CHAPTER 2

MANAGEMENT AND MANAGERS

With Managers and Leaders Behind OB → *Skilled and Motivated Employees* → *Organisational Effectiveness*

"The king reigns, but does not govern."

– Jan Zamotski

View Case

When Tata Group Founder, Jamshetji Nusserwanji Tata designed his coat of arms in 1869, it was the highest Zoroastrian principles of humata (good thoughts), hukhta (good works) and hvarshta (good deeds) that he inscribed on the blue insignia. The inspiring motto was just right for the businessman who was a descendant of the Parsi priests of Navsari in Gujarat. Many decades and many generations later, the house of Tata still lives by that credo

In the big bad world of business, Tatas are a unique example. The various philanthropic Tata Trusts own about 65.8 per cent of the holding company -- Tata Sons. Each of the Tata Sons' chairmen adhered to the lofty values set by the founder and over generations won over the Indian populace. Ultimately, it's not the size of his business, or the sheer scale of his ambition but this position as the guardian of that collective trust that the people of India place in the Tatas which makes Ratan Tata, former India's most powerful CEO of the decade.

Run through the annals of history, and you will find that there are few industrial houses across the globe that have played a more important role in nation-building than the Tatas have in India. Whether it was the group's foray into textiles, power, chemicals or steel in the early 1900s or transport in 1945 or software in late 1968; each new business venture created on industry and in turn made India more self-reliant.

Tatas have practised patriotic entrepreneurship from the outset. When Tata Steel raised money from domestic investors in 1906, Jamshetji's son Sir Dorabji Tata wrote, "It was the first time that the raw material of India did not go out and return as finished by swadeshi money and managed by swadeshi brains".

Most of these projects in early 1900s were downright risky and ahead of their time. That never deterred the Tatas. When Sir Frederick Upcott, Chief Commissioner of Railways heard about Dorabji Tata's plan to make steel in India, he replied sarcastically,

"Do you mean to say that Tata proposes to make steel rails to British specifications? Why, I will undertake to eat every pound of steel rail they succeed in making." The rest, as they say, is history.

So when critics scoffed at Ratan Tata's proposal to make a rupees one lakh car in the early 2000s, they erred; history was merely repeating itself. Ratan Tata was not going to break a promise, just like none of his ancestors ever had. When the Nano was eventually launched in 2009, a nation was united in pride.

It's difficult to find a similar match of profits and purpose across the globe. For a young nation to stand tall an ecosystem of world-class institutions is imperative and the Tatas have always stepped up to give India the best. Prestigious institutes like Indian Institute of Science, Tata Institute of Social Science, Tata Institute of Fundamental Research, Tata Environmental and Research Institute, Tata Memorial Hospital and NCPA owe their existence to the foresight and monetary contributions from the group.

The lives of lakh of Indians continue to be touched by the group every single day by the various Tata Trusts. The Tatas and philanthropy go hand-in-hand today because it was a tradition that Jamshetji set right at the very start. In September 1898, pledged half his personal wealth to make his dream of the 'University of Research' attains fruition, and in 1892, he set up an endowment to enable Indian scholars to pursue postgraduate studies. Even today the three big Tata Trusts — JN Tata Trust, Sir Dorabji Trust, and Sir Ratan Trust — cover the entire gamut of philanthropic activities in fields as diverse as education, art and innovation. For Ratan Tata to announce a Taj Public Service Welfare Trust to help the 26/11 massacre victims was a natural step given a family legacy where one of the ancestors of Ratan Tata even bequeathed his cuff links and tie pins to charity.

Social philanthropy aside, the Tata leaders have the added responsibility of propriety. In an industrial milieu where business family fights were and are the order of the day, Tatas have been true role models. Apart from Jamshetji and his son Dorabji, no Tata Sons chairman has been a direct descendant. Dorabji Tata and his successor Nowroji Saklatwala were first cousins, Saklatwala and JRD Tata were second cousins, and JRD and Ratan Tata were second cousins twice removed. The other Tata family members like Ratan Tata in the early 1900s, Naval Tata in the 60s and 70s and now, Noel Tata quietly served the group; palace intrigues remain a non-issue in Tata land.

Though there have been isolated instances like Nandigram, the Tatas have believed in social responsibility and inclusive growth throughout their journey. As far back as 1902, when the founder Jamshetji wrote to his son Dorabji about planning an industrial city in Gurumahisani Hills where iron ore was found, he said, 'Be sure to lay wide streets planted with shady trees, every other of a quick growing variety. Be sure that there is plenty of space for lawns and [illegible] replicate the dingy British industrial towns. It was not a Tata thing to do.

Today, Tata Group employs nearly half a million people, and earns revenues of $100 bn. It reported a profit of $6.23 bn in 2011-12, and controls assets valued at $77.7 bn.

It's long been a question for any CEO: Can you read your company's mission and value statements with a straight face? Most fail. Never there was a chance to pose that query to Ratan Tata but it is sure he would pass the test with flying colours. Just like Jamshetji Nusserwanji Tata, Dorabji Tata, Nowroji Saklatwala, and JRD Tata would have.

Tata group was in the news recently for wrong reasons. This should not have happened to the conglomerate which, over a long period, proved to be ethically and socially conscious organisation.

Cyrus Misty was removed from the chairmanship of Tata Sons over alleged non-performance. Lot of dirt was washed in the public following the removal. Corporate governance practised by the premier group was questioned.

Chandrasekaran, CEO of TCS, has been made chairman of Tata Sons. The tussle boiled down to two individuals: Cyrus Misty and Ratan Tata, the ex-chairman. There seems to be truce between the two.

NATURE OF MANAGEMENT[LO1]

In the previous chapter we had stated that OB refers to the people dimension of management. It is, therefore, desirable that we discuss the nature, functions and other related issues of management. Hence this chapter.

Implementation of OB principles in organisations lies with managers. It is desirable that we should know who these managers are and what functions they discharge. Hence this chapter.

It is management that has made Tata Group what it is today. Organisations are made (or unmade) by managers who practise the art and science of management. Management is, as stated in the previous chapter, the attainment of organisational goals in an effective and efficient manner through planning, organising, leading and controlling organisational resources. Organisational resources include human beings, money, machines and materials.

Three features emerge from the above description of the nature of management. First, management involves four functions — planning, organising, leading and controlling. Second, these functions are organised to achieve organisational goals. Third, management involves effective and efficient use of resources. To be **effective** is to achieve organisational goals. To be **efficient** is to achieve goals with least wastage of resources. Some managers do either or fail on both. The best managers focus on both effectiveness and efficiency. This focus results in high performance and organisational goals are easily attained as Fig. 2.1 shows.

What is to be underlined is that management is not confined to business establishments only. Management is relevant for an individual, a family, an NGO, a government department, and of course in business organisations. An individual becomes successful when he or she plans, organises, and controls several activities, and uses his or her time and other resources efficiently and effectively. Same logic applies to other institutions also.

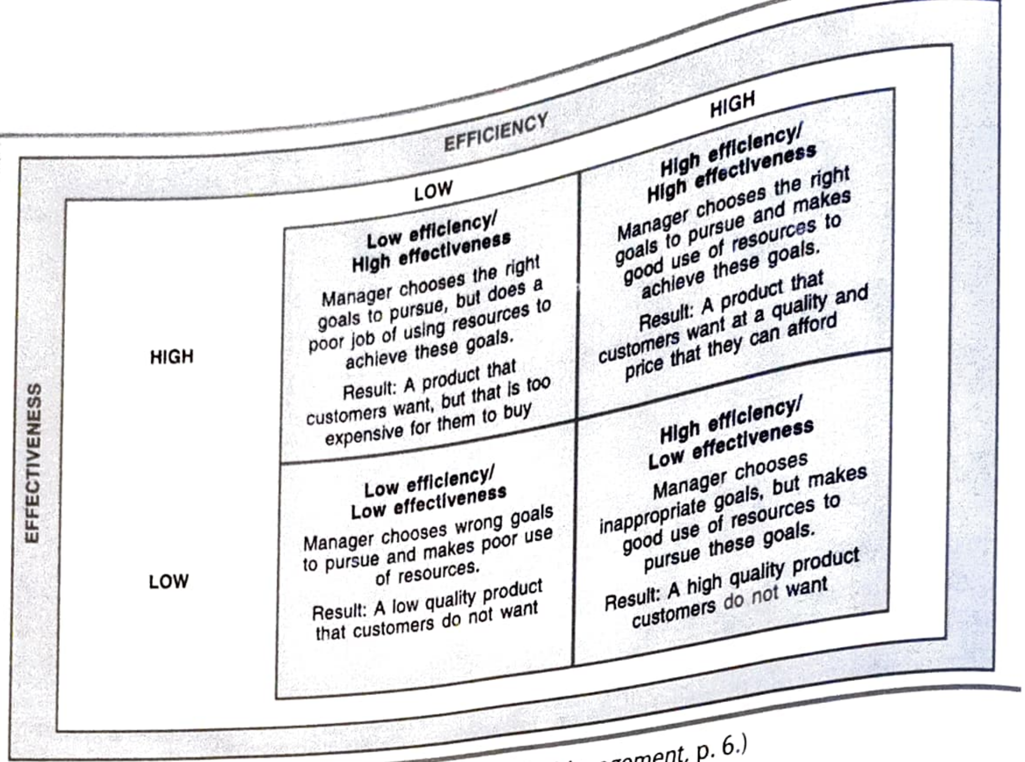
FUNCTIONS OF MANAGEMENT[LO2]

As explained in the previous chapter, management involves four important functions: planning, organising, leading and controlling (See Fig. 2.2).

Planning: Planning specifies where the organisation should be in future and establishes appropriate strategies to reach the destination. The other functions — organising, leading and controlling are derivatives of the planning function.

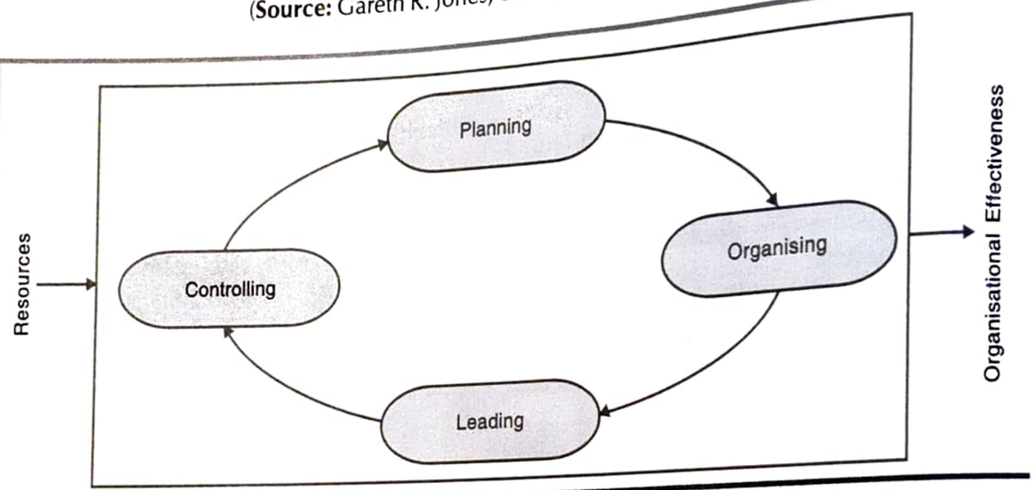
All managers at every level of organisation engage in planning. Plans give them the goal and the actions needed to reach the objective.

Figure 2.1: Efficient and Effective Matrix



(**Source:** Gareth R. Jones, *et. al.*, *Management*, p. 6.)

Figure 2.2: Functions of Management



Poor or lack of planning may ruin the organisation. It was precisely the lack of planning that resulted in the closure of once famous Binny Mills.

Organising: After plans and objectives have been developed, managers must design and develop an organisation that helps them accomplish the objectives. The organising function creates a structure of task and authority relationships that give a practical shape to all the functions of management. Infosys, WIPRO, TCS, L&T, Reliance and BHEL have all organisational structures and reorganised them from time-to-time to accommodate changing needs. These firms use their respective structures to carry-out their stated activities.

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. Leading involves motivating entire departments, and divisions as well as those individuals working closely with the manager. The ability to lead is called 'leadership' which is a great trait. In any successful organisation, it is one person — called the leader, who makes difference to it. Such people who really made the difference are legion.

Ratan Tata, Narayana Murthy, Azim Premji, Steve Jobs and Bill Gates and the likes are the names that shall find a place in the history of business management.

The quality of leadership or the leader need not be the top executive of the organisation. The person is there at every level and the quality is found in all human beings. A janitor making his juniors do a better job of sweeping is as much a leader as the CEO who inspires his or her followers for better performance.

Controlling: The last function of management is controlling. This seeks to ensure that the actual performance of the organisation conforms with what was planned for the firm. Controlling typically involves monitoring employees' activities, determining whether the organisation is on the right track towards its goals, and making corrections as necessary. Managers must ensure that the organisation is moving towards its goals.

MANAGER'S ROLES[LO3]

Armed with conceptual, interpersonal and technical skills, manager spends his or her time every day on different roles. A role is a set of specific tasks that a person is expected to perform, because of the position he or she holds in an organisation.

Mintzberg's roles of managers are the one's generally referred to while detailing tasks of executives. Henry Mintzberg had identified 10 roles of a typical manager as early as 1970s itself. The passage of time has not diminished his pioneering work. According to him, a manager has 10 roles, broadly categorised under three heads as shown in Table 2.1.

TABLE 2.1:
MANAGERIAL ROLES IDENTIFIED BY MINTZBERG

Type of Role	Specific Role	Examples of Role Activities
Interpersonal	Figurehead	Outline future organisational goals to employees at company meetings; open a new corporate headquarters building; state the organisation's ethical guidelines and the principles of behaviour employees are to follow in their dealings with customers and suppliers.
	Leader	Provide an example for employees to follow; give direct commands and orders to subordinates; make decisions concerning the use of human and technical resources; mobiles employee support for specific organisational goals.
	Liaison	Coordinate the work of managers in different departments; establish alliances between different organisations to share resources to produce new goods and services.
Informational	Monitor	Evaluate the performance of managers in different functions, and take corrective action to improve their performance; watch for changes occurring in the external and internal environment that may affect the organisation in the future.
	Disseminator	Inform employees about changes taking place in the external and internal environment that will affect them and the organisation; communicate to employees the organisation's vision and purpose.
	Spokesperson	Launch a national advertising campaign to promote new goods and services; give a speech to inform the local community about the organisation's future intentions.
Decisional	Entrepreneur	Commit organisational resources to develop innovative goods and services; decide to expand internationally to obtain new customers for the organisation's products.
	Disturbance Handler	Move quickly to take corrective action to deal with unexpected problems facing the organisation from the external environment, such as a crisis like an oil spill, or from the internal environment, such as producing faulty goods or services.
	Resource Allocator	Allocate organisational resources among different functions and departments of the organisation; set budgets and salaries of middle and first-level managers.
	Negotiator	Work with suppliers, distributors, and labour unions to reach agreements about the quality and price of input, technical and human resources; work with other organisations to establish agreements to pool resources to work on joint project.

Interpersonal Roles: Managers assume interpersonal roles in order to co-ordinate and interact with employees, provide them direction, and offer instructions. In itself, manager plays the role of a *figurehead, leader,* and *liaisoning.* As a figurehead, the manager performs ceremonial and symbolic activities for the department or the organisation. Being a figurehead, the manager needs to visioneer and strategise the activities of the department or the firm.

As a leader, the manager's role is to motivate subordinates for better performance. Relationships with subordinates, communication, and influence are a part of the role of the leader. The liaison role pertains to the development of information sources both inside and outside the organisation.

Informational Roles: Informational roles relate to the tasks necessary to obtain and transmit information. Nearly 75 per cent of the time of the managers is spent on this role. Informational role itself involves three sub-roles. First, a manager acts as a *monitor* and analyses information from inside and outside the organisation. With the information thus collected, the manager can effectively organise and control people and other resources. Acting as a *disseminator,* the manager transmits information to other members of the organisation to influence their attitudes and behaviour. As a *spokesperson,* the manager uses information to promote the organisation so that all the stakeholders respond positively towards it.

Decisional Roles: These relate to the methods managers use to plan strategies and utilise resources. As an *entrepreneur,* the manager must decide which programmes and projects to initiate and how to invest resources on them. As a *disturbance handler,* the manager assumes responsibility for handling an unexpected event or crisis that threatens the firm's access to resources.

Under typical conditions, the manager needs to be a *resource allocator,* deciding how best to use people and other resources to increase organisational effectiveness. Being engaged in that role, the manager must also be a *negotiator,* reaching agreements with others. For example, the manager meets and formally negotiates with others — a supplier about a late delivery, the finance officer about the need for additional budget allocations, or the union about a worker's grievance.

TYPES OF MANAGERS[LO4]

Organisations typically use three types of managers to function efficiently and effectively: First-line managers, middle managers and top managers (also called executives) arranged in hierarchy. First-line managers report to middle managers and they in turn are subordinated to top managers. These three types of managers are grouped into departments according to their job specific duties and responsibilities. A department like manufacturing, R&D or accounting comprises a group of people who work together and possess similar skills or use the same kind of knowledge, tools, or techniques to perform their jobs. Each department has all the three levels of managers as Fig. 2.3 shows.

First-line Managers: First-line managers (often called supervisors) stand at the base of the managerial hierarchy. They are responsible for the daily supervision of the non-managerial employees who actually perform activities necessary to convert inputs into outputs. In other words, these are the people who produce goods and services. First-line managers are found in all departments. Primary concern of the first-line managers is the application of rules and procedures to motivate subordinates, give instructions and achieve results. Besides supervisors, the first-line managers are variously called as line managers, section chiefs and office managers.

Middle Managers: These managers work at middle levels of the organisation and are responsible to find the best way to organise human and other resources to achieve organisational goals. Typically, middle-level managers head various departments in the organisation. In order to increase efficiency, middle managers seek to find ways to help first-line managers and non-managerial employees better utilise resources to reduce manufacturing costs or improve the services provided to the customers. To increase effectiveness, middle-level managers are responsible for evaluating whether the goals the organisation is pursuing are appropriate and for suggesting to executives ways in which goals should be changed.

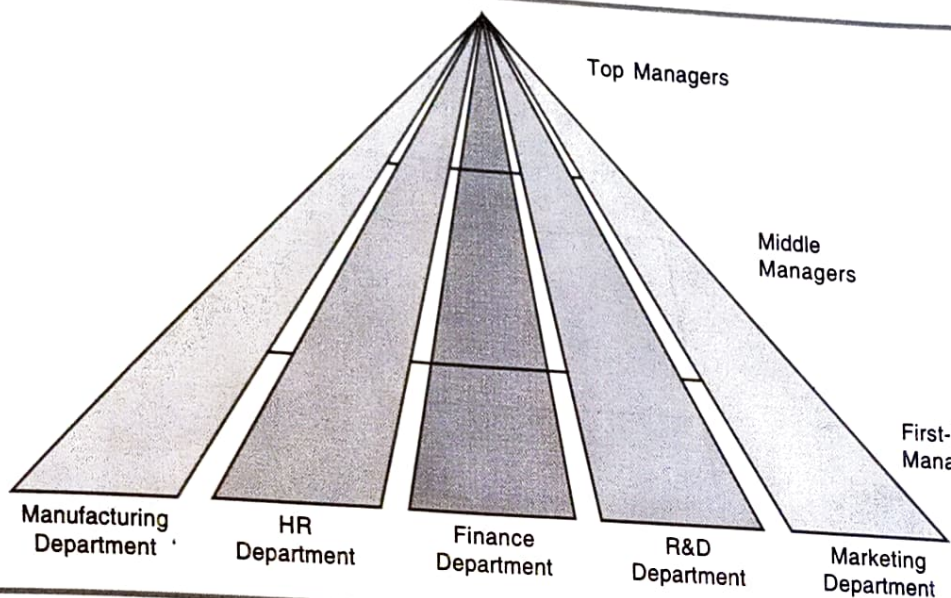


Figure 2.3: Types of Managers

Middle managers are ubiquitous. Every company has them. They are the 'glue' that holds companies together, bridging the gap between the top management and lower level workers. They implement strategy and organisational changes, keeping workers engaged during both good and bad economic cycles.

The middle managers translate strategy which can be understood by workers down the line. At the same time, middle managers take note of workers' needs making their own observations of client interfaces and shop floor activity, and relaying that information up to the senior managers. They are a buffer between the top managers and lower level employees.

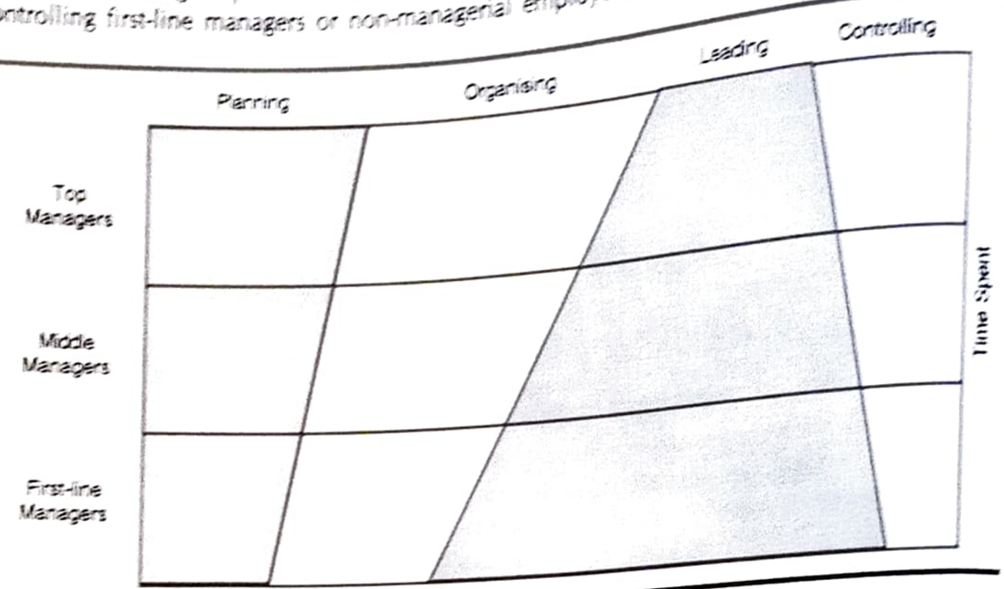
Since 1980s and early 1990s, the middle managers' job has changed dramatically. Organisations became lean and flat by laying off middle managers and slashing middle management levels. But with the emergence of teams and projects, the role of middle managers has been revived. As leaders of teams and projects, middle managers are in great demand. Today's middle managers work with a variety of projects and teams, some of which might cross geographical and cultural as well as functional boundaries.

Top Managers As Fig. 2.3 shows, top managers sit at the top of the hierarchy and are responsible for the entire organisation. They set organisational goals, define strategies to achieve them, monitor and interpret the environment, and make decisions that impact the entire organisation. Communicating shared vision with the employees down the line, shaping and sustaining corporate culture, and nurturing an entrepreneurial spirit that can help the company keep pace with the change are the other important functions of top managers. These managers are ultimately responsible for the success (See closing case) or failure of an organisation and their performance is continuously scrutinised by all the stakeholders. Top managers are known by different designations as Chief Executive Officers (CEOs), Presidents, Chairpersons, Managing Directors and Executive Vice-presidents.

Now we have three level or types of managers and four functions of management. Similarly, we have three types of skills and three types of managers. Two questions pose themselves before us. First, which type of managers are more busy with what function of management? Second, which type of skills are more appropriate for what type of managers? Figures 2.4 and 2.5 seek to answer these questions.

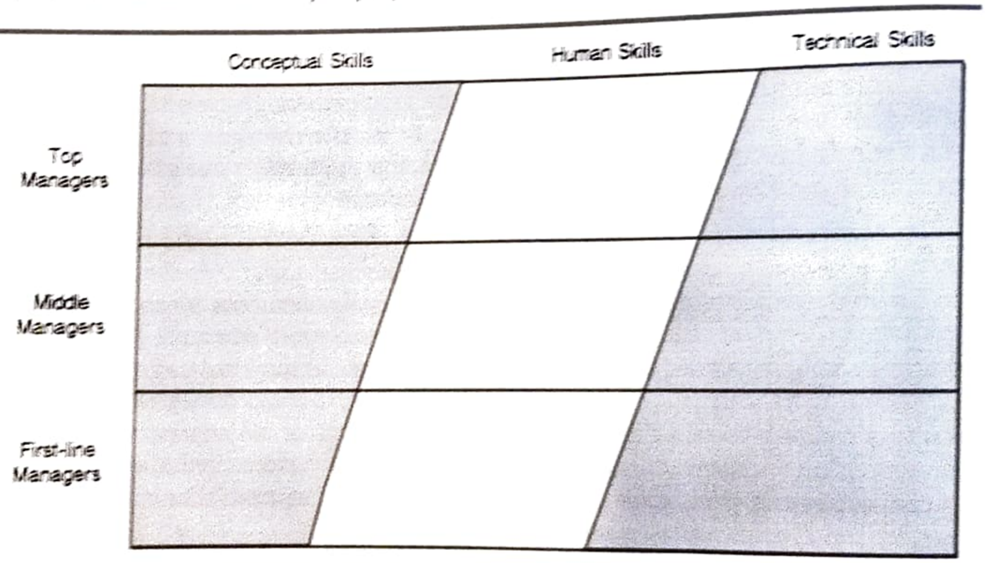
As shown in Fig. 2.4, the amount of time that managers spend (read importance) on planning and organising resources to maintain and improve organisational performance increases the higher up they are in the hierarchy. Top managers devote most of their time on planning and organising, the functions that are critical to determining an organisation's long-term performance. The lower a manager's position is in the hierarchy, the more time he or she spends leading and controlling first-line managers or non-managerial employees.

Figure 2.4: Amount of Time Managers Spend on Four Functions of Management



Coming to the skill requirement of managers, it may be stated that executives (top managers) need more conceptual skills, first-line managers need more of technical skills and managers at all levels need human skills in equal proportions. (See Fig. 2.5).

Figure 2.5: Skills Requirement of the Three Levels of Managers



CHANGING HIERARCHIES OF MANAGERS[LO5]

The tasks and responsibilities of managers at different levels have been changing dramatically in recent years. Flattening of hierarchies, restructuring and empowered teams are the main reasons for changes in hierarchies. As stated earlier, with projects and teams becoming too common in organisations, role of middle managers has shifted towards heading the projects and teams. In addition, middle managers who used to be responsible for co-ordinating and overseeing the work of first-line managers — but not doing it themselves — now need to perform specific job-related tasks while co-ordinating and monitoring the work of subordinates. Increasingly, top managers are encouraging lower-level managers to look beyond the goals of their respective departments and take a cross departmental view to find new opportunities to improve organisational performance. Stiff competition for resources among firms has put increased pressure on all managers to improve efficiency, effectiveness, and organisational performance. This calls for changing organisational hierarchies.

Empowered teams, also called self-managed teams, cause hierarchical changes in organisations. Empowered teams do not need supervision. They supervise their own work, and monitor the quality of goods and services they produce.

Members of the empowered teams assume many of the responsibilities and duties hitherto performed by first-line managers. What then will happen to first-line managers? They act as coaches or mentors whose job is not to tell employees what to do, but to provide advice and guidance and help teams find new ways to perform their tasks more efficiently.

WHAT MAKES MANAGERS SUCCESSFUL?[LO6]

Managers of all types, particularly the top managers, need to possess certain unique traits which make them successful. One simple answer to the question — what makes a manager tick — he or she is a born manager. The traits are inherited — the managership is in the blood. Look at the youth of Gujarat. Sons of business fathers automatically become businessmen themselves. Probably, Gujarat is the only State in India where fathers having marriageable daughters prefer business boys as husbands. Mukesh and Anil stepped into the shoes of the late senior Ambani, young Bajajs have taken over the reins of Bajaj group of companies, and so are the young Birlas and Junior Premji is succeeding Azim Premji.

Does it mean that successful managers are always born? The answer is 'no'. There are any number of first generation successful entrepreneurs/managers. Narayana Murthy, Anji Reddy, Subrato Bagchi, Steve Jobs and Bill Gates are only a few names that come to one's mind. These icons are made — they have acquired managerial traits. What then are the attributes?

First is the entrepreneurial instinct. This trait endows the individual with the ability to think 'out of the box', to innovate, to change, to take risk and be adventurous. Narayana Murthy typifies this trait. If only he got a job in WIPRO, if only he did not think of starting Infosys, Bangalore (read IT in India) would not be like what it is today. If only Steve Jobs did not drop out of Reed College and did not start Apple Computers in a small garage, the company would not have grown into a major MNC! Then there is the classic case of the son of a lowly placed Government employee in Odisha having started Mind Tree Consulting firm!

Determination is the hallmark of successful managers. On day one in the life of Infosys, the founders decided to pay dividends from the very first year and they kept up their decision. Azim Premji decided that his WIPRO should be known for its ethical values. The late JRD Tata decided that Tatas would never lobby with Government officials for licences and quotas.

Patience is what makes a successful manager from the not-so-successful ones. It was 30 years back that Goldrat wrote **Goal**. During the early days, no publisher of repute came forward to publish the book. But Goldrat had patience and it paid off. **Goal** has become the best seller with more than seven million copies sold. One should not be in a hurry to make business successful or to make money. The manager needs to work hard and wait for the results. Results are sure to come.

Successful manager is able to see opportunities where others fail to identify. Newton was the only man who questioned why apple was falling, though millions earlier to him just saw apples falling. Steve Jobs could use all that calligraphy he learnt in Reed College to design Macintosh Computer.

A successful manager works hard — day in day out — typically 24/7. He or she travels a lot, often globe-trotting. The daily engagements, meetings, schedules, orders, cash flows, rivals, turnovers and many more take a heavy toll on the manager's health. It is work, work all the time.

Reading and acquiring knowledge make the manager keep track of the happenings in the market. An executive is a voracious reader. Azim Premji, Narayana Murthy or Ratan Tata — you can see them carrying latest books on business management and reading while travelling.

The manager of today is inspired by achievement need. He or she measures success by numbers. The turnover this year is ₹ 100 cr. It should go up to ₹ 500 cr. next year and to ₹ 1,000 cr. the following year. Successful managers are ambitious, but not greedy.

It is stating what is too obvious. The successful manager possesses all the three skills we stated earlier. He or she is endowed with conceptual, interpersonal and technical skills in abundance.

Successful managers are ethically conscious people. They know pretty well that unethical practices get them quick results, but quick results, are not lasting results. Tatas are known for ethical conduct and corporate governance. Narayana Murthy made Panesh Murthy quit the company as the latter harassed a female employee. Gopalakrishna, the previous CEO of Infosys, was made to pay a fine of ₹ 5 lakh as he was charged with insider trading offence.

The successful manager is not always focussed on turnover and profits. He or she is staying connected to customers and employees. The Internet has given increased knowledge and power to customers, so organisations have to remain flexible and adaptable to respond quickly to changing demands or competition.

Team-building skills make a manager highly successful. Teams of front-line employees who work directly with customers are the basic building blocks of organisations. Instead of managing a department of employees, many managers act as team leaders of changing and temporary projects.

A successful manager believes in the strength and quality of collaborative relationships. Partnerships, both within the organisation and with outside customers, suppliers and even rival firms are regarded as the key to winning organisations. E-business models that digitally link customers, suppliers, partners and other stakeholders require managers to assess and manage relationships far beyond the confines of the traditional organisation.

Building a learning organisation is yet another trait of a successful manager. A learning organisation is built on a climate that values experimentation and risk taking, applies current technology, tolerates mistakes and failures, and rewards out-of-box thinking and sharing of knowledge. Everyone in the organisation participates in identifying and solving problems, enabling the organisation to continuously experiment, improve and increase its capability.

A successful manager is expected to possess self-worth or self-competency. Self-worth is the first step in the process of learning to manage others. Effective managers must be abreast of important global trends that have significant impact on their organisations and understand how well their organisations are performing in global markets. Of particular importance is understanding the multicultural differences prevailing across the globe.

EVOLUTION OF MANAGEMENT THEORY[LO7] Tutorial

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.

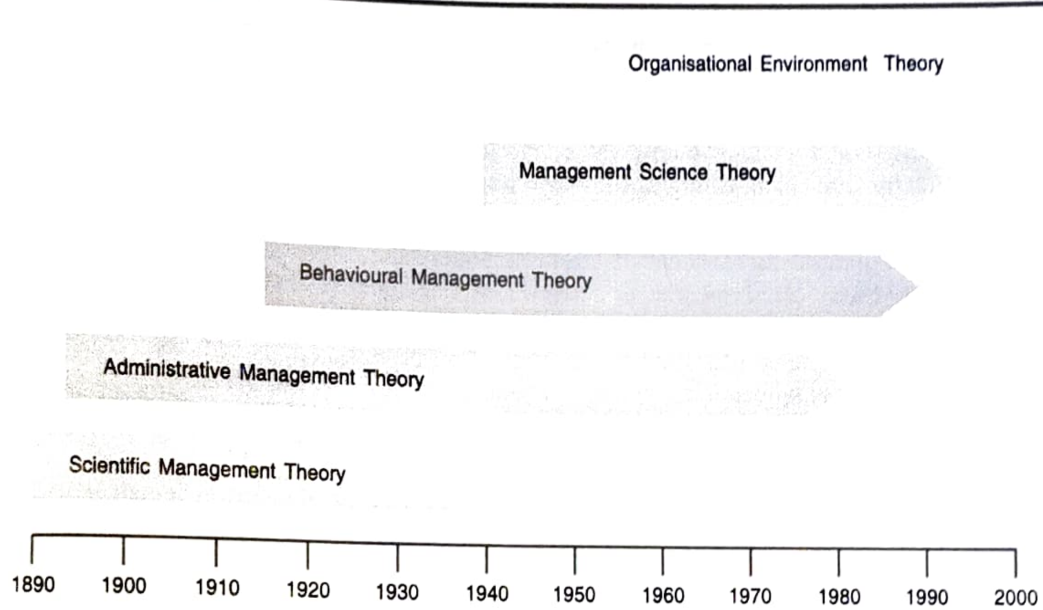


Figure 2.6: Management Theories

(***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
• Improved **productivity** and **performance**	• Simplistic motivational assumptions
• Scientific analysis of the workplace	• Workers are treated as wheels in a machine
• Linking wages to performance and enhanced earnings for workers	• Potential for exploitation of labour
• Co-operation between management and workers got to be established	• Interpersonal relationships and linkages between environment and organisation ignored
• Demonstrated the importance of personnel selection and training	• 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.

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 McGergor'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 Follet, one of the earliest management thinkers. Being a social philosopher, she pioneered many of the principles and practices of organisational behaviour.

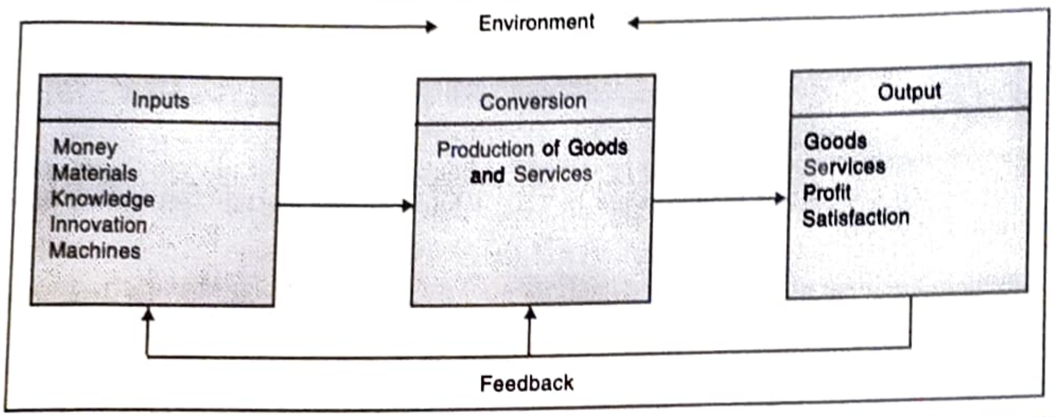
Management Science Theory: What makes management science theory different from other approaches is the application of mathematics, statistics, and other quantitative techniques to management decision making and problem solving. Management science in essence is scientific management revisited. TQM, OR, 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[LO8]

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 commentories 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. Maharshi Mahesh Yogi's Transcendental Meditation (TM) has worldwide acceptance so also 'yoga'. But, these are practised more as destressors 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]