



Module 2

Early Contributions and Ethics in Management



The Evolution of Management Theory

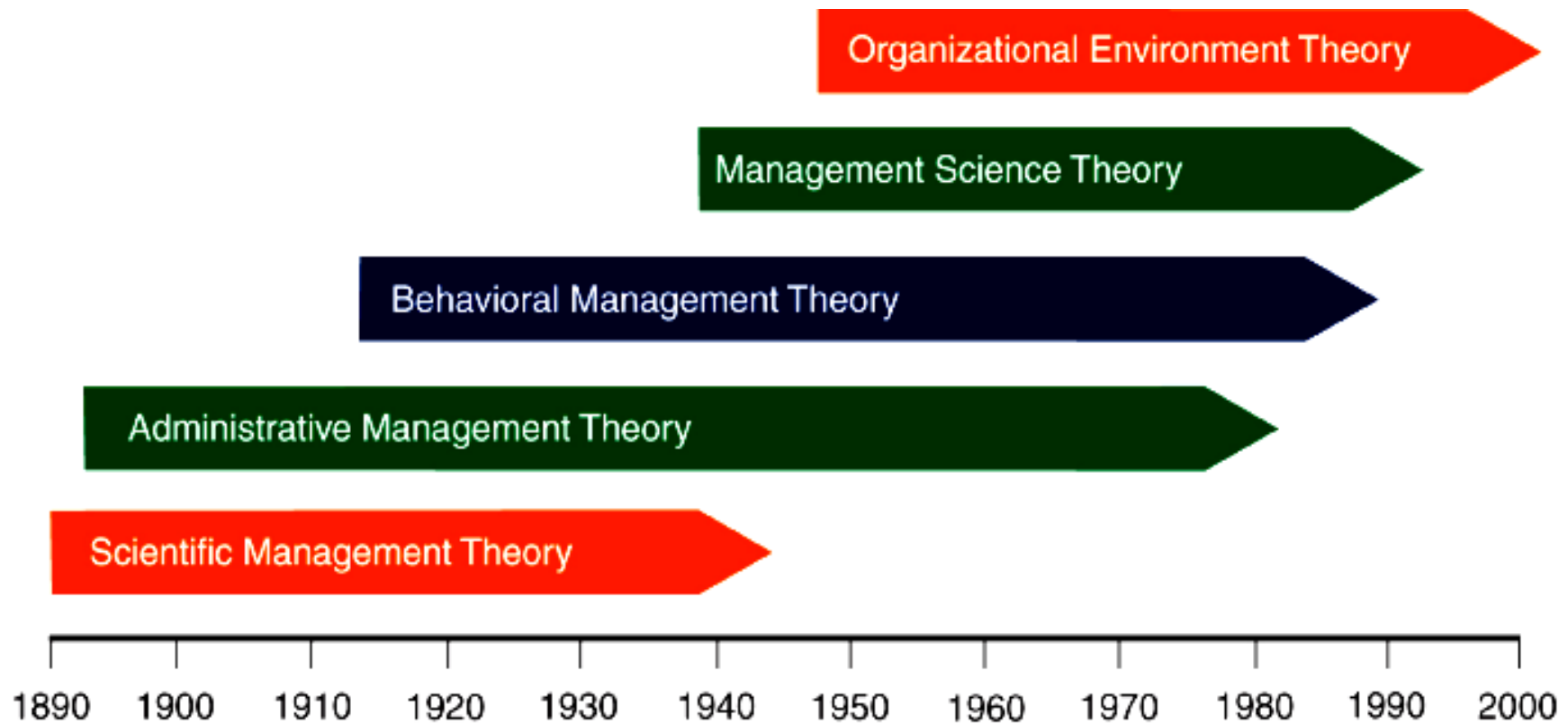


Figure 2.1

F.W. Taylor and Scientific Management

Scientific Management

The systematic study of the relationships between people and tasks for the purpose of redesigning the work process to increase efficiency.

“knowing exactly what you want men to do and seeing that they do in the best and the cheapest way.”

-F.W Taylor

Five Principles of Scientific Management

1. Science, Not Rule of Thumb

- ❑ In order to increase organizational efficiency, the 'Rule of Thumb' method should be substituted by the methods developed through scientific analysis of work.
- ❑ Rule of Thumb means decisions taken by manager as per their personal judgments
- ❑ select the best way of performing a job through the application of scientific analysis and not by intuition or hit and trial methods..

Five Principles of Scientific Management

2. Harmony, Not Discord:

- ❑ Taylor emphasized that there should be **complete harmony** between **the workers** and **the management** since if there is any conflict between the two, **it will not be beneficial** either for the workers or the management.
- ❑ It becomes possible by (a) sharing a part of surplus with workers (b) training of employees, (c) division of work (d) team spirit (e) positive attitude (f) sense of discipline (g) sincerity etc.

Five Principles of Scientific Management

3. Mental Revolution:

- ❑ The technique of Mental Revolution involves a **change in the attitude** of workers and management towards each other.
- ❑ Management as well as the workers should **aim to increase the profits** of the organisation.
- ❑ **Workers should put in their best efforts** so that the company makes profit and on the other hand **management should share part of profits** with the workers.

Five Principles of Scientific Management

4. Cooperation, Not Individualism

- ❑ This principle is an extension of principle of 'Harmony, not discord' and **lays stress on mutual cooperation** between workers and the management.
- ❑ The **intention is to replace internal competition** with cooperation.
- ❑ Taylor also suggested that there should be **proper division of work** and **responsibility** between the two.
- ❑ Management should always **guide, encourage and help** the workers.

Five Principles of Scientific Management

5. Development of each and every person

- ❑ Efficiency of any organisation depends on the **skills and capabilities** of its employees to a great extent.
- ❑ Providing **training** to the workers in order to learn the best method developed through the use of **scientific approach**.
- ❑ Employees should be **scientifically selected**.
- ❑ The work assigned to each employee should **suit** his/her **physical, mental and intellectual capabilities**

Problems with Scientific Management

- Managers frequently implemented only the **increased output side** of Taylor's plan.
 - Workers **did not share** in the increased output.
- **Specialized jobs** became very **boring, dull**.
 - Workers ended up distrusting the Scientific Management method.
- Workers could **purposely “under-perform.”**
 - Management responded with increased use of machines and conveyors belts.

Contributions of Gilbreths

- Their main focus was on the fields of **motion study and time study**, combined with an interest on the psychology of efficiency and work.
- The Gilbreth theory held that there was a “**one best way**” to do any task
- “**Therbligs**” comprise a system for analyzing the motions involved in performing a task.

Contributions of Gilbreths

1. Break up and analyze every individual action necessary to perform a particular task into each of its component actions
2. Find better ways to perform each component action
3. Reorganize each of the component actions so that the action as a whole could be performed more efficiently-at less cost in time and effort

Therblings

1. **Transport empty (TE)** – reach for an object with empty hand – today we call it “reach”
2. **Grasp (G)** – grasp an object by contacting and closing the fingers until control has been achieved
3. **Transport loaded (TL)** – move an object with hand and arm – today we call it “move”
4. **Hold (H)** – hold an object with one hand
5. **Release load (RL)** – release control of an object
6. **Use (U)** – manipulate/use a tool
7. **Pre-position (PP)** – position object for next operation
8. **Position (P)** – position object in defined location
9. **Assemble (A)** – join two parts

Therblings

- 7. **Disassemble (DA)** – separate multiple parts that were previously joined
- 8. **Search (Sh)** – attempt to find an object using eyes or hand
- 12. **Select (St)** – choose among several objects in a group (hand-eye coordination is involved)
- 13. **Plan (Pn)** – decide on an action (a short pause or hesitation in the motions)
- 14. **Inspect (I)** – determine quality of object using the eyes
- 15. **Unavoidable delay (UD)** – waiting due to factors beyond worker control
- 16. **Avoidable delay (AD)** – worker waiting
- 17. **Rest (R)** – resting to overcome fatigue

SIMO Chart

- SIMO” stands for simultaneous-Motion Cycle chart. It is one of **micro motion study** devised by Gilbreth and it presents graphically the separable steps of each pertinent limb of the operator under study. It is an extremely detailed **left and right hand operation** chart

S.No.	Left hand description	Therblig	Time	Therblig	Right hand
1.	Searching and lifting Clamping workpiece	SH,H	0.2	U	Opening the vice clamping work piece in the vice piece in the vice.
2.			0.4		
3.			0.8		
4.	Do the hand filing operation.	U	1.0	TL	Take the file
5.			2.0	U	Do the hand filing Operation.
6.			2.2	TL	Taking the micrometer
7.	Check the dimension	I	3.0	I	Check the dimension
8.			3.2	U	Open the vice
9.	Remove the work piece	TL		3.4	

Contributions of Mayo

- According to **Human Relations Approach**, management is the **Study of behaviour of people** at work.
- This approach is developed by *Professor Elton Mayo* from his experiments conducted at the Western Electric Company's **Hawthorne Works**, near Chicago.
- **Productivity** of the employees was considered to be a function only of **physical conditions** of work and **money wages** paid to them.
- **Hawthorne Works** proved that productivity depended largely upon the **satisfaction of the employees** in work situations.

Contributions of Mayo

- The main features of the Human Relations Approach to management are the following:
- (a) Since management is getting things done through and with people, a manager must have a **basic understanding of human behaviour** in all respects—particularly in the context of work groups and organisations.
- (b) The managers must study the **inter-personal relations** among the people at work.

Contributions of Mayo

- (c) Larger production and higher motivation can be achieved only through good human relation.
- (d) The study of management must draw the concepts and principles of various behavioural sciences like Psychology and Sociology.

Contributions of Mayo

1. Illumination Experiments:

- From these experiments, it was revealed that productivity could be increased not only by improving the working environment, but also through informal social relations among the members of the working group.

2. Relay Assembly Test Room Experiment:

- In this experiment a small homogeneous working group was constituted with—shorter working hours, proper rest periods, improved physical conditions, friendly supervision, free social interaction among the group members, and so on.

Contributions of Mayo

- 3. Mass Interviewing Programme:
- A large number of workers were interviewed to know their perceptions and orientation on the working life. The results again confirmed the importance of informal relation, social and psychological needs and their impact on the behaviour of the workers.

Contributions of Mayo

- The **conclusions** of the Hawthorne Experiments
- (i) A factory is not only a techno-economic unit but a **psycho-social** organization also.
- (ii) The workers **spontaneously form small informal** groups. The norms and values of such groups have significant influence on the behaviour and performance of the workers.
- (iii) Physical conditions of work have some influence on the workers' morale and productivity. But their **inter-personal relations, attitude of the supervisors and other social and psychological factors** have a far greater influence.

Contributions of Mayo

- (iv) Usually, the workers act or re-act not as individuals but as the members of a group.
- (v) The workers are not mere economic men motivated by money alone. They respond to the total work situation including recognition, participation etc.
- (vi) The informal leaders play an important role in setting and enforcing group norms.
- (vii) The managers must understand and recognize the inter-personal and group relations on the job.

Contributions of McGregor

- McGregor's **X-Y Theory** is a valid basic principle from which to develop **positive management** style and techniques.
- McGregor's ideas suggest that there are **two fundamental** approaches to managing people
- McGregor's ideas significantly relate to modern understanding of the **Psychological Contract**

Contributions of McGregor

Theory x ('authoritarian management' style)

- Theory X assumes the average worker is **lazy, dislikes work** and will do as little as possible.
- Workers have little ambition and wish to **avoid responsibility**.
- Managers must closely supervise and control through reward and punishment.

Contributions of McGregor

- Theory y ('participative management' style)
 - Theory Y assumes workers **are not lazy, want to do a good job** and the job itself will determine if the worker likes the work.
 - Commitment to objectives is a **function of rewards** associated with their achievement.
 - Managers should allow workers **greater latitude**, and create an organization to stimulate the workers.

Contributions of McGregor

THEORY X	THEORY Y
<p>The average employee is lazy, dislikes work, and will try to do as little as possible.</p> <p>To ensure that employees work hard, managers should closely supervise employees.</p> <p>Managers should create strict work rules and implement a well-defined system of rewards and punishments to control employees.</p>	<p>Employees are not inherently lazy. Given the chance, employees will do what is good for the organization.</p> <p>To allow employees to work in the organization's interest, managers must create a work setting that provides opportunities for workers to exercise initiative and self-direction.</p> <p>Managers should decentralize authority to employees and make sure employees have the resources necessary to achieve organizational goals.</p>

Figure 2.3

Contributions of Ouchi

- Theory Z is often referred to as the 'Japanese' management style
- Theory Z essentially advocates a combination of all that's best about theory Y and modern Japanese management
- Theory Z places a large amount of freedom and trust with workers, and assumes that workers have a strong loyalty and interest in team-working and the organization.

Contributions of Ouchi

- The Theory Z manager assumes that employees are motivated by a strong sense of commitment to be a part of something worthwhile -- the self-actualization need.
- The Theory Z manager believes that employees will not only seek out opportunities for responsibility, in fact, they crave opportunities to advance and learn more about the company.

Contributions of Ouchi

- The Theory Z manager believes that **employees should learn** the business through the **various departments, come up through the ranks slowly**, and that the company will get the best benefits from that employee by making it possible for him/her to have **"lifetime employment."** The result will be strong bonds of loyalty developed by long-term employment and shared responsibility for decisions.

System approach to management

- It is a collection of **interrelated parts** acting together to achieve **some goal** which exists in the environment.
- A system consists of several components or **subsystems** which **depend** on each other. ***A system is defined as a unified whole or set of interrelated and interacting elements/components.*** A system processes input into outputs. Therefore, each system consists of boundaries, components, interactions between inputs and outputs.

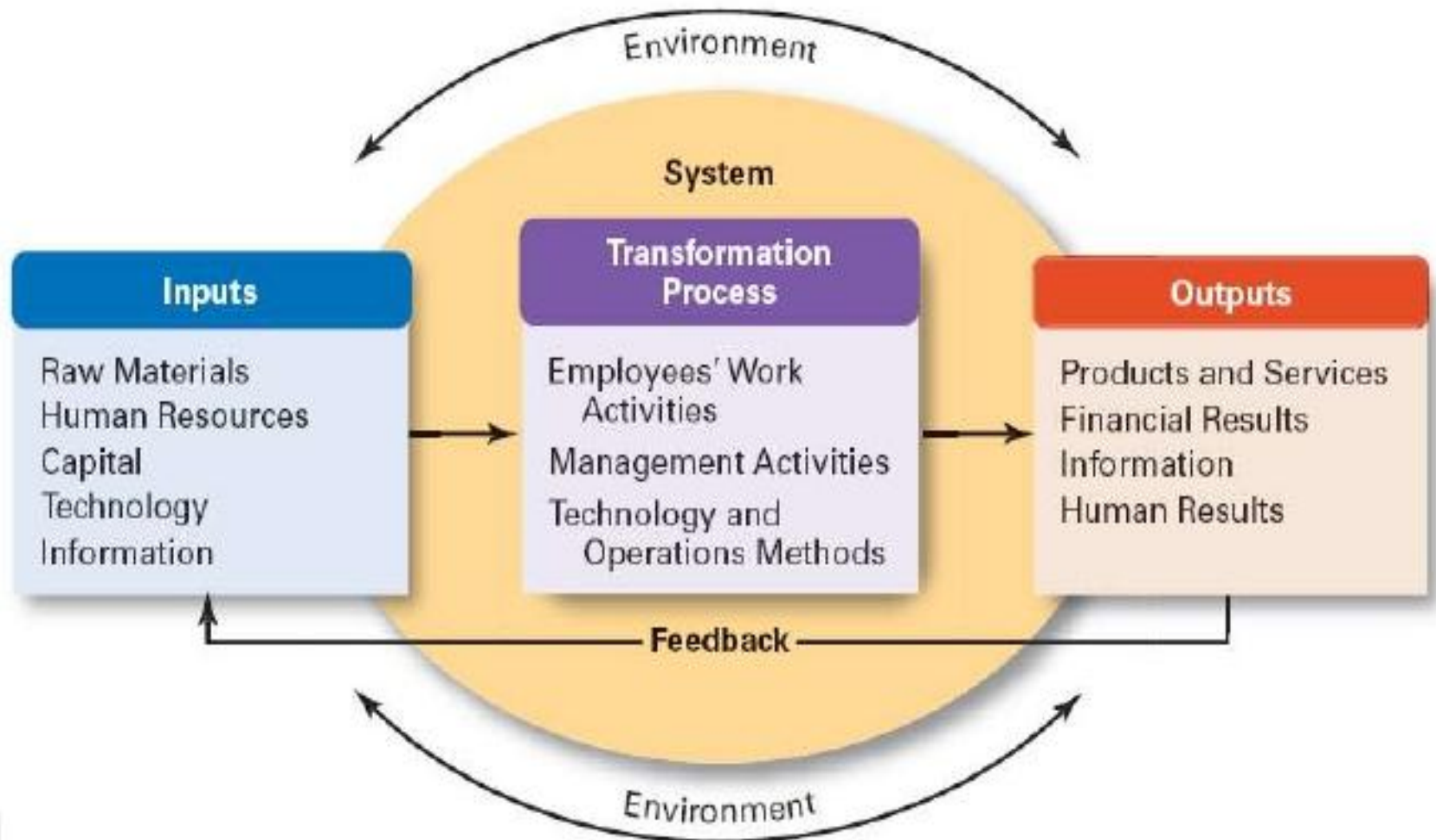
System approach to management

- An organization is unified and purposeful system consisting **several interconnected interacting and interdependent parts**.
- The **parts** of a system is called **subsystems**. Each subsystems influences the other subsystems and the system as a whole
- The **position and function** of each subsystems can be analyzed and understood only in **relation** to the **other subsystems** and to organization as a whole

System approach to management

- Each subsystems drives its strength by its **association and interaction** with the other subsystems. As a result the **collective contribution of the organization** is **greater** than the aggregate of **individual contribution** of its subsystems. It is called **synergy**.
- Each system has a boundary that separates it from environment. The boundaries determines which parts are **internal** to the organization and which are **external**. For eg: employees are within the boundary and creditors; customers are external to a firm

System approach to management



System approach to management

Open System

- A system that takes resources for its external environment and transforms them into goods and services that are then sent back to that environment where they are bought by customers.
- An open system **actively interacts** with the **environment**.

System approach to management

Closed system

- A self-contained system that is not affected by changes in its external environment and all interaction and knowledge is transmitted within the closed system only.
- Likely to experience entropy and lose its ability to control itself.

Eg: Production line, Specific departments

Contingency Theory

- The contingency approach to management is based on the idea that **there is no one best way to manage** and that to be effective, planning, organizing, leading, and controlling must be tailored to the particular circumstances faced by an organization.

The idea that the organizational structures and control systems manager choose **depend on—**are contingent on—**characteristics of the external environment** in which the organization operates.

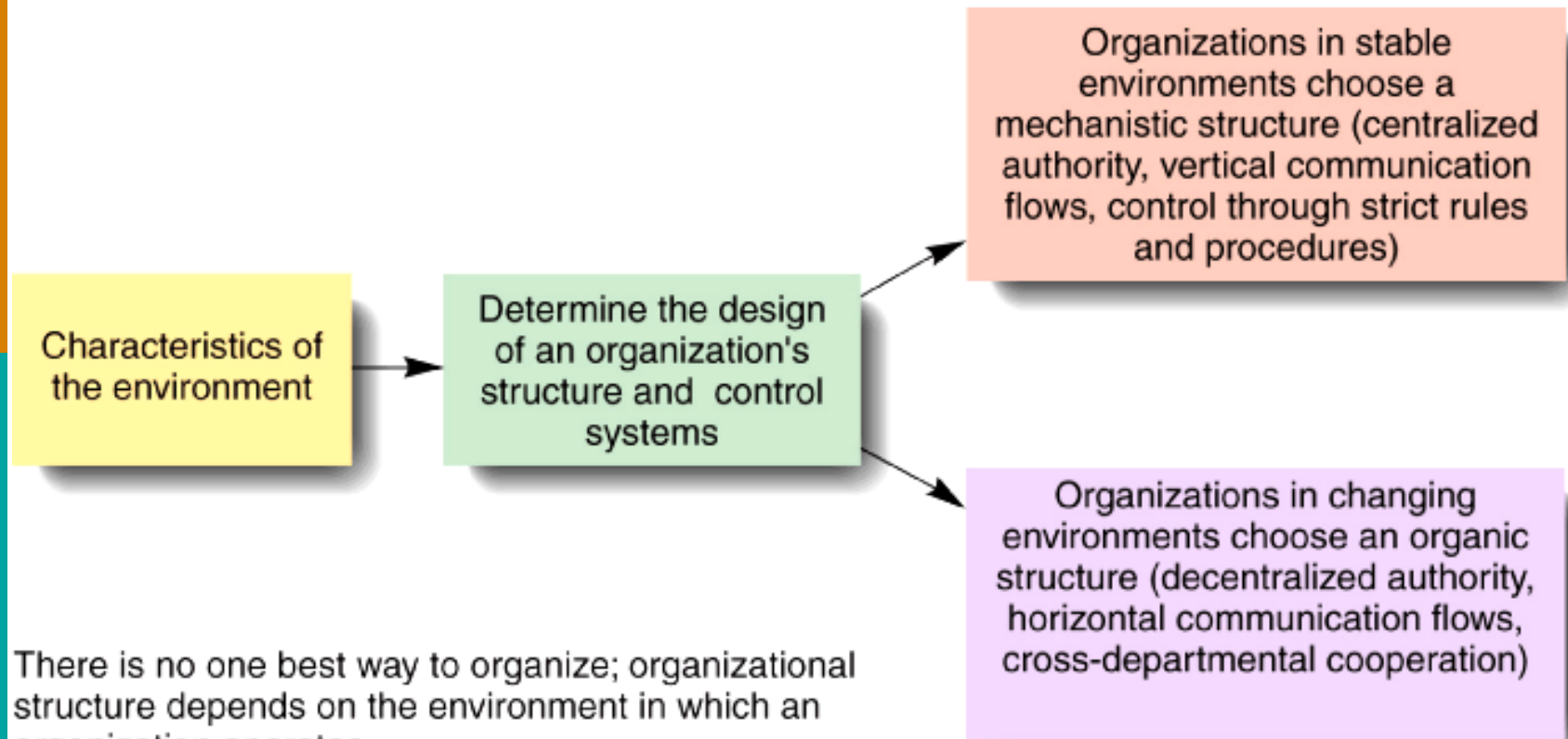
Contingency Theory

- Managers have always asked questions such as "What is the right thing to do? Should we have a mechanistic or an organic structure? Wide or narrow spans of management? Simple or complex control and coordination mechanisms? Should we be centralized or decentralized? What motivational approaches and incentive programs should we use?"

Contingency Theory

- The contingency approach to management (also called the situational approach) assumes that **there is no universal answer** to such questions because organizations, people, and situations **vary and change over time**. Thus, the right thing to do depends on a complex variety of critical environmental and internal contingencies

Contingency Theory



There is no one best way to organize; organizational structure depends on the environment in which an organization operates.

Figure 2.5

Contingency Theory

Mechanistic Structure

- Authority is centralized at the top.
- Emphasis is on strict discipline and order
- Employees are closely monitored and managed.
- Can be very efficient in a stable environment.

Contingency Theory

Organic Structure

- Authority is decentralized throughout the organization.
- Departments are encouraged to take a cross-departmental or functional perspective
- Works best when environment is unstable and rapidly changing

The McKinsey 7-S Framework

- *How do you go about analyzing how well your organization is positioned to achieve its intended objective?*
- McKinsey 7-S framework developed in the early 1980s by **Tom Peters** and **Robert Waterman**, two consultants working at the McKinsey & Company consulting firm.
- There are **seven internal aspects** of an organization that need to be aligned if it is to be successful.

The McKinsey 7-S Framework

The 7-S model can be used in a wide variety of situations where an alignment perspective is useful, for example

- Improve the performance of a company.
- Examine the likely effects of future changes within a company.
- Align departments and processes during a merger or acquisition.
- Determine how best to implement a proposed strategy.

The McKinsey 7-S Framework

The Seven Elements

- The McKinsey 7-S model involves seven interdependent factors which are categorized as either "hard" or "soft" elements:

Hard Elements	Soft Elements
Strategy	Shared Values
Structure	Skills
Systems	Style
	Staff

The McKinsey 7-S Framework

- Hard" elements are easier to define or identify and management can directly influence them: These are strategy statements; organization charts and reporting lines; and formal processes and IT systems.
- "Soft" elements, on the other hand, can be more difficult to describe, and are less tangible and more influenced by culture. However, these soft elements are as important as the hard elements if the organization is going to be successful.

The McKinsey 7-S Framework

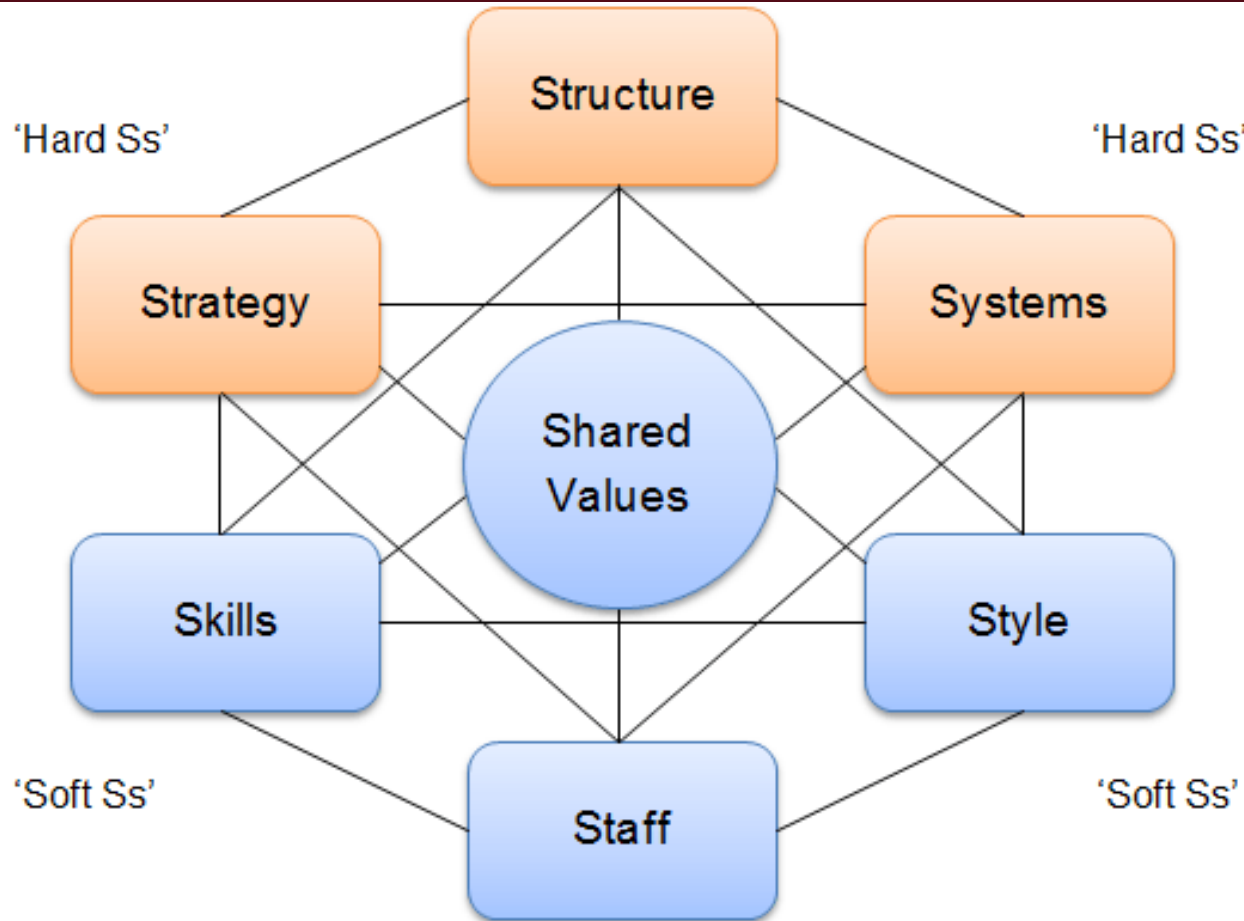


Figure depicts the interdependency of the elements and indicates how a change in one affects all the others.

The McKinsey 7-S Framework

- **Strategy** is a **plan developed** by a firm to achieve sustained **competitive advantage** and successfully compete in the market. A sound strategy is the one that's clearly articulated, is **long-term**, helps to achieve competitive advantage and is **reinforced by strong vision, mission and values**.
- **Structure** represents the **way business divisions and units are organized** and includes the information of who is accountable to whom. In other words, structure is the **organizational chart of the firm**.

The McKinsey 7-S Framework

- **Systems** are the processes and procedures of the company, which reveal business' daily activities and how decisions are made. Systems are the area of the firm that determines how business is done and it should be the main focus for managers during organizational change.
- **Skills** are the abilities that firm's employees perform very well. They also include capabilities and competences. During organizational change, the question often arises of what skills the company will really need to reinforce its new strategy or new structure.

The McKinsey 7-S Framework

- **Staff** element is concerned with **what type and how many employees** an organization will need and **how they will be recruited, trained, motivated and rewarded**.
- **Style** represents the **way the company** is managed by top-level managers, **how they interact**, what actions do they take and their symbolic value. In other words, it is the **management style** of company's leaders.

The McKinsey 7-S Framework

- **Shared Values** are at the **core** of McKinsey 7s model. They are the **norms and standards** that guide employee behavior and company actions and thus, are the foundation of every organization.

Corporate Social Responsibility(CSR)

- Corporate social responsibility is a form of **corporate self-regulation** integrated into a business model. CSR policy functions as a self-regulatory mechanism whereby a business monitors and ensures its active compliance with the **spirit of the law, ethical standards and national or international norms**.
- The focus on CSR is on **social, environmental and financial** success of a company- *Triple bottom line*

Corporate Social Responsibility(CSR)

Managers responsibility towards various segments of the society

1. Responsibility towards owners or stakeholders

- a. Reasonable dividend
- b. Protection of assets
- c. Information

2. Responsibility towards customers

- a. To make goods at right quality
- b. Should not indulge unfair practices
- c. To provide prompt and service to customers
- d. To handle customers grievances carefully

Corporate Social Responsibility(CSR)

3. Responsibility towards employees
 - a. Fair wages
 - b. Adequate benefits
 - c. Good working conditions
 - d. Opportunity for growth
 - e. Recognition of worker's right
 - f. Co-operation
4. Responsibility towards suppliers- Fair terms and conditions regarding price, quality and services
5. Obligation towards Government- pay taxes and dues honestly

Corporate Social Responsibility(CSR)

6. Obligation towards society
 - a. Socio-economic objectives
 - b. Employment opportunities
 - c. Efficient use of resources
 - d. Business morality
 - e. Improving local environment

Managerial Ethics

- The code of **moral principles** and **values** that **govern** the behaviors of a person or group with respect to what is **right or wrong**.
- *Code of ethics* is a **formal statement** of an organization's primary values and ethical rules it expects **employees to follow**. They are usually **written** forms and must state in detail acceptable behaviours and actions

Managerial Ethics

- Three Views of Ethics
 - **Utilitarian view** - ethical decisions are made on the basis of their outcomes or consequences
 - **Rights view** - respects and protects individual liberties and privileges
 - **Theory of justice view** - managers impose and enforce rules fairly and impartially

Managerial Ethics

- Managers Improving Ethical Behaviour
 - Hire individuals with high ethical standards
 - Establish codes of ethics and decision rules
 - Lead by example
 - Delineate job goals and performance review mechanisms
 - Provide ethics training
 - Conduct social audits
 - Provide support to individuals facing ethical dilemmas

*Thank
you*

