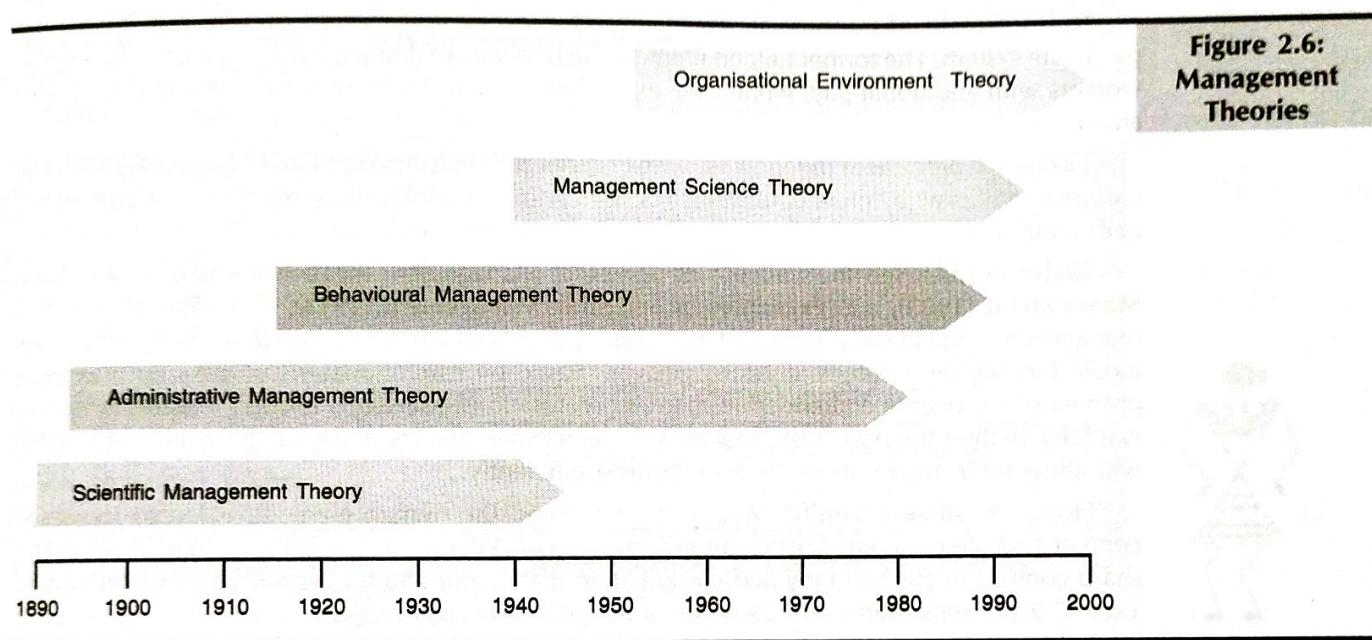


well their organisations are performing in global markets. Of particular importance is understanding the multicultural differences prevailing across the globe.

EVOLUTION OF MANAGEMENT THEORY¹⁰⁷

What do the management theories convey? The five management theories (See Fig. 2.6) convey the search for newer concepts, principles and practices of management as discovered by management thinkers over time. Advances in management theory typically occur as managers and researchers find better ways to perform the major management functions: planning, organising, leading and controlling.



(Source: Gareth R. Jones, et. al., op. cit., p. 35.)

The five theories identified in the journey of management thought are: Scientific Management Theory, Administrative Management Theory, Behavioural Management Theory, Management Science Theory, Organisational Environment Theory, Systems View and Contingency Approach.

Scientific Management Theory: Dating back to the late 18th century and the early 20th century, scientific theory advocates the application of scientific methods to analyse work and to determine how to complete production tasks efficiently.

Credit for Scientific Management goes to Frederick Taylor who was hired by Midvale Steel Company in the US in 1878. Taylor discovered that production and pay were poor, inefficiency and waste were prevalent, and most companies had unused potential. He concluded that management decisions were unsystematic and no efforts were made to determine the best means of production.

In response, Taylor introduced **Scientific Management** (hence he is called the Father of Scientific Management) which recommended the application of scientific methods to analyse work and to determine the methods to complete the tasks efficiently.

In essence, Taylor advocated the following four principles as part of his Scientific Management:

1. Management should develop a precise, and scientific approach for each element of one's work to replace general guidelines.
2. Management should scientifically select, train, teach and develop each worker, so that the right person has the right job.
3. Management should co-operate with the workers to ensure that the job matches plans and principles.
4. Management should ensure an equal division of work and responsibility between managers and workers.

To implement this approach, Taylor introduced time-and-motion studies, and differential piece rate system. The former helped identify one best way of doing a job and the latter benefitted workers with additional pay, when they exceeded standard levels of output. In addition, Taylor advocated the importance of hiring and training the workers to perform better.

Two more prominent individuals, who contributed to Scientific Management were — Frank Gilbreth and his wife Lillian Gilbreth. These two refined Taylor's analysis of work measurements and made many other contributions to time-and-motion study.

Taylor popularised the concept of Scientific Management through his two books: **Shop Management (1903)**, and **Principles of Scientific Management (1911)**. The ideas of Scientific Management dramatically increased productivity across all industries, and they are still important today. Indeed, the concept of arranging work based on careful analysis of tasks for maximum productivity is deeply embedded in today's organisations. Managers in every organisation now carefully analyse the basic tasks that must be performed and try to devise the work systems that will allow their organisations to operate most efficiently.

However, since Scientific Management ignored the human element, it led to increased conflict and often violent clashes on the shop floors. Workers often felt exploited. This was in sharp contrast to the harmony and co-operation that Taylor and his associates had forethought. Table 2.2 presents merits and demerits of Scientific Management.

**TABLE 2.2:
BALANCED VIEW OF SCIENTIFIC MANAGEMENT**

Merits	Demerits
<ul style="list-style-type: none">• Improved productivity and performance• Scientific analysis of the workplace• Linking wages to performance and enhanced earnings for workers• Co-operation between management and workers got to be established• Demonstrated the importance of personnel selection and training	<ul style="list-style-type: none">• Simplistic motivational assumptions• Workers are treated as wheels in a machine• Potential for exploitation of labour• Interpersonal relationships and linkages between environment and organisation ignored• Did not acknowledge variance among individuals

Administrative Theory: Side-by-side the proponents of Scientific Management, there were two eminent personalities who were contemplating on a new approach to management. The new approach focused on creating an organisational structure that would facilitate greater efficiency and effectiveness. Organisational structure facilitates allocation of tasks and determines authority relationships, that control how employees use resources to achieve organisational goals. The two eminent contributors to the management thought were Max Weber, a German Professor of Sociology and Henry Fayol, a French Manager.

Max Weber developed the famous theory of bureaucracy and Henry Fayol came out with the famous 14 principles of management.

Theory of Bureaucracy: Weber's bureaucratic theory is based on five principles: (i) labour is divided with clear definitions of authority and responsibility that are legitimised as official duties; (ii) positions are organised in a hierarchy of authority, with each position under the authority of a higher one; (iii) rules and regulations determine and standardise behaviour; (iv) administrative acts and decisions are recorded in writing; (v) management is separate from ownership in any organisation.

Weber believed that organisations that implement all the five principles will establish bureaucratic system that will improve organisational performance.

Though 100 years old and though the term bureaucracy is despised by today's managers, Weber's idea is relevant and is in place in organisations of today. Take away the basic elements of bureaucracy, organisations would collapse like a pack of cards.

Table 2.3 brings out the merits and demerits of bureaucracy.

**TABLE 2.3:
BALANCE SHEET OF BUREAUCRACY**

Merits	Demerits
• Efficient performance of routinised activities is ensured	• Inflexible and delayed decisions
• Lends stability to organisations and institutions	• People's element ignored
• Subjective judgements by employees and management avoided	• Rules tend to become ends in themselves
• Respects positions rather than persons	• Difficult to dismantle once established
• Fair and equitable selection and promotion systems tend to improve managers' feeling of security, reduce stress and become ethically conscious	• Difficulty to use bureaucratic principles for the benefit of organisation rather than harming it

Fayol's Principles: A broad framework for administrative management emerged in 1916 when Henry Fayol, a French mining engineer and executive, published a book summarising his experiences as a manager. Fayol advocated five functions of management, viz., Planning, Organising, Commanding, Co-ordinating and Controlling (almost identical to the four functions of management explained earlier) and 14 principles (See Table 2.4).

SUCCESSFUL MANAGER

Tips for Success

1. Needs to understand future and visioneer appropriately.
2. Needs to be ethically honest. Temptations and compulsions that could drag into unfair dealings are many. A strong resolve to be fair and just is what is crucial.
3. Needs to be responsive to cultural diversity as organisations are becoming cosmopolitan, thanks to globalisation.
4. The spirit of entrepreneurship and ability to think beyond the box.
5. Have patience for results. Consequences of failures are too sudden but fruits of success take long time.
6. Be a workaholic. Travels, meetings, deadlines, cash flows, piracies, rivalries, 24/7 work — the travails are endless. Accept all these with a smile.

**TABLE 2.4:
FAYOL'S 14 PRINCIPLES OF MANAGEMENT**

- *Division of Work* — divide work into specialised tasks and assign responsibilities to specific individuals.
- *Authority* — delegate authority along with responsibility.
- *Discipline* — make expectations clear and punish violators.
- *Unity of Command* — each employee should be assigned to only one supervisor.
- *Unity of Direction* — employee's efforts should be focused on achieving organisational objectives.
- *Subordination of Individual Interest to the general interest* — the general interest must predominate.
- *Remuneration* — systematically reward efforts that support the organisation's direction.
- *Centralisation* — determine the relative importance of superior and subordinate roles.
- *Scalar chain* — keep communications within the chain of command.
- *Order* — order jobs and material so that they support the organisation's direction.
- *Equity* — fair discipline and order enhance employee commitment.
- *Stability and tenure of personnel* — promote employee loyalty and longevity.
- *Initiative* — encourage employees to act on their own in support of the organisation's direction.
- *Esprit de corps* — promote a unity of interest between employees and management.



As with bureaucracy, Fayol's principles have stood the test of time and certain principles like line of authority, equity, initiative, *esprit de corps* and unity of direction were, are and will continue to be relevant in the years to come.

Behavioural Management Theory: Three approaches which make up the behaviour theory are the human relations management, human resource perspective and behavioural science approach.

Human Relations Management — Genesis for human relations management was the Hawthorne Studies conducted at the Western Electric Company in the US between 1924 and 1932.

As Professor of Industrial Research at the Harvard School of Business Administration, Elton Mayo was the person, most responsible for conducting the studies and publicising their significance. Naturally, he is called the 'father of human relations movement'.

The Hawthorne project involved three sets of studies: Illumination Studies, The Relay Assembly Room Study and The Bank Wiring Room Study.

Illumination Studies: Illumination studies constituted the first set of experiments and took place between 1924 and 1927. In one of these studies, lighting was decreased over successive periods for the experimental group (the group for whom lighting was altered), while it was kept at a constant level for the control group (a comparison group working in another area). The researchers were surprised to discover that productivity increased roughly at the same rate in both the groups. It was only in the final experiment, where they decreased light to 0.06 foot candle (roughly moonlight intensity), that performance in the experimental group declined as the workers in the group complained that they could hardly see anything. The researchers concluded that factors other than lighting were at work (since output rose in both the groups), and the project was discontinued.

It is from this first round of experiments that the term *Hawthorne Effect* was coined, referring originally to the fact that people's knowledge that they are being studied leads them to modify their behaviour.

Self-check

- Which of the following better explains the nature of management?
 - Attainment of organisational goals in an efficient and effective manner through planning, organising, leading and controlling organisational resources.
 - Getting things done through others.
 - What managers do everyday.
 - Management is what it does.
- Which of the following statements is correct?
 - To be effective is to achieve organisational goals and to be efficient is to achieve goals with least wastage of resources.
 - Organisations cannot be both effective as well as efficient.
 - The word effective includes efficiency too.
 - Many organisations are neither effective nor efficient.
- Match the concepts in column A with descriptions given in column B.

A	B
(i) Planning	(a) Designing and creating a structure that defines authority, tasks, and responsibilities.
(ii) Organising	(b) Defines where the organisation should be in future and establishes strategies too.
(iii) Leading	(c) Ensures that the actual performance corresponds with what is desired for.
(iv) Controlling	(d) Motivating people to achieve organisational goals.
- Executives need more conceptual skills, employees down the line need technical skills and everybody needs interpersonal skills. Which of the following better matches with the above statement?
 - We need time to think
 - Difficult to answer
 - Not true
 - True.
- Match column A with columns B + C in the following:

A Descriptions	B Specific Roles	+	C Categories
1. Work with suppliers, distributors and unions to reach agreements.	A. Figurehead		(a) Informational
2. Commit organisational resources to develop innovative ideas.	B. Entrepreneurial		(b) Interpersonal
3. Be a role model for others to follow.	C. Negotiator		(c) Interpersonal
4. Launching a national ad campaign to promote new product.	D. Leader		(d) Decisional
5. Outline future organisational goals.	E. Spokesperson		(e) Decisional
- Who does what? Who needs what? Match functions (column A) with levels of managers (column B).

A Functions	B Managerial level
(i) Daily supervision of non-managerial employees.	(a) Top level managers.
(ii) Find the best way to organise resources to achieve organisational goals.	(b) Lower level managers.
(iii) Define goals, formulate strategies and make key decisions.	(c) Middle level managers.
(iv) Need more conceptual skills.	(d) Lower level managers.
(v) Need more technical skills.	(e) Top level managers.
- Which of the following statements better explains the nature of empowered teams?
 - Define own goals, identify their tasks, organise needed resources, perform, and monitor performance.
 - With small number of members, but highly powerful teams.

Relook

- (i) What is efficiency? effectiveness? How are they related to OB?
- (ii) How far knowledge of OB makes a manager highly effective?

- (c) Replace all other teams.
 (d) CEO is the head of all empowered teams.
8. Who, among the following, has done what?
 (a) Goldrat.
 (b) Steve Jobs.
 (c) Subrato Bagchi.
 (d) Anji Reddy.
 (e) Narayana Murthy.

Pick your answers from the following:

- (i) Founded Reddy Labs.
- (ii) Founded Infosys.
- (iii) Designed Macintosh Computer.
- (iv) Cofounded MindTree Consulting Firm.
- (v) Authored GOAL.

9. Which management theory contributed what? Match column 'A' with 'B'.

A	B
<i>Theory</i>	<i>Specific Contribution</i>
(i) Scientific Management Theory.	(a) Focus on people — their social interactions and behaviours.
(ii) Administrative Management Theory.	(b) Application of scientific methods to analyse work.
(iii) Behavioural Management Theory.	(c) Creating organisational structures that facilitate efficiency and effectiveness.
(iv) Management Science Theory.	(d) Realising the impact of environment on performance.
(v) Organisational Environment Theory.	(e) Application of mathematics, statistics, and other quantitative techniques.



10. Who, among the following, are the founders of Scientific Management?

- (a) F.W. Taylor.
- (b) Peter Drucker.
- (c) C.K. Prahalad.
- (d) Abraham Maslow.
- (e) Frank and Lillian Gilbreths.
- (f) Henry Fayol.
- (g) Elton Mayo.

11. Match the terms in column A with the descriptions given in column B:

A	B
(i) Psychology	(a) Study of individuals and groups within political environment.
(ii) Anthropology	(b) Study of group behaviour.
(iii) Sociology	(c) Study of individual behaviour.
(iv) Social psychology	(d) Study of human race — particularly culture.
(v) Political Science	(e) Study of the influence of people on one another.

Ans: 1. a

2. a

3. (i) and b; (ii) and a; (iii) and d; (iv) and c

4. d

5. 1 with c + d; 2 with b + d; 3 with d + b; 4 with e + a; 5 with a + b;

6. (i) with d, (ii) with c, (iii) with a, (iv) with a, (v) with d.

7. a

8. a for (v); b for (iii); c for (iv); d for (i); e for (ii)

9. (i) and b, (ii) and c, (iii) and a, (iv) and e, (v) and d.

10. (a) and (f).

11. (i) and c; (ii) and d; (iii) and b; (iv) and e; (v) and a

The Relay Assembly Room Study: Intrigued with the positive changes in productivity, the researchers decided to attempt to determine the causes through further studies. Hence the second set of tests.

The second set of experiments took place between 1927 and 1933. The most famous study involved five women who assembled electrical relays in the Royal Assembly Test Room, where they were away from other workers and the researchers could alter work conditions and evaluate the results. Before the study began, the researchers were concerned about the possible negative reactions from the workers who would be included in the test. To reduce potential resistance, the researchers changed the usual supervisor arrangement so that there would be no official supervisor. Instead, the workers would operate under the general direction of the researchers. The workers were also given special privileges, such as being able to leave their workstation without permission, free mid-morning lunch, a workday that was a half-hour shorter, a five-day workweek (a novel idea at that time), and variations in the methods of payment. Generally, productivity increased over the period of study, regardless of how the factors were manipulated.

A Harvard University research group (involved in assessing the results) finally, concluded that the change in the supervisory arrangement was the major reason for the increase in the productivity in the Relay Assembly Test Room study and in two related studies involving different work groups. The researchers felt that the physical changes such as rest pauses, free lunches, and incentive payments were of lesser importance.

The Bank Wiring Room Study: This study was conducted between 1931 and 1932 and constituted the third set of experiments. The motivation for this study was built on the findings of the second set. For this study, a group of 14 men who wired telephone banks was observed in a standard shop condition. An observer was stationed in the room with instructions to take continuous notes on the workers' actions. The observer was not allowed to give orders or get involved in conversations with the workers. Although, the workers were initially apprehensive about the observer, they settled into more natural and relaxed behaviour after about three weeks. Because the foreman for the work group also supervised other workers in another room, and because the observer was deliberately unobtrusive, the workers were relatively free from constant supervision.

Though the workers were paid according to their output, the observer soon noted that the workers had established an informal daily norm of 6,600 units per person. Typically, the men would pace their work so that they reached the norm by the end of the day. Of course, some of the men could do more than 6,600 units. But if they indicated that they would prefer to be more productive, they risked becoming victims of harassment.

The researchers concluded that the behavioural norms set by the work group had a powerful influence over the productivity of the group. The higher the norms, the greater the productivity. The lower the norms, the lower the productivity. The power of the peer group and the importance of group influence on individual behaviour and productivity were confirmed in the bank wiring room.

Thus, Hawthorne studies laid a foundation for understanding people's social and psychological behaviour in the workplace.

The main implication of the Hawthorne studies, popularly called the Human Relations Management is that the behaviour of managers and workers in the work setting is critical in determining the performance of an organisation.

The Human Resource Approach: The human relations approach highlighted the impact of behaviour on performance. Interpersonal behaviour has its impact on satisfaction which in turn



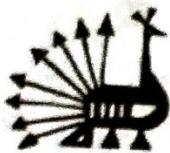
may lead to improved performance. This is typical of the dairy farm model — well fed cows give more milk and satisfied workers tend to perform better. But, as will be stated latter in this book, a satisfied worker is not necessarily a productive worker.

Something else was needed to make the worker a productive employee. Two individuals came out with their own findings in this context. They are: Abraham Maslow, and Douglas McGregor. Their contributions form the human resource approach.

Abraham Maslow came out with a thesis that unmet needs are the causes for problems that people face. From this assumption, Maslow built a hierarchy of needs, starting from physiological and progressing through safety, belonging, esteem and self-actualisation needs. More details on Maslow's need hierarchy are provided in the chapter on Motivation.

Douglas McGregor was not content with the simplistic human relations notions. He challenged the notions. Based on his experiences as a manager and a consultant, McGregor formulated his Theory X and Theory Y which will be explained latter in the chapter on motivation.

The essence of Maslow's and McGregor's prescriptions is the emphasis on daily tasks that people perform. In other words, the theme of the human resource approach is the need for designing jobs, so that tasks are not perceived as dehumanising or demeaning but instead allow workers to use their full potential. Though there is a shift towards job, concern for employee behaviour is not to be undermined.



Behavioural Science Approach: As days went by other thinkers, particularly psychologists, sociologists and anthropologists, began studying people at work. These individuals are known as behavioural scientists, and their approach to management is known as behavioural science approach.

The emphasis of the behavioural science approach lies more on the nature of work, and the degree to which it can fulfil the human need to express skills and abilities. The advocates of this approach believe that an individual is motivated to work for many reasons in addition to making money and forming interpersonal relationships.

The principles of behavioural science approach are being practised in every organisation, and behavioural science as a course, more popularly known as **Organisational Behaviour**, is highly popular among the students of commerce and management. The latter part of this book brings out the various principles of behavioural science more clearly.

The behavioural science approach owes its origin to Mary Parker Follett, one of the earliest management thinkers. Being a social philosopher, she pioneered many of the principles and practices of organisational behaviour.

Management Science Theory: What makes management science theory different from other approaches is the application of mathematics, statistics, and other quantitative techniques to management decision making and problem solving. Management science in essence is scientific management revisited. TQM, OR, IT, MIS, Lean Manufacturing and the like are the buzzwords of management science theory. Originated in 1940, management science approach is highly popular in organisations.

Organisational Environment Theory: Some thinkers on management went beyond the confines of an organisation and tried to understand the impact of external environment on its functioning. The experts concluded, that the environment exerts considerable influence on the performance of the organisation. This view is popularly called the organisational environment.

theory. Essentially, this theory examines the interface between organisation and its *external environment*.

Systems view and contingency approach form part of the organisational *environment theory*.

The Systems View: The systems view takes a look at how organisations import resources from the external environment, convert them into more useful goods and services, and export them to the market (See Fig. 2.7).

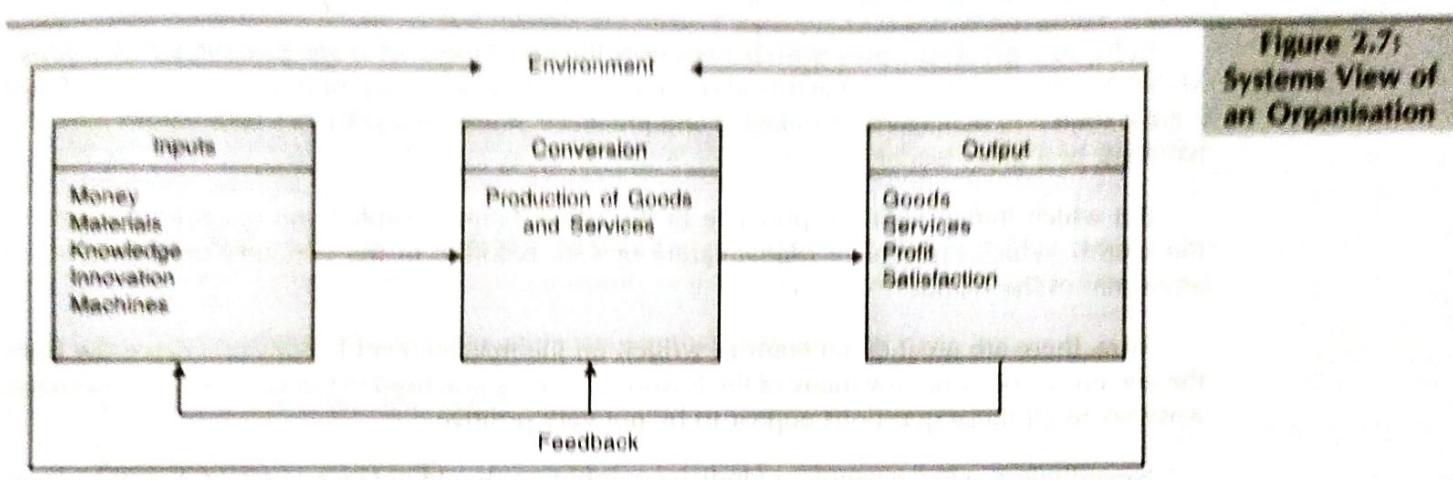


Figure 2.7:
Systems View of an Organisation

The inputs include several resources such as money, materials, people and machines. The outcome includes products, profit, satisfaction and improved quality of life. Organisations play critical role in this process. It is they that receive the inputs, convert them into more useful products and supply them to consumers to satisfy their needs.

What does the systems approach teach the managers? The main lesson that can be drawn is that the management should focus on efficiency and effectiveness in each part of the organisation, with the understanding that actions taken in one part of the organisation affect its other parts. Each part is interdependent on another and no part can function in isolation.

The Contingency Approach: This approach also operates in identical way to that of the systems view. The contingency view posits that organisational structures and control systems that management uses depend on or are contingent upon the characteristics of the external environment within which the firm operates. According to the contingency theory, the characteristics of the environment affect an organisation's ability to obtain resources. Obviously, each department should organise its activities in such a way they are able to access resources from the external environment to the maximum extent. In other words, how managers design the organisational hierarchy, choose a control system, and lead and motivate their employees is contingent upon the characteristics of the environment.

The main lesson that can be drawn, from the contingency view is that there is no one best way of managing. Each decision and each step that a manager takes are contingent upon the external environment. The environmental forces that impact an organisation's activities include political, legal, technological, economic and social-cultural.

INDIAN CONTRIBUTIONS TO MANAGERIAL PRACTICES^{LO9}

India's civilisation is one of the oldest in the world. Management is concomitant of civilisation. In other words, management as a discipline has been in practice in India for thousands of years. The way the joint families were managed and the way guilds were organised, led and controlled reveal the prevailing management principles and practices in ancient India.

India has greatest epics which expound the principles of management considerably. *Mahabharata* inspires men of action and *Bhagavad Gita* guides men of thought. *Upanishads* are a great source of management thoughts and practices. *Ramayana* preaches how values form the hallmark of a great leader.

But which Indian concept, principle or thought is being accepted and practised throughout the world? Which concept of *Mahabharata* or *Gita* is found in the literature on management anywhere in the world?

True, there are great commentaries written on the management lessons one can draw from the ancient works. But how many of the lessons are being practised in the globalised economies? Answers to all these questions appear to be not very positive.

Nevertheless, a few examples of Indian contribution should not be missed. Maharishi Mahesh Yogi's Transcendental Meditation (TM) has worldwide acceptance so also 'yoga'. But, these are practised more as de-stressors but not as principles of management. Contributions from C.K. Prahalad come to one's memory in this context. Currently, a professor of management in the US, Prahalad's contributions to contemporary management include strategic intent, bottom of the pyramid, consumers as co-creators and balancing local demands with global vision. The renowned professor is just 57 years old. Many more contributions are awaited from Prahalad who was born and brought up at Coimbatore in Tamil Nadu.



CONTEMPORARY TRENDS IN MANAGEMENT THINKING^{LO9}

Management is a dynamic subject. It is flexible, open, growing, and evergreen discipline. This is the reason why management has survived centuries and is still growing strong.

What is great about management is that the old order is giving place for the new and the transition is smooth. Beginning with scientific management principles, the discipline of management has travelled through focus on people, emphasis on tasks, underlining quantitative techniques and recognising the relevance of external environment.

As of today, the following practices are prominent in the management thought.

Inventing and Reinventing Organisations: Dynamic managers continually search for ways to unleash the creative potential of their employees and themselves. They are destroying traditional organisational structures, flattening hierarchies and dismantling artificial barriers all to bolster efficiency and effectiveness of organisations.

Globalisation: Globalisation throws open new challenges and opportunities. With the world's financial markets running 24 hours a day, and even the remotest corners of the planet only a

phone call away, managers of today are expected to think as global citizens. World is their market and their employees do not come from one country or one region. They are a mix of multicultures and multireligious citizens.

India is increasingly integrating herself with the rest of the world. From a purely export-oriented identity, Indian companies are now establishing their global presence in organic and inorganic ways. Some of the popular Indian MNCs include Tata Motors, Tata Steel, Tata Beverages, Hindalco, Swlon Energy, Voltas, Indian Hotels, Bharti Airtel, Crompton Greaves and Sasken Communications. A few Indians are ranked high as CEOs across the globe. Mukesh Ambani, Rahul Bajaj and Kumara Mangalam Birla are only a few of them.

Along with making their presence felt globally, the CEOs of Indian companies need to globalise their thought process, policies and practices, and quality. More than all these, organisations need to have diverse workforce.

Building Management Capability: Management capability is critical to sustainable performance and growth. Management capability is the sum total of the following dimensions:

- Organisational effectiveness and comparative performance
- Visionary and strategic leadership
- Performance leadership
- People leadership
- Financial performance/management
- Organisational capability
- Innovation
- External relationships
- Application of technology and knowledge
- Integrity and corporate governance

Attempts have been made to measure management capability of an organisation. Management Capability Index (MCI) is the technique used for the purpose.

The overall Indian MCI for the year 2010 was 74.6 per cent which implies that the Indian corporates are performing at 75 per cent of their potential. Performance must be to the full potential.

Mergers and Acquisitions (M&As): As stated earlier, organisations adopt inorganic (M&As) route to grow big. Indian companies are gung-ho in acquiring overseas companies. What needs primary consideration in a merger or takeover is blending of policies and practices between the acquirer and the acquired companies. Failing on this will have serious consequences. State-owned airlines in India faced this problem. A few years back, Indian Airlines and Air India were merged but pay disparities among the employees of both the airlines were allowed to continue resulting in a strike by the pilots and ground staff. More than the policies, it is the fusion of cultures that is more significant. The merger in 2003 between Bank of Madura and ICICI was a marriage between two unequals. Bank of Madura appeared bigger with 2.6 million customers and 2,400 employees. ICICI had a headcount of only 1,600. The average age of the ICICI's



employees was 28 years and it rose to 43 when both merged. It goes to the credit of ICICI that the bank managed fusion of culture too successfully.

Diversity: Managers are increasingly concerned about diversity. Organisations are no more mono-cultural entities. They are made up of people from different regions, religions, languages, tastes and fashions. How to make them work like one edifice is a challenge for the contemporary manager. (The next chapter carries more details on management of diversity).

Making an Ethically Honest and Socially Conscious Firm: There is a greater attention paid to ethics and social responsibility these days. While the next chapter throws more light on these twin concerns, suffice it is to state that managers need to be ethically honest and be responsive to the social needs. While it is easy to say (and escape) that honesty is not the best policy in business, it is not impossible to be ethically honest in business too. When individuals can be honest why not business entities? Businesses are made up not by bricks and machines but by human beings.

Similarly, business people have enormous resources and it is not fair that they only live in 27 floor buildings. There are millions of underfed and underclothed people and there are many number of social issues which need interventions. No doubt, Government is playing its role and is bringing in what is called inclusive growth. Efforts of the Government should be supplemented by business people.

Innovation and Creativity: Organisations can become competitive if they are innovative and creative. Creativity is the process by which novel but situationally appropriate outcomes are brought about. Creative idea needs to be converted into a product so that it fulfils societal needs. The process of converting a creative idea into a useful product is called innovation. (More details on these concepts are provided in Chapter 20).

Indian companies are at the forefront in innovation and creativity. Take Godrej & Boyce, for example. The company is the first to create and innovate soap made with vegetable oils, the classic almirah and CFC-free refrigerators. Pepsi (India) came out with Aliva, Kurkure and Nimbooz. TCS invented Apps, Tata Swatch, and mKrishi. Xcyton discovered HIV and hepatitis knits. Cypress Semi-conductor invented iPod wheel and most complex logic chip with 100 million transistors. The list is endless. No doubt, India and the Indian economy are on a roll.

KEY TERMS

1. **Efficiency:** Achieving organisational goals with least wastage of resources.⁽³⁶⁾
2. **Effectiveness:** Realising organisational goals. Managers should be both effective as well as efficient.⁽³⁶⁾
3. **Planning:** Planning specifies where the organisation should be in future and establishes appropriate strategies to reach the destination.⁽³⁷⁾
4. **Organising:** Mobilising all resources — human and physical — putting them to use and creating a structure that defines responsibilities, allocates resources and gets things going.⁽³⁷⁾
5. **Leading:** Leading is motivating people to achieve organisational objectives. It involves creating a shared culture and values, communicating goals to employees, and infusing them with the desire to perform at higher levels.⁽³⁷⁾
6. **Controlling:** Controlling seeks to ensure that the actual performance corresponds with what is desired. It typically involves monitoring employee activities, determining whether the organisation is on right track marching towards its goals, and making corrections where necessary.⁽³⁷⁾

7. *Informational Roles*: These relate to the tasks necessary to obtain and transmit information.⁽³⁸⁾
8. *Decisional Roles*: These relate to the methods managers use to plan strategies and utilise resources.⁽³⁸⁾
9. *First Line Managers*: Sitting at the base of hierarchy, these managers are responsible for daily supervision of non-managerial employees who do real work of converting inputs into outputs.⁽³⁹⁾
10. *Middle Managers*: These are ubiquitous and operate at middle levels of an organisation. They are responsible to find the best way to organise human and other resources to achieve organisational goals.⁽³⁹⁾
11. *Top Managers*: Sitting at the top of the pyramid, these managers set goals, strategise, monitor, interpret the environment, and make decisions that impact the entire organisation.⁽⁴⁰⁾
12. *Empowered Teams*: Also called self-managed teams, empowered teams are so empowered that they are able to decide, organise, execute and control own performance. Empowered teams cause hierarchical changes in organisations.⁽³⁹⁾
13. *Scientific Management*: This involves application of scientific methods to analyse work and to determine methods that help complete tasks efficiently.⁽⁴³⁾
14. *Management Science Theory*: Management Science Theory believes in the application of mathematics, statistics and other quantitative techniques for decision making. Management Science in essence is Scientific Management revisited. Originated in 1940, Management Science theory is highly popular even now though Fig. 2.6 shows that its relevance ceded by 1990.⁽⁵⁰⁾
15. *Organisational Environment Theory*: As the expression itself connotes, this theory takes into account the impact of environment on organisations. No organisation does have the luxury of operating in isolation. Every action of a manager is impacted by political, legal, economic, technological and cultural factors.⁽⁵⁰⁾
16. *Systems View*: The systems view adopts a holistic picture about an organisation. Various inputs enter the conversion process and the outcome is more useful goods and services. This process of inputs transforming into outcomes goes on uninterruptedly.⁽⁵¹⁾
17. *Contingency Approach*: This approach posits that structures and control systems that management uses depend on or contingent upon the environmental forces that impact an organisation.⁽⁵¹⁾



QUESTIONS

- 2.1** What is management? Bring out the four functions of management, explaining each in brief.
- 2.2** What roles does a typical manager play everyday?
- 2.3** Which traits make a manager successful?
- 2.4** Explain the different types of managers. Whom do you think are the most essential for the success of an organisation?
- 2.5** Explain –
 - (1) Scientific Management
 - (2) Hawthorne Studies
- 2.6** Describe –
 - (1) Administrative Management Theory
 - (2) Management Science Theory
- 2.7** Why do you think that Indian contribution to management is not seen across the world?

EXERCISE

Management in Practice

Given below are 10 statements. You need to tick, against each statement, indicating whether you agree or disagree with each. There may not be right answers for some of the statements.

Don't Agree Agree

1. It is a considered opinion of many that managers are born and not made.
2. Effective managers are not always visible. They are behind the scene.
3. Effective managers make decisions based on intuition than on analysis and reasoning.
4. Effective managers always prioritise work when they have too many tasks before them.
5. Effective managers are more 'at home' with numerical oriented subjects than with humanities.
6. To become a successful manager, one needs to look at the big picture instead of worrying about small details.
7. I believe in people with integrity much more than in their competencies. One of the hallmarks of integrity is to complete what a person initiates.
8. A manager should believe in getting things done through others and not do things by self.
9. A manager should balance the time spent with people with that of the time devoted for task completion, often tilting towards the latter.
10. Manager is basically a loner. The day an individual assumes a position of responsibility he or she has lost his or her friends, relatives and well-wishers.

Closing Case King of Hearts ...

It's no secret that Dr. Devi Shetty admires Wal-Mart. "You may question their business practices but there's no denying that Wal-Mart has used the concept of scale to bring down the cost of everyday products", says the man who revolutionised cardiac care in India and made it low-cost for the masses. Shetty dubs it the 'Wal-martisation of health care'. A small 300-400 bed hospital, he says, can never hope to lower costs of health care delivery-scale is an absolute must. The health care industry has two main costs - manpower and equipment. The former is a function of expertise, hence, cannot be controlled, but the latter can be addressed by building scale. Shetty explains: "In the medical and armaments industries products have no price tags. Price is a function of who's buying how much. Large volumes mean better negotiation and lower costs."

Apart from focusing on large format cardiac care units (a few thousand beds) and spreading geographically (the network currently includes 18 hospitals; many more are expected to be added over the next few years), Shetty's Narayana Hrudayalaya also claims to use its assets better. Instead of conducting only 8-10 surgeries a day like most cardiac centres in India, Narayana Hrudayalaya does as many as 30. "We do about 12 per cent of all heart surgeries in India. We are hoping to take this to 30-35 per cent over the next few years", says Shetty. Specialisation is the key to this - each surgeon at Narayana Hrudayalaya is trained for a particular job. To reach out to more patients, Shetty and his team have been using telemedicine in collaboration with the Indian Space Research Organisation.

Shetty was clear from day one that the hospital will not shut its doors on the poor. But, managing a mix of paying and non-paying patients has necessitated careful planning and internal financial controls. The hospital has a unique daily accounting system where all revenue and costs for the day are accounted for. "Based on the profits earned daily, we decide how many non-paying patients and paying patients would be operated on the next day", notes Shetty. His doctors cite the case of a woman from Kolkata who lost the money she'd kept aside of her two-year-old's heart surgery. She landed at Shetty's doorstep without much hope, but was told the operation would be done within a week at no cost.

Besides performing affordable heart surgeries, Narayana Health has also collaborated with the Karnataka Government to launch an insurance scheme for the poor. With a premium of ₹ 5 per month per member, the scheme has been a success and its model has since been emulated by a few other States. "With Governments turning health care insurance providers, costs should decline further. We'll be able to do a bypass surgery for less than 30,000", says Shetty. And the man insists it's not a pipe-dream.

Dr. Shetty has performed over 15,000 heart surgeries. He has been awarded Padma Shri and Padma Bhushan. For him heart surgery is an art and not a pure science. He loves the art.

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