis of work into simplest element & systematic management of worker's performance of each element.

PRINCIPLES OF SCIENTIFIC MANAGEMENT

1. Development of Science for each part of men's job (replacement of rule of thumb)

- a. This principle suggests that work assigned to any employee should be observed, analyzed with respect to each and every element and part and time involved in it
- b. This means replacement of odd rule of thumb by the use of method of enquiry, investigation, data collection, analysis and framing of rules.
- c. Under scientific management, decisions are made on the basis of facts and by the application of scientific decisions.

2. Scientific Selection, Training & Development of Workers

- a. There should be scientifically designed procedure for the selection of workers.
- b. Physical, mental & other requirement should be specified for each and every job.
- c. Workers should be selected & trained to make them fit for the job.
- d. The management has to provide opportunities for development of workers having better capabilities.
- e. According to Taylor efforts should be made to develop each employee to his greatest level and efficiency & prosperity.

3. Co-operation between Management & workers or Harmony not discord

- a. Taylor believed in co-operation and not individualism.
- b. It is only through co-operation that the goals of the enterprise can be achieved efficiently.
- c. There should be no conflict between managers & workers.
- d. Taylor believed that interest of employer & employees should be fully harmonized so as to secure mutually understanding relations between them.

4. Division of Responsibility

- a. This principle determines the concrete nature of roles to be played by different level of managers & workers.
- b. The management should assume the responsibility of planning the work whereas workers should be concerned with execution of task.
- c. Thus planning is to be separated from execution.

5. Mental Revolution

- a. The workers and managers should have a complete change of outlook towards their mutual relation and work effort.
- b. It requires that management should create suitable working condition and solve all problems scientifically.
- c. Similarly workers should attend their jobs with utmost attention, devotion and carefulness. They should not waste the resources of enterprise.
- d. Handsome remuneration should be provided to workers to boost up their moral.
- e. It will create a sense of belongingness among worker.
- f. They will be disciplined, loyal and sincere in fulfilling the task assigned to them.
- g. There will be more production and economical growth at a faster rate.

6. Maximum Prosperity for Employer & Employees

- a. The aim of scientific management is to see maximum prosperity for employer and employees.
- b. It is important only when there is opportunity for each worker to attain his highest efficiency.
- c. Maximum output & optimum utilization of resources will bring higher profits for the employer & better wages for the workers.
- d. There should be maximum output in place of restricted output.
- e. Both managers & workers should be paid handsomely.

TECHNIQUES/TOOLS OF SCIENTIFIC MANAGEMENT THEORY :-

1. Performance Standards

F.W. Taylor found out that there were no scientific performance standards. No one knew exactly how much work a worker should do in one hour or in one day. The work was fixed assuming rule of thumb or the amount of work done by an average worker. Taylor introduced Time and Motion Studies to fix performance standards. He fixed performance standards for time, cost, and quality of work, which lead to uniformity of work. As a result, the efficiency of the workers could be compared with each other.

2. Differential Piece Rate System

Taylor observed that workers did as little work as possible. He felt that under existing wage system, an efficient worker gained nothing extra. So, Taylor used the differential piece (unit) rate system. Under differential piece rate system, a standard output was first fixed. Then two wage rates were fixed as follows :-

- Low wage rate was fixed for those workers who did not produce the standard output.
- Higher wage rate was fixed for those workers who produced the standard output or who produced more than the standard output.

Differential piece-rate system can be explained with following example :-

The standard output for a day is 10 units. The wage rate for producing less than 10 units is \$ 5 per unit, and for producing 10 or more units is \$ 8 per unit. If Mr. X produces 7 units, and Mr. Y produces 12 units, then their wages will be as follows :-

Mr. X's wage is $7 \times 5 = \$ 35$

Mr. Y's wage is $12 \times 8 = \$ 96$

Because of this system, the inefficient workers will try to improve their efficiency, and the efficient workers will be motivated to maintain or improve their production capacity.

3. Functional Foremanship

Taylor started "Functional Foremanship". Here, 8 foremen (lower level manager or supervisor) are required to supervise the workers. This is because one foreman cannot be an expert in all the functions.

Taylor's functional foremanship consists of two groups of supervisors :-

At the Planning Level or Office Level.

At the Doing Level or Factory Level.

(a) At the Planning Level :-

Taylor separated planning from doing. At the planning level there were four supervisors. They are :-

Time and Cost Clerk : This boss prepares the standard time for completing the work and cost of doing that work.

Route Clerk : This boss makes the exact route (way) through which each product has to travel from a raw-material to a finished product.

Discipline Clerk : This boss looks after the discipline and absenteeism problems in the organisation.

Instruction Card Clerk : The boss gives instructions about how to do a particular work.

(b) At the Doing Level :-

At the doing level there were also four supervisors. They are :-

Gang Boss : He is responsible for setting up the machines and tools and for direct supervision of workers.

Speed Boss : He is responsible for maintaining a proper speed of work.

Repair Boss : He is responsible for the repairs and maintenance of machines.

Inspector Boss : He is responsible for maintaining the quality of production.

4. Mental Revolution

Taylor introduced the concept of "Mental Revolution". He said that the management and workers should have a positive attitude towards each other. This will result in close cooperation between them. This will increase productivity and profits.

5. Time Study

Time study means to record the time taken for doing each part of a job. The full job is first observed and analysed. Then it is divided into different elements (parts). Later the time taken for doing each part of the job is recorded. This is done by using a stop clock. Time study helps the management to

know exactly how much time it will take to do a particular job. This helps the management to fix the amount of work to be done by each worker in one hour or in one day. That is, management can fix a standard output of work for a certain period of time.

Taylor advised all managers to do time study. This will prevent the workers from passing time, working slowly and doing less work. Time study helps to increase the productivity of the organisation.

6. Fatigue and Motion Study

Frank and Lillian Gilbreth introduced fatigue and motion studies. Fatigue and motion studies find out and remove unnecessary and wasteful movements while doing the job.

According to the Gilbreths, fatigue (tiredness) and motion (movements or actions) are interlinked. Every motion that is removed will reduce fatigue. Using cameras, they studied workers (masons) doing common jobs like bricklaying. They found that the workers do many wasted motions while doing their work. This resulted in fatigue. So, the Gilbreths asked the workers to stop all unnecessary motions and to do only the motions which were necessary for doing the job. They reduced the bricklayers' motions from 18 to 5. This also reduced the fatigue of the bricklayers. Therefore, productivity of workers increased.

7. Gantt Charts

Henry Gantt invented the Gantt chart. This chart shows the planned work and the completed work at each stage of production. It also shows the time taken to do the work.

Gantt chart is the basis for following two concepts :-

- The Critical Path Method (CPM), and
- The Program Evaluation Review Technique (PERT).

CRITICISM OF SCIENTIFIC MANAGEMENT

Although it is accepted that the scientific management enables the management to put resources to its best possible use and manner, yet it has not been spared of severe criticism.

WORKERS VIEWPOINT

1. Unemployment –

Workers feel that management reduces employment opportunities from them through replacement of men by machines and by increasing human productivity less workers are needed to do work leading to chucking out from their jobs.

2. Exploitation –

Workers feel they are exploited as they are not given due share in increasing profits which is due to their increased productivity. Wages do not rise in proportion as rise in production. Wage payment creates uncertainty & insecurity (beyond a standard output, there is no increase in wage rate).

3. Monotony –

Due to excessive specialization the workers are not able to take initiative on their own. Their status is reduced to being mere cogs in wheel. Jobs become dull. Workers loose interest in jobs and derive little pleasure from work.

4. Weakening of Trade Union –

To everything is fixed & predetermined by management. So it leaves no room for trade unions to bargain as everything is standardized, standard output, standard working conditions, standard time etc. This further weakens trade unions, creates a rift between efficient & in efficient workers according to their wages.

5. Over speeding –

The scientific management lays standard output, time so they have to rush up and finish the work in time. These have adverse effect on health of workers. The workers speed up to that standard output, so scientific management drives the workers to rush towards output and finish work in standard time.

EMPLOYER 'S VIEW POINT

1. **Expensive** – Scientific management is a costly system and a huge investment is required in establishment of planning dept., standardization, work study, training of workers. It may be beyond reach of small firms. Heavy food investment leads to increase in overhead costs.
2. **Time Consuming** – Scientific management requires mental revision and complete reorganizing of organization. A lot of time is required for work, study, standardization & specialization. During this overhauling of organization, the work suffers.

DIFFERENCE BETWEEN MANAGEMENT AND ADMINISTRATION

Basis	Management	Administration
Meaning	Management is an art of getting things done through others by directing their efforts towards achievement of pre- determined goals.	It is concerned with formulation of broad objectives, plans & policies.
Nature	Management is an executing function.	Administration is a decision- making function.

Process	Management decides who should do it & how should he do it.	Administration decides what is to be done & when it is to be done.
Function	Management is a doing function because managers get work done under their supervision.	Administration is a thinking function because plans & policies are determined under it.
Skills	Technical and Human skills	Conceptual and Human skills
Level	Middle & lower level function	Top level function

HAWTHORNE EXPERIMENTS

The Hawthorne effect is named after what was one of the most famous experiments (or, more accurately, series of experiments) in industrial history. It marked a sea change in thinking about work and productivity. Previous studies, in particular Frederick Taylor's influential ideas, had focused on the individual and on ways in which an individual's performance could be improved. Hawthorne set the individual in a social context, establishing that the performance of employees is influenced by their surroundings and by the people that they are working with as much as by their own innate abilities.

The experiments took place at Western Electric's factory at Hawthorne, a suburb of Chicago, in the late 1920s and early 1930s. They were conducted for the most part under the supervision of Elton Mayo, an Australian-born sociologist who eventually became a professor of industrial research at Harvard.

4 PHASES OF HAWTHORNE EXPERIMENTS

1. Illumination Experiments
 2. Relay Assembly Test Room Experiments
 3. Mass Interviewing Programme
 4. Bank Wiring Observation Room Experiment.
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1. Experiments to determine the effects of changes in illumination on productivity, illumination experiments, 1924-27.
 2. Experiments to determine the effects of changes in hours and other working conditions on productivity, relay assembly test room experiments, 1927-28;
 3. Conducting plant-wide interviews to determine worker attitudes and sentiments, mass interviewing programme, 1928-30; and

4. Determination and analysis of social organisation at work, bank wiring observation room experiments, 1931-32.

1. ILLUMINATION EXPERIMENTS:

- Illumination experiments were undertaken to find out how varying levels of illumination (amount of light at the workplace, a physical factor) affected the productivity. The hypothesis was that with higher illumination, productivity will increase. In the first series of experiments, a group of workers was chosen and placed in two separate groups. One group was exposed to varying intensities of illumination.
- Since this group was subjected to experimental changes, it was termed as experimental group. Another group, called as control group, continued to work under constant intensities of illumination. The researchers found that as they increased the illumination in the experimental group, both groups increased production. When the intensity of illumination decreased, the production continued to increase in both the groups.
- The production in the experimental group decreased only when the illumination was decreased to the level of moonlight. The decrease was due to light falling much below the normal level.
- Thus, it was concluded that illumination did not have any effect on productivity but something else was interfering with the productivity. At that time, it was concluded that human factor was important in determining productivity but which aspect was affecting, it was not sure. Therefore, another phase of experiments was undertaken.

2. RELAY ASSEMBLY TEST ROOM EXPERIMENTS:

- Relay assembly test room experiments were designed to determine the effect of changes in various job conditions on group productivity as the illumination experiments could not establish relationship between intensity of illumination and production. For this purpose, the researchers set up a relay assembly test room two girls were chosen.
- These girls were asked to choose for more girls as co-workers. The work related to the assembly of telephone relays. Each relay consisted of a number of parts which girls assembled into finished products. Output depended on the speed and continuity with which girls worked. The experiments started with introducing numerous changes in sequence with duration of each change ranging from four to twelve weeks.
- An observer was associated with girls to supervise their work. Before each change was introduced, the girls were consulted. They were given opportunity to express their viewpoints and concerns to the supervisor. In some cases, they were allowed to take decisions on matters concerning them.

FOLLOWING WERE THE CHANGES AND RESULTANT OUTCOMES:

1. The incentive system was changed so that each girl's extra pay was based on the other five rather than output of larger group, say, 100 workers or so. The productivity increase as compared to before.
2. Two five- minute rests one in the morning session and other in evening session were introduced which were increased to ten minutes. The productivity increased.
3. The rest period was reduced to five minutes but frequency was increased. The productivity decreased slightly and the girls complained that frequent rest intervals affected the rhythm of the work.
4. The number of rest was reduced to two of ten minutes of each, but in the morning, coffee or soup was served along with the sandwich and in the evening, snack was provided. The productivity increased.
5. Changes in working hours and workday were introduced, such as cutting an hour off the end of the day and eliminating Saturday work. The girls were allowed to leave at 4.30 p.m. instead of usual 5.00 p.m. and later at 4.00 p.m. productivity increased.

As each change was introduced, absenteeism decreased, morale increased, and less supervision was required. It was assumed that these positive factors were there because of the various factors being adjusted and making them more positive. At this time, the researchers decided to revert back to original position, that is, no rest and other benefits. Surprisingly, productivity increased further instead of going down.

This development caused a considerable amount of redirection in thinking and the result implied that productivity increased not because of positive changes in physical factors but because of the change in girls' attitudes towards work and their work group.

They developed a feeling of stability and a sense of belonging. Since there was more freedom of work, they developed a sense of responsibility and self-discipline. The relationship between supervisor and workers became close and friendly.

3. MASS INTERVIEWING PROGRAMME:

- During the course of experiments, about 20,000 interviews were conducted between 1928 and 1930 to determine employees' attitudes towards company, supervision, insurance plans, promotion and wages. Initially, these interviews were conducted by means of direct questioning such as "do you like your supervisor?" or "is he in your opinion fair or does he have favorites?" etc.
- this method has disadvantage of stimulating antagonism or the oversimplified 'yes' or 'no' responses which could not get to the root of the problem, the method was changed to non-directive interviewing where interviewer was asked to listen to instead of talking, arguing or advising. The interview programme gave valuable insights about the human behaviour in the company.

SOME OF THE MAJOR FINDINGS OF THE PROGRAMME WERE AS FOLLOWS:

1. A complaint is not necessarily an objective recital of facts; it is a symptom of personal disturbance the cause of which may be deep seated.
2. Objects, persons or events are carriers of social meanings. They become related to employee satisfaction or dissatisfaction only as the employee comes to view them from his personal situation.
3. The personal situation of the worker is a configuration, composed of a personal preference involving sentiments, desires and interests of the person and the social reference constituting the person's social past and his present interpersonal relations.
4. The position or status of worker in the company is a reference from which the worker assigns meaning and value to the events, objects and features of his environment such as hours of work, wages, etc.
4. The social organisation of the company represents a system of values from which the worker derives satisfaction or dissatisfaction according to the perception of his social status and the expected social rewards.
5. The social demands of the worker are influenced by social experience in groups both inside and outside the work plant.

During the course of interviews, it was discovered that workers' behaviour was being influenced by group behaviour. However, this conclusion was not very satisfactory and, therefore, researches decided to conduct another series of experiments. As such, the detailed study of a shop situation was started to find out the behaviour of workers in small groups.

4. BANK WIRING OBSERVATION ROOM EXPERIMENT:

- These experiments were conducted to find out the impact of small groups on the individuals. In this experiment, a group of 14 male workers were formed into a small work group. The men were engaged in the assembly of terminal banks for the use in telephone exchanges.
- The work involved attaching wire with switches for certain equipment used in telephone exchanges. Hourly wage for each worker was fixed on the basis of average output of each worker. Bonus as also payable on the basis of group effort.
- It was expected that highly efficient workers would bring pressure on less efficient workers to increase output and take advantage of group incentive plan. However, the strategy did not work and workers established their own standard of output and this was enforced vigorously by various methods of social pressure. The workers cited various reasons for this behaviour viz. fear of unemployment, fear of increase in output, desire to protect slow workers etc.
- The Hawthorne experiments clearly showed that a man at work is motivated by more than the satisfaction of economic needs. Management should recognise that people are essentially social beings and not merely economic beings. As a social being, they are members of a group and the management should try to understand group attitudes and group psychology.

THE FOLLOWING WERE THE MAIN CONCLUSIONS DRAWN BY PROF. MAYO ON THE BASIS OF HAWTHORNE STUDIES:

1. **Social Unit:**

A factory is not only a techno-economic unit, but also a social unit. Men are social beings. This social characteristic at work plays an important role in motivating people. The output increased in Relay Room due to effectively functioning of a social group with a warm relationship with its supervisors.

2. **Group Influence:**

The workers in a group develop a common psychological bond uniting them as a group in the form of informal organisation. Their behaviour is influenced by these groups. Pressure of a group, rather than management demands, frequently has the strongest influence on how productive workers would be.

3. **Group Behaviour:**

Management must understand that a typical group behaviour can dominate or even supersede individual propensities.

4. **Motivation:**

Human and social motivation can play even a greater role than mere monetary incentives in moving or motivating and managing employee group.

5. **Supervision:**

The style of supervision affects worker's attitude to work and his productivity. A supervisor who is friendly with his workers and takes interest in their social problems can get co-operation and better results from the subordinates.

6. **Working Conditions:**

Productivity increases as a result of improved working conditions in the organisation.

7. **Employee Morale:**

Mayo pointed out that workers were not simply cogs, in the machinery, instead the employee morale (both individual and in groups) can have profound effects on productivity.

8. **Communication:**

Experiments have shown that the output increases when workers are explained the logic behind various decisions and their participation in decision making brings better results.

9. **Balanced Approach:**

The problems of workers could not be solved by taking one factor i.e. management could not achieve the results by emphasizing one aspect. All the things should be discussed and decision be taken for improving the whole situation. A balanced approach to the whole situation can show better results.

CRITICISM OF HAWTHORNE STUDIES / EXPERIMENTS

The Hawthorne Experiments are mainly criticised on the following grounds :-

Lacks Validity : The Hawthorne experiments were conducted under controlled situations. These findings will not work in real setting. The workers under observation knew about the experiments. Therefore, they may have improved their performance only for the experiments.

More Importance to Human Aspects : The Hawthorne experiments gives too much importance to human aspects. Human aspects alone cannot improve production. Production also depends on technological and other factors.

More Emphasis on Group Decision-making : The Hawthorne experiments placed too much emphasis on group decision-making. In real situation, individual decision-making cannot be totally neglected especially when quick decisions are required and there is no time to consult others.

Over Importance to Freedom of Workers : The Hawthorne experiments gives a lot of importance to freedom of the workers. It does not give importance to the constructive role of the supervisors. In reality too much of freedom to the workers can lower down their performance or productivity.

SYSTEM APPROACH: -

A system in simple terms is a set of interrelated parts. It is a group of interrelated but separate elements working towards a common purpose. The arrangement of elements must be orderly, there must be proper communication facilitating interaction between the elements and finally the interaction should lead to achieve a common goal. The organization transforms input into a variety of outputs and offers the same to the external environment in the form of products good and services. Sale of the output provides the necessary energy (feedback) to the system cycle.

The system approach provides a unified focus to organizational efforts. A major contribution of the system approach results from its strong emphasis on the interrelatedness or mutuality of the parts of an organization. Another important benefit of system theory lies in its treatment of the organization as an open system. A close system imports something from the environment and exports something into the environment.

Ludwig von Bertalanffy is called the Father of System Approach.

"In order to understand an organized whole, we must know both the parts as well as the relation between them." - Sir Ludwig von Bertalanffy,

FEATURES OF SYSTEM APPROACH TO MANAGEMENT

Open or closed systems : Systems may be either open or closed:

An open system is one, which depends on the outside environment for survival.

A closed system does not interact with the environment.

Subsystem : The full system is made up of many parts. Each of these parts is called a subsystem. A system may be a subsystem of a larger system. For e.g. A department is a subsystem of a plant. A plant is a subsystem of a company.

Synergy : Synergy means that the whole is greater than the sum of its parts. In an organization, when different departments co-operate and interact, they become more productive. This is called synergy.

Defined boundaries : Each system has a boundary that separates it from its environment. In case of a closed system, the system boundary is rigid. However, in an open system, the boundary is flexible. A business organization, has boundaries with many external systems like creditors, suppliers, customers, government agencies, etc. The system is inside the boundary, the environment is outside the boundary.

Feedback mechanism : A system can adjust itself to the changing environment through the feedback mechanism. Feedback helps the system to find out and correct its mistakes.

Multidisciplinary : Management system uses information from many disciplines such as psychology, sociology, ecology, economics, mathematics, statistics, operations research, systems analysis, etc. Therefore, it is multidisciplinary in nature.

Consideration of whole system : No part of the system can be fully studied and understood without properly understanding all of its parts. So instead of dealing separately with different parts of one organization, the manager must study the entire organization as a whole. For example, in order to understand the working of the finance, production or marketing department, he/she must understand the company as a whole. It is because the activity of any one part of the company affects the activity of its every other part.

Input-output system : A business organization is an input-output system. Inputs consist of human, physical and financial resources obtained from the environment. These resources are converted into outputs of products and services.

THE CONTRIBUTIONS OF SYSTEM APPROACH TO MANAGEMENT:

- Under a system approach, managers have a good view of the organization.
- It gives importance to the interdependence of the different parts of an organization and its environment.
- It foretastes consequences and plan actions.
- Systems thinking warn managers against adopting piecemeal approach to the problem-solving.

CONTINGENCY APPROACH OF MANAGEMENT

The contingency approach believes that it is impossible to select one way of managing that works best in all situations like promoted by Taylor. Their approach is to identify the conditions of a task (scientific management school), managerial job (administrative management school) and person (human relations school) as parts of a complete management situation and attempt to integrate them all into a solution which is most appropriate for a specific circumstance. Contingency refers to the immediate (contingent or touching) circumstances.

The manager has to systematically try to identify which technique or approach will be the best solution for a problem which exists in a particular circumstance or context.

The contingency approach seeks to apply to real life situations ideas drawn from various schools of management thought. They claim that no one approach is universally applicable and different problems and situations require different approaches. Managers must try to find the approach that is the best for them in a certain given situation, so they can achieve their goals.

It is important to note that the contingency approach stresses the need for managers to examine the relationship between the internal and external environment of an organization. Critics of the contingency approach have blamed it to lack theoretical foundation and are basically intuitive. Managers today are advised to analyze a situation and use ideas from the various schools of thought to find an appropriate combination of management techniques to meet the needs of the situation.

BUREAUCRATIC MANAGEMENT AND ITS CHARACTERISTICS.

Max Weber contributed the theory of bureaucracy to the management thought. He used the word; bureaucracy to the specific kind of administrative organization whose characteristics are given below; Max Weber's main contribution to management is his theory of authority structure and his description of organizations based on the nature of authority relations within them. It was Weber's contention that there are three types of legitimate authority which run as follows:

- ❖ **Rational legal authority** - Obedience is owed to a legally established position or rank within the hierarchy of a business, military unit, government, and so on.
- ❖ **Traditional authority**- People obey a person because he belongs to certain class or occupies a position traditionally recognized as possessing authority, such as a royal family.
- ❖ **Charismatic authority** - Obedience is based on the followers' belief that a person has some special power or appeal.

CHARACTERISTICS OF BUREAUCRACY

A bureaucratic organization shows the following characteristics:

- ❖ **Division of work**- There is a high degree of division of work at both the operative and administrative levels. This leads to specialization of work

- ❖ **Hierarchy of positions-** There is a hierarchy of authority in the organization. Each lower position is under the control of a higher one. Thus, there is unity of command.
- ❖ **Rules and regulations-** The rules, regulations and procedures are clearly laid down by the top administration. Their benefits are as under:
- ❖ **Impersonal conduct-** There is impersonality of relationships among the organizational members. The decisions are entirely guided by rules and regulations and are totally impersonal. There is no room for emotions and sentiments in this type of structure
- ❖ **Staffing-** The personal are employed by a construal relationship between the employee and employer. The employees get salary every month which is based on the job they handle and also the length of service.
- ❖ **Technical competence-** The bureaucrats and neither elected nor inherited, but they are appointed thorough selection. Promotions in bureaucracies are also based on technical qualifications and performance

CLASSICAL PERSPECTIVE OF MANAGEMENT

The Empirical School seeks to generalize the nature of management based on the experience of successful managers. The basic theme of this assumption is that if a particular business operation is successful, or if a particular problem was effectively tackled by application of a particular strategy, then the methods of strategies through which success was achieved by the managers could be equally effectively used by others in the case of similar business situations in future.

The basic principles laid down by the Classical School may be summed up as follows:

- ❖ **Scalar chain:** It is the fore-runner of the hierarchy principle under which authority flows from the top to the bottom level managerial positions.
- ❖ **Unity of command:** It lays down that each individual should only receive orders from one hierarchical superior.
- ❖ **Exception:** It emphasizes, maximum delegation of authority such that the superior is required to intervene only in the case of non-routine, exceptional tasks.
- ❖ **Span of control :-** It advocates that each superior should only have a manageable number of subordinates to direct and control

- ❖ **Specialization:** It emphasizes differentiation of organizational activities based on objectives, processes, location, clients, etc.
- ❖ **Scientific method:** It advocates the use of experimental methods to develop sound organizational and management methods.

SOCIAL RESPONSIBLY OF BUSINESS

The term SRB/CSR has been defined in more than one ways.

- ❖ Narrow or classical definitions
- ❖ Neo-classical definitions, and
- ❖ Modern eclectic definitions

NARROW OR CLASSICAL DEFINITIONS: -

- Classical definitions state SRB/CSR is limited to the share holders only. Noble laureate Milton Friedman has stated thatl There is one and only one social responsibility of business i.e. to use its resources in activities designed to increase its profit's so long as it stays within the rules of the game.

NEO- CLASSICAL DEFINITIONS: -

- The neo-classical definitions of SRB/CSR state that the responsibility of business goes beyond making profit for shareholders . But to all the stakeholders (customers, workforce, suppliers, competitors, local community, government etc.)
- According to H.R. Bowen, Social responsibility of business means, —to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.l
- The neo-classical definitions state that SRB/CSR means the obligation of business organizations to make decisions and take actions that will contribute to the welfare and interests of all its stakeholders as well as the public at large.

MODERN ECLECTIC DEFINITIONS: -

- The modern concept states the business has responsibility towards the various living stakeholders as well as towards the generations to come. Therefore, the modern eclectic concept of social responsibility includes the responsibility of business towards all its stakeholders and natural environment for sustainable economic development.

- According to Lord Holmes and Richard Watts. —CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the work force and their families as well as the local community and society at large.
- SRB/CSR is the obligation of business not only to its all stakeholders and society at large but also the commitment of business to contribute to sustainable economic development and to protect the natural environment.

