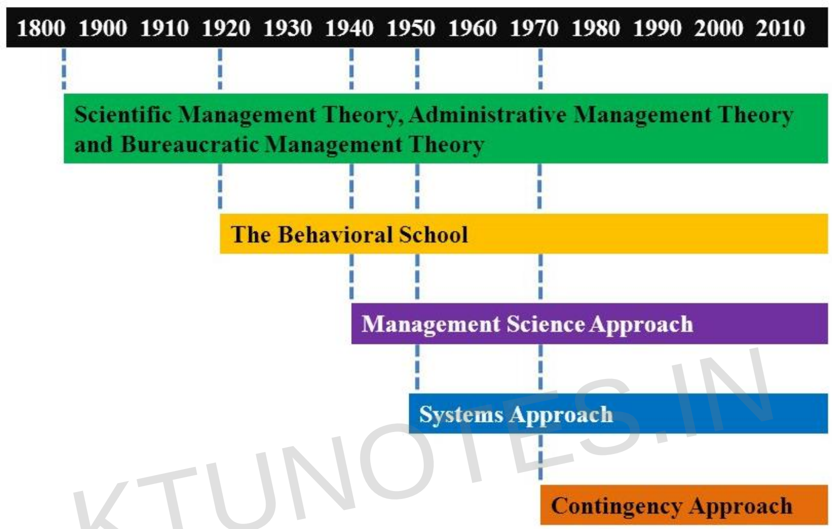

KTUNOTES

EARLY CONTRIBUTIONS AND ETHICS IN MANAGEMENT

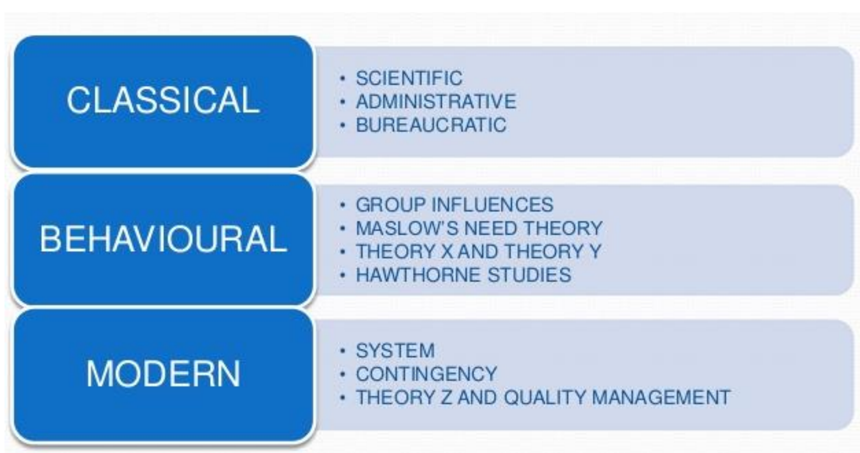
Introduction

The origin of management can be traced back to the days when man started living in groups. One can argue that management took the form of leadership which was essential to coordinate the efforts of the group members in order to arrange the necessities of life. History reveals that strong men organized the masses into groups according to their intelligence, physical and mental capabilities.

Evolution of Management Thought



Different Approaches



1 • Scientific Management

Contributions of Frederick Winslow Taylor

"Father of scientific management"

Principles Of Scientific Management

(1) SCIENCE NOT RULE OF THUMB

This principle says that we should not get stuck in a set routine with the old techniques of doing work; rather we should be constantly experimenting to develop new techniques which make the work much simpler, easier and quicker. Taylor believed that there was **one best method to maximize efficiency** -This method involved investigation of traditional methods through work-study, unifying the best practices and developing a standard method, which would be followed throughout the organization.

(2) HARMONY NOT DISCORD

As per this principle, such an atmosphere should be created in the organization that labor and management consider each other indispensable. There should be complete harmony between the managers and the workers.

(3) COOPERATION, NOT INDIVIDUALISM :

According to this principle, all the activities done by different people must be carried on with a spirit of mutual cooperation.

Competition should be replaced by Cooperation.

Taylor has suggested that the manager and the workers should jointly determine standards. This increases involvement and thus, in turn, increases responsibility. In this way we can expect miraculous results.

This can be achieved by:

- Rewarding the employees for their suggestions.
- Workers not going on unnecessary strikes and making unreasonable demands.
- Open communication between management and all staff .
- Equal division of work and responsibility between workers and management.

(4) DEVELOPMENT OF WORKERS:

According to this principle, the efficiency of each and every person should be taken care of right from his selection.

A proper arrangement of everybody's training should be made.
It should also be taken care that each individual should be allotted work according to his ability and interest. Such a caring attitude would create a sense of enthusiasm among the employees and a feeling of belongingness too.

(5) MAXIMUM OUTPUT:

Scientific management involves continuous increase in production and Productivity, instead of restricted production either by management or worker.

TECHNIQUES OF SCIENTIFIC MANAGEMENT :

1. SEPERATION OF PLANNING AND DOING-

Taylor advocated separation of planning and execution functions. Planning should be left to supervisor and worker should emphasize only operational work.
Before it was the worker who used to decide about how he has to work and what instruments were necessary. The supervisor job was merely to see how the workers were performing

2. FUNCTIONAL FOREMANSHIP-

Foreman represents the managerial figure with who the workers are in face to face contact on a daily basis and was made in charge for each function.

3. STANDARDISATION AND SIMPLIFICATION OF WORK-

Standardization refers to the process of setting standards for every business activity. It is a means of achieving economics of production. It implies the physical attitude of products should be such that it meets the requirements & needs of customers. Taylor advocated that tools & equipments as well as working conditions should be standardized to achieve standard output from workers. Simplification is method of eliminating unnecessary diversity of products. It results in saving of cost of labor, machines, tools etc.

4. JOB ANALYSIS-

This technique determines the best way of doing the job.
The best way of doing the job is one which requires least movements, consequentially less time and cost. The best way can be determined by conducting motion study, time study and fatigue study

MOTION STUDY-

In this study, movement of body and limbs required to perform a job are closely observed. In other words, it refers to the study of movement of an operator on machine involved in a particular task.
The purpose of motion study is to eliminate useless motions and determine the best way of doing the job.
By undertaking motion study an attempt is made to know whether some elements of a job can be eliminated combined or their sequence can be changed to achieve necessary rhythm.
Motion study increases the efficiency and productivity of workers by cutting down all wasteful motions.

TIME STUDY-

It is a technique which enables the manager to ascertain standard time taken for performing a specified job. Every job or every part of it is studied in detail.
This technique is based on the study of an average worker having reasonable skill and ability. Average worker is selected and assigned the job and then with the help of a stop watch, time is ascertained for performing that particular job.

Taylor maintained that Fair day's work should be determined through observations, experiment and analysis by keeping in view an average worker.

FATIGUE STUDY-

A person is bound to feel tired physically and mentally if he / she do not rest while working. The rest intervals will help one to regain stamina and work again with the same capacity. This will result in increased productivity.

Fatigue study seeks to determine the amount and frequency of rest intervals in completing a task.

5. FINANCIAL INCENTIVES-

This technique of wage payment is based on efficiency of worker. The efficient workers are paid more wages than inefficient one.

On the other hand, those workers who produce less than standard number of pieces are paid wages at lower rate than prevailing rate i.e. worker is penalized for his inefficiency.

This system is a source of incentive to workers who improve their efficiency in order to get more wages.

It also encourages inefficient workers to improve their performance and achieve their standards.

It leads to mass production which minimizes cost and maximizes profits.

6. SCIENTIFIC SELECTION AND TRAINING OF WORKERS-

Workers should be selected on scientific basis by considering their education, work experience, aptitude, physical strength etc. A worker should be given a work for which he is physically and technically more suitable. Emphasis should also be given on the training of workers which makes them more efficient and effective.

7. ECONOMY-

Adequate consideration should also be given to economy and profit. For this purpose techniques of cost estimation and control should be adopted. The economy and profit can be achieved by making the resources more productive as well by eliminating the wastages.

8. MENTAL REVOLUTION

Scientific management depends on mutual co-operation between management and workers. For this co-operation there should be mental change in both parties from conflict to co-operation.

Contributions of Henry Fayol

"Father of Modern Management"

His ideas on management have been summed up as the Administrative Management Theory

Fayol's contribution to management can be discussed under the following four heads:

1. Division of Industrial Activities:

Fayol observed the organizational functioning from manager's point of view.

He found that all activities of the industrial enterprise could be divided into six groups:

(i) Technical (relating to production);

(ii) Commercial (buying, selling and exchange);

(iii) Financial (search for capital and its optimum use) ;

(iv) Security (protection of property and persons);

(v) Accounting (Preparation of various statements, accounts, returns etc.) and

(vi) Managerial (planning, organisation, command, co-ordination and control)

He pointed out that these activities exist in every enterprise. He further said that the first five activities are well known to a manager and consequently devoted most of his book to analyse managerial activities.

2. Qualities of an Effective Manager:

Henry Fayol was the first person to recognize the different qualities for manager.

According to him these qualities are:

(i) Physical (health, vigor, and address);

(ii) Mental (ability to understand and learn, judgement, mental vigor, and adaptability) ;

(iii) Moral (energy, willingness to accept responsibility, initiative, loyalty, tact and dignity);

(iv) Educational (acquaintance with matters related to general functioning) ;

(v) Technical (peculiar to the functions being performed); and

(vi) Experience (arising from the work).

3. Functions of Management:

Fayol classified the elements of management into five and all such elements were considered by him as the functions of management.

According to him following are the functions of management:

1	**Planning**	Deciding in advance what to do. It involves thought and decision relating to a future course of action.
2	**Organizing**	Providing everything that is useful to a business enterprise for its operation i.e., men, materials, machines and money etc.
3	**Commanding**	Maintaining activity among personnel (lead the personnel in a better way).
4	**Co-ordinating**	The channelization of group efforts in the direction of achieving the desired objective of the enterprise (binding together-unifying and harmonizing all activity).
5	**Controlling**	Seeing that everything is being carried out according to the plan which has been adopted, the orders which have been given, and the principles which have been laid down. Its object is to point out mistakes in order that they may be rectified and prevented from occurring again.

Fayol observed that these principles apply not only to business enterprise, but also to political, religious, philanthropic or other undertakings.

4. Principles of Management:

Hentry Fayol evolved 14 principles that can be applied in all management situations irrespective of the types of organization

Fayol made distinction between management principles and management elements.

The management principle is a fundamental truth and establishes cause-effect relationship while management element gives the functions performed by a manager. These principles not only influenced but also dominated management thought.

Fayol's fourteen Principles of management

Fayol derived the following fourteen principles.-

1	**Division of work**	Division of work means specialization. Each job and work should be divided into small task and should be assigned to specialist of it.
2	**Authority and responsibility:**	Authority means right to give order and command while responsibility means to accomplish objective.
3	**Discipline:**	Discipline is required at every level in every organization. Fayol stated discipline in terms of obedience, application, and respect to superiors.
4	**Unity of command**	A subordinate should receive order from only one boss with no other conflicting lines of command.
5	**Unity of direction:**	It means that all the works of an organization must work together to accomplish a common objective in under one plan and head.
6	**Subordination of individual interest to common interest:**	Worker follows the common interest of organization rather than individual.
7	**Remuneration:**	Remuneration should be fair and adequate. It includes both types of incentives financial as well as non financial.
8	**Centralization:**	There should be one central point in organization which exercises overall direction and control of all the parts.
9	**Scalar Chain:**	Scalar chain is the chain or line of command from superior to subordinates.
10	**Order:**	Only proper order can give an efficient management
11	**Equity:**	Equity creates loyalty and devotion among the employees.
12	**Stability of tenure personnel:**	Security of job for an employee in an organization is very important and pre-requisite condition. Retaining productive employee should always a higher priority of management.
13	**Initiative:**	Manager should encourage the employees Initiative for creative working.
14	**Esprit de corps:**	Management should encourage harmony and proper understandings between workers. Fayol said that in union there is strength. Whole organization should work as a team.

Contributions of Gilbreth's

Frank and Lillian Gilbreth were a husband-and-wife team who worked as engineers in the early part of the 20th century. Lillian carried on this work after the death of Frank in 1924. Their main focus was on the fields of motion study and time study, combined with an interest on the psychology of efficiency and work.

Taylor was focused with achieving efficiency through the quickness of a task being done, the scientific tool he is often associated with being the stopwatch. The Gilbreth's on the other hand were more focused on reducing the number of motions needed to achieve a goal or task. They did use the stopwatch, but they were more interested in finding ways to reduce motion and were more concerned with the well being of the worker. Taylor interests were more directed toward production and profit and the workers were able to see the difference between Taylor's approach and the Gilbreth's approach.

The Gilbreth theory held that there was a "one best way" to do any task. Efficiency, according to the Gilbreth business management theory, could therefore be improved by finding this "one best way" and replicating it throughout the manufacturing process. The Gilbreths used new technologies such as film to break motions down into incremental parts, which they called "therbligs." By reducing the number of "therbligs" for any task, one could increase the efficiency of the worker.

The management theory of Frank and Lillian Gilbreth can be summed up by the following:

1. Reduce the number of motions in a task to increase efficiency.

2. Focus on the incremental study of motions and time to understand an entire task.

3. The goal of increased efficiency is both increased profit and greater worker satisfaction.

2 • Human Relations Approach

Contributions of Elton Mayo

Elton Mayo's contribution to management theory helped pave the way for modern human relations management methods. Based on his well-known Hawthorne experiments, Mayo's management theories grew from his observations of employee productivity levels under varying environmental conditions. His experiments drew a number of conclusions about the real source of employee motivation, laying the groundwork for later approaches to team building and group dynamics.

Mayo management theory states that employees are motivated far more by relational factors such as attention and camaraderie than by monetary rewards or environmental factors such as lighting, humidity, etc.

Mayo was the first person to plead for the understanding of workers' problems in the context of growth of science and technology. He wished the management to understand the problems of workers and make efforts to redress them.

His main contributions are discussed as follows:

1. Human Relations Approach:

Mayo is rightly called the father of human relations movement. His ideas were a milestone and a turning point in human relations approach of the management. He recognised the importance of human beings in management. He said that human beings are complex and influential input into organisational performance. The social and psychological needs of human beings cannot be ignored, if management wants to enhance productivity.

2. Non-Economic Awards:

The earlier assumption was that workers will work more if they are offered more monetary incentives. Taylor was the main proponent of this approach. Elton Mayo said that the techniques of economic incentives were not only inadequate but also unrealistic.He was able to show that humane and respectful treatment, sense of participation and belonging, recognition, morale, human pride and social interaction are sometimes more important than pure monetary rewards.

3. Social Man:

Mayo developed a concept of 'social man'. He said that man is basically motivated by social needs and obtains his sense of identity through relationships with others. He is more responsive to the social forces of the informal group rather than managerial incentives and controls. He also related productivity to a social phenomenon.

4. Organisation as a Social System:
Mayo was of the view that informal relationships in the organisation are more effective than formal relationships. People form informal groups to give a vent to their feelings and seek guidance for action from such groups.

In Mayo's words, "An organisation is a social system, a system of cliques, grapevines, informal status systems, rituals and a minute of logical, non-logical and illogical behaviour." He was of the opinion that managers should maintain an equilibrium between the logic of efficiency' demanded by the formal organisation. He thought that besides logic and facts people are also guided by sentiments and feelings.

Features of Elton Mayo's Human Relations Approach:

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

(b) The managers must study the inter-personal relations among the people at work.

(c) Larger production and higher motivation can be achieved only through good human relation.

(d) The study of management must draw the concepts and principles of various behav ioural sciences like Psychology and Sociology.

Contribution of Elton Mayo to Management Thought:
He conducted the famous 'Hawthorne Experiments' at the Hawthorne plant of the Western Electric Company in the USA during 1927-32 with his associates.

These experiments are described below:
1. Illumination Experiments:
From these experiments, it was revealed that productivity could be increased not only by improving the working environment, but also through informal social relations among the members of the working group.

2. Relay Assembly Test Room Experiment:
In this experiment a small homogeneous working group was constituted. Several new elements were introduced in the work environment such as—shorter working hours, proper rest periods, improved physical conditions, friendly supervision, free social interaction among the group members, and so on.

During the period of the experiment, productivity and morale increased. Productivity and morale were maintained even if the improvements in the working conditions were withdrawn. The researchers concluded that socio- psychological factors such as the feelings of being important, recognition, participation, informal work group, non-directive supervision etc. held the key for higher productivity.

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

4. Bank Wiring Observation Room Experiment:
A group of 14 workers was observed with regard to their work behaviour. The observation revealed the informal production norms set by the workers and the existence of informal relations in the group.

The conclusions of the Hawthorne Experiments are pointed out below:
(i) A factory is not only a techno-economic unit but a psycho-social organisation also.

(ii) The workers spontaneously form small informal groups. The norms and values of such groups have significant influence on the behaviour and performance of the workers.

(iii) Physical conditions of work have some influence on the workers' morale and productivity. But their inter-personal relations, attitude of the supervisors and other social and psychological factors have a far greater influence.

(iv) Usually, the workers act or re-act not as individuals but as the members of a group.

(v) The workers are not mere economic men motivated by money alone. They respond to the total work situation including recognition, participation etc.

(vi) The informal leaders play an important role in setting and enforcing group norms.

(vii) The managers must understand and recognise the inter-personal and group relations on the job.

Contributions of Douglas McGregor-Theory X and Theory Y

In 1960, Douglas McGregor formulated Theory X and Theory Y suggesting two aspects of human behaviour at work, or in other words, two different views of individuals (employees): one of which is negative, called as Theory X and the other is positive, so called as Theory Y. According to McGregor, the perception of managers on the nature of individuals is based on various assumptions.

Assumptions of Theory X

- An average employee intrinsically does not like work and tries to escape it whenever possible.
- Since the employee does not want to work, he must be persuaded, compelled, or warned with punishment so as to achieve organizational goals. A close supervision is required on part of managers. The managers adopt a more dictatorial style.
- Many employees rank job security on top, and they have little or no aspiration/ ambition.
- Employees generally dislike responsibilities.
- Employees resist change.
- An average employee needs formal direction.

Assumptions of Theory Y

- Employees can perceive their job as relaxing and normal. They exercise their physical and mental efforts in an inherent manner in their jobs.
- Employees may not require only threat, external control and coercion to work, but they can use self-direction and self-control if they are dedicated and sincere to achieve the organizational objectives.
- If the job is rewarding and satisfying, then it will result in employees' loyalty and commitment to organization.
- An average employee can learn to admit and recognize the responsibility. In fact, he can even learn to obtain responsibility.
- The employees have skills and capabilities. Their logical capabilities should be fully utilized. In other words, the creativity, resourcefulness and innovative potentiality of the employees can be utilized to solve organizational problems.

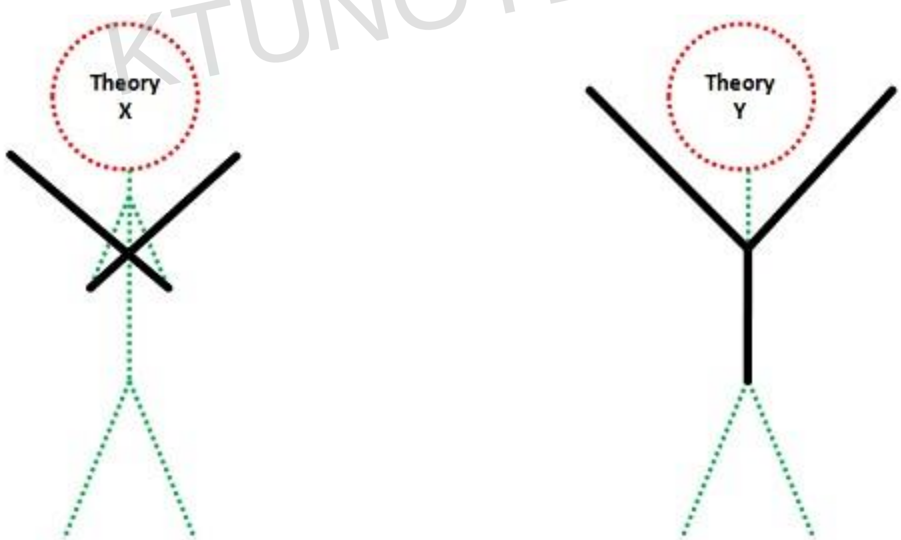
Thus, we can say that Theory X presents a pessimistic view of employees' nature and behaviour at work, while Theory Y presents an optimistic view of the employees' nature and behaviour at work. If correlate it with Maslow's theory, we can say that Theory X is based on the assumption that the employees emphasize on the physiological needs and the safety needs; while Theory Y is based on the assumption that the social needs, esteem needs and the self-actualization needs dominate the employees.

McGregor views Theory Y to be more valid and reasonable than Theory X. Thus, he encouraged cordial team relations, responsible and stimulating jobs, and participation of all in decision-making process.

Implications of Theory X and Theory Y

✓	Quite a few organizations use Theory X today. Theory X encourages use of tight control and supervision. It implies that employees are reluctant to organizational changes. Thus, it does not encourage innovation.
✓	Many organizations are using Theory Y techniques. Theory Y implies that the managers should create and encourage a work environment which provides opportunities to employees to take initiative and self-direction. Employees should be given opportunities to contribute to organizational well-being. Theory Y encourages decentralization of authority, teamwork and participative decision making in an organization. Theory Y searches and discovers the ways in which an employee can make significant contributions in an organization. It harmonizes and matches employees' needs and aspirations with organizational needs and aspirations.

Difference Between Theory X and Theory Y



BASIS FOR COMPARISON	THEORY X	THEORY Y
Meaning	Theory X is a motivational theory, which involves high supervision and control over the subordinates, and greater degree of centralization.	Theory Y, is an advanced theory, wherein it is assumed that the workers are self-directed and self-motivated, for growth and development and takes active part in decision making.
Work	Dislikes work	Work is natural
Ambition	Little to no ambition	Highly ambitious
Responsibility	Avoids responsibility.	Accept and seek responsibility.
Leadership style	Autocratic	Democratic
Direction	Constant direction is required.	Little to no direction is required.
Control	Tight	Lenient
Authority	Centralized	Decentralized
Self motivation	Absent	Present
Focuses on	Psychological needs and Security needs	Social needs, esteem needs and self-actualization needs.

Contribution of William Ouchi-Theory Z

The management theory of William Ouchi, often called the Japanese method of management, adds an extra component to the X and Y Theories of Douglas McGregor. Dubbed "Theory Z" because of this relationship, Ouchi's management model goes farther than McGregor's Y Theory.
While Theory X refers to the old-fashioned, autocratic approach to management which is sometimes referred to as "hard" management and Theory Y represents a more "enlightened" and empowering management style generally thought of as "soft" management, Theory Z incorporates elements that make it an even more participative style than Theory Y.

Ouchi proposed that a Theory Z management approach could lead to

1. Greater employee job satisfaction,
2. Lower rates of absenteeism and turnover,
3. Higher quality products, and
4. Better overall financial performance for firms adapting Theory Z practices.

Some features of William Ouchi theory include:

1. Mutual Trust:
According of Ouchi, trust, integrity and openness are essential ingredients of an effective organisation. When trust and openness exist between employees, work groups, union and management, conflict is reduced to the minimum and employees cooperate fully to achieve the organisation's objectives.

2. Strong Bond between Organisation and Employees:
Several methods can be used to establish a strong bond between the enterprise and its employees. Employees may be granted lifetime employment which leads to loyalty towards the enterprise. During adverse business conditions shareholders may forgo dividends to avoid retrenchment of workers. Promotions may be slowed down.
As against vertical movement of employees greater emphasis should be placed on horizontal movement which reduces stagnation. A career planning for employees should be done so that every employee is properly placed. This would result in a more stable and conducive work environment.

3. Employee Involvement:
Theory Z suggests that involvement of employees in related matters improves their commitment and performance. Involvement implies meaningful participation of employees in the decision-making process, particularly in matters directly affecting them. Such participation generates a sense of responsibility and increases enthusiasm in the implementation of decisions, Top managers serve as facilitators rather than decision-makers.

4. Integrated Organisation:
Under Theory Z, focus is on sharing of information and ‘ resources rather than on chart, divisions or any formal structure. An integrated organisation puts emphasis on job rotation which improves understanding about interdependence of tasks. Such understanding leads to group spirit.

5. Coordination:
The leader’s role should be to coordinate the efforts of human beings. In order to develop common culture and class feeling in the organisation, the leader must use the processes of communication, debate and analysis.

6. Informal Control System:
Organisational control system should be made informal. For this purpose emphasis should be on mutual trust and cooperation rather than on superior-subordinate relationships.

7. Human Resource Development:
Managers should develop new skills among employees. Under Theory’ Z, potential of every person is recognized and attempts are made to develop and utilise it through job enlargement, career planning, training, etc.

Limitations of Theory Z:

(i) Provision of lifetime employment to employees to develop a strong bond between organisation and employees may fail to motivate employees with higher level needs. It merely provides job security and may fail to develop loyalty among employees.
An employee may leave the organisation when better employments are offered to him by some other enterprise. Moreover, complete security of job may create lethargy among many employees. Employers also do not like to retain inefficient employees permanently.

(ii) Participation of employees in the decision-making process is very difficult. Managers may dislike participation as it may hurt their ego and freedom. Employees may be reluctant to participate due to fear of criticism and lack of motivation. Even if they sit along with management they may contribute little unless they understand the issues and take initiative. Involvement of all employees may also slow down the decision-making process.

(iii) Theory Z suggests organisation without any structure. But without structure there may be chaos in the organisation as nobody will know who is responsible to whom.

(iv) It may not be possible to develop a common culture in the organisation because people differ in their attitudes, habits, languages, religions, customs, etc.

(v) Theory Z is based on Japanese management practices. These practices have been evolved from Japan’s unique culture. Therefore, the theory may not be applicable in different cultures.

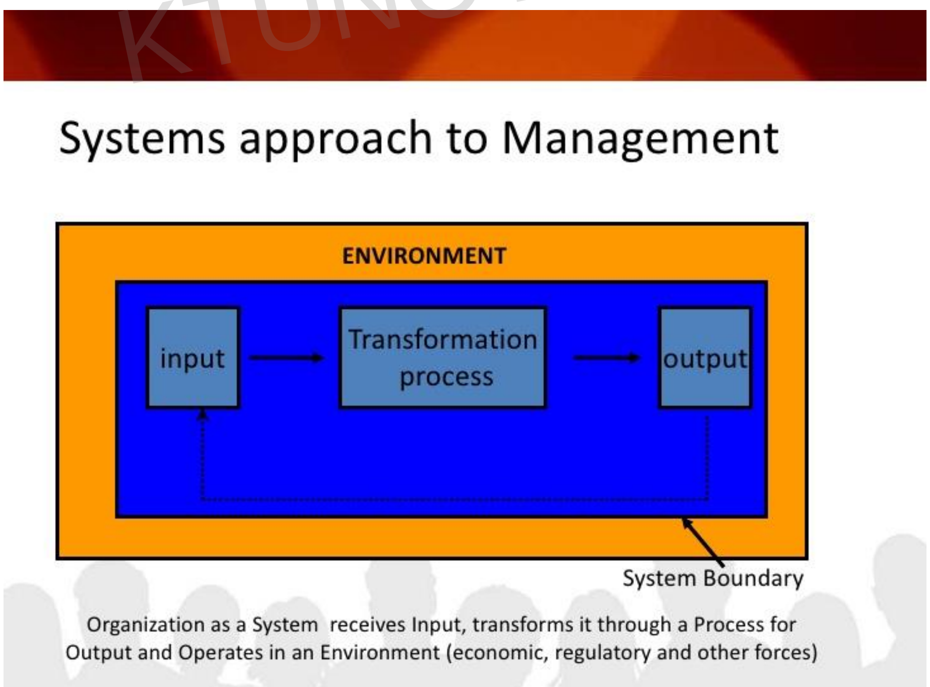
Thus, Theory Z does not provide complete solution to motivational problems of all organisations operating under different types of environment. However, it is not merely a theory of motivation but a philosophy of managing.

3 • Systems Approach

In the 1960, an approach to management appeared which try to unify the prior schools of thought. This approach is commonly known as ‘Systems Approach’. Its early contributors include Ludwing Von Bertalanfty, Lawrence J. Henderson, W.G. Scott, Deniel Katz, Robert L. Kahn, W. Buckley and J.D. Thompson.

Features of Systems Approach:

1. A system consists of interacting elements. It is set of inter-related and inter-dependent parts arranged in a manner that produces a unified whole.
2. The various sub-systems should be studied in their inter-relationships rather, than in isolation from each other.
3. An organisational system has a boundary that determines which parts are internal and which are external.
4. A system does not exist in a vacuum. It receives information, material and energy from other systems as inputs. These inputs undergo a transformation process within a system and leave the system as output to other systems.
5. An organisation is a dynamic system as it is responsive to its environment. It is vulnerable to change in its environment.



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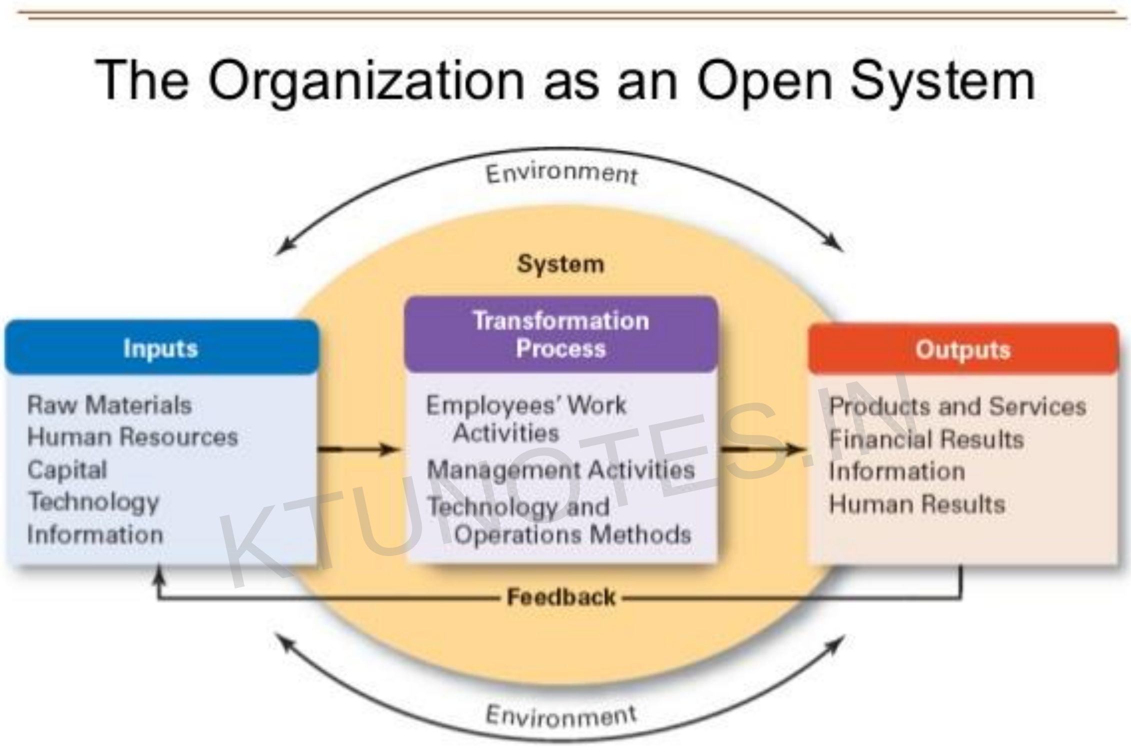
Characteristics

- Systems have structure, defined by parts and their composition;
- Systems have behavior, which involves inputs, processing and outputs of material, energy or information;
- Systems have interconnectivity: the various parts of a system have functional as well as structural relationships between each other.
- System(s) have by itself function(s) or group of functions.



Systems theory is useful to management because it aims at achieving the objectives and it views organisation as an open system.

The systems approach provides an integral approach to management.This approach is more useful in managerial decision making.It provides a framework through which organizations environmental interaction can be analysed and implemented for the effective decision making.

Advantages

- It aims at meaningful analysis of organizations and their management.
- It facilitates the interaction between organization and its environment.
- Managers have a good view of the organization
- It forecasts consequences and plan actions
- It guide manager to avoid analyzing problems in isolation and to develop an integrated approach.

Disadvantages

- The approach does not recognize the differences in systems.
- Over-conceptual
- Systems philosophy does not specify the nature of interactions and interdependencies.
- Unpractical: It cannot be easily and directly applied to practical problems.
- Lack of Universality
- Complex System

4 • Contingency Approach

Contingency approach is based on the assumption that there is no universal solution (best way) to manage or solve problems. It is characterized by a constant search for appropriate methods of solutions and management for different situations and conditions. It is a creative and system approach.
The Contingency approach is also called Situational approach.

There are three major elements of the overall conceptual framework for contingency management

1. The Environment
2. Management concepts and techniques
3. The contingent relationship between them.

The contingency approach is more in favor of the modern management theory. Modern management theory suggests the psychological approach to employees. The Contingency approach is highly dependent on the experience and judgement of the manger in a given organizational environment.

Important ideas of Contingency Theory

- Wide range of external and internal factors must be considered and the focus should be on the action that best fits the given situation.
- There is no universal or one best way to manage.
- Effective organizations not only have a proper fit with the environment but also between its subsystems.
- Each managers situation must be viewed separately.
- The needs of an organization are better satisfied when it is properly designed and the management style is appropriate both to the tasks undertaken and the nature of the work group.
- Managers need to be developed in skills that are most useful in identifying the important situational factors.

Task of a Manager:

a. The overall ability to correct problems and to become more effective as a manager will increase.
b. Ability to examine each situation in terms of how it is affected by the contextual, organizational, and human dimensions.
c. Recognize that the successful application of a technique in one situation does not guarantee success in another.
d. Ability to identify and to solve problems under different situations.

The advantages of contingency approach :

1. More complete information
2. More alternatives are generated
3. Acceptance of solutions are increased
4. The legitimacy of the solution is increased.

The disadvantages of contingency approach :

1. Minorities can dominate (more powerful)
2. Time consuming
3. Pressures to conform are applied by more powerful members
4. Responsibility for the solution is ambiguous.
5. Reactive not proactive

5 • McKinsey 7-S Framework

McKinsey 7s model is a tool that analyzes firm's organizational design by looking at 7 key internal elements: strategy, structure, systems, shared values, style, staff and skills, in order to identify if they are effectively aligned and allow organization to achieve its objectives.

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

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

The Seven Elements

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

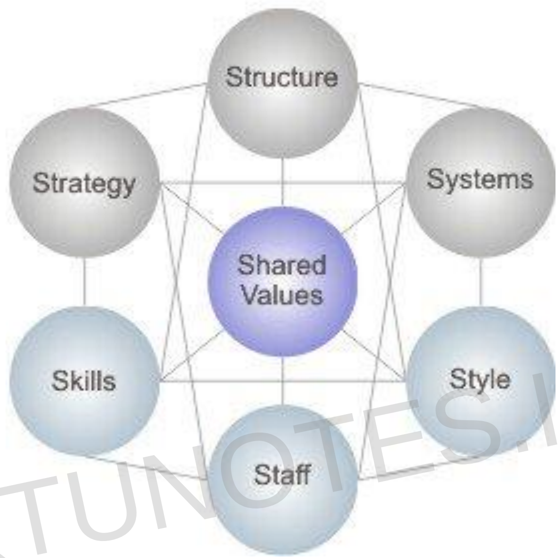
Hard Elements	Soft Elements
	Shared Values
Strategy	Skills
Structure	Style
Systems	Staff

"Hard" elements are easier to define or identify and management can directly influence them: These are strategy statements; organization charts and reporting lines; and formal processes and IT systems.

"Soft" elements, on the other hand, can be more difficult to describe, and are less tangible and more influenced by culture. However, these soft elements are as important as the hard elements if the organization is going to be successful.

The way the model is presented in Figure 1 below depicts the interdependency of the elements and indicates how a change in one affects all the others.

Figure 1: The McKinsey 7S Model



- Strategy: the plan devised to maintain and build competitive advantage over the competition.
- Structure: the way the organization is structured and who reports to whom.
- Systems: the daily activities and procedures that staff members engage in to get the job done.
- Shared Values: called "superordinate goals" when the model was first developed, these are the core values of the company that are evidenced in the corporate culture and the general work ethic.
- Style: the style of leadership adopted.
- Staff: the employees and their general capabilities.
- Skills: the actual skills and competencies of the employees working for the company.

Using the tool

The following steps are used to apply this tool:

Step 1. Identify the areas that are not effectively aligned

During the first step, your aim is to look at the 7S elements and identify if they are effectively aligned with each other. After analyzing the elements,we should look for the gaps, inconsistencies and weaknesses between the relationships of the elements.

Step 2. Determine the optimal organization design

With the help from top management, the second step is to find out what effective organizational design you want to achieve. By knowing the desired alignment the goals can be set and make the action plans much easier.

Step 3. Decide where and what changes should be made

This is basically your action plan, which will detail the areas you want to realign and how would you like to do that. If it is found that the company's management style are not aligned with company's values, it should be decided how to reorganize the reporting relationships and which top managers should the company let go or how to influence them to change their management style so the company could work more effectively.

Step 4. Make the necessary changes

The implementation is the most important stage in any process, change or analysis and only the well-implemented changes have positive effects. Therefore, we should find the people in our company or hire consultants that are the best suited to implement the changes.

Step 5. Continuously review the 7s

The seven elements: strategy, structure, systems, skills, staff, style and values are dynamic and change constantly. A change in one element always has effects on the other elements and requires implementing new organizational design. Thus, continuous review of each area is very important.

Limitations of 7S Model

- Ignores the importance of the external environment and depicts only the most crucial elements in this model for explaining the interdependence of the key processes and factors within the organization.
- The model does not explain the concept of organizational effectiveness or performance
- The model has been criticized for lacking enough empirical evidences to support their explanation.
- The model is considered to be more of a static kind of model.
- It is rather difficult to assess the degree of fit with accuracy successfully.
- Criticized for missing out the intricate or finer areas in which the actual gaps in conceptualization and execution of strategy may arise.

6 • Corporate Social responsibility

Definition of CSR

The World Business Council for Sustainable Development used the following definition:

Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large

The CSR definition used by Business for Social Responsibility is:

Operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business.

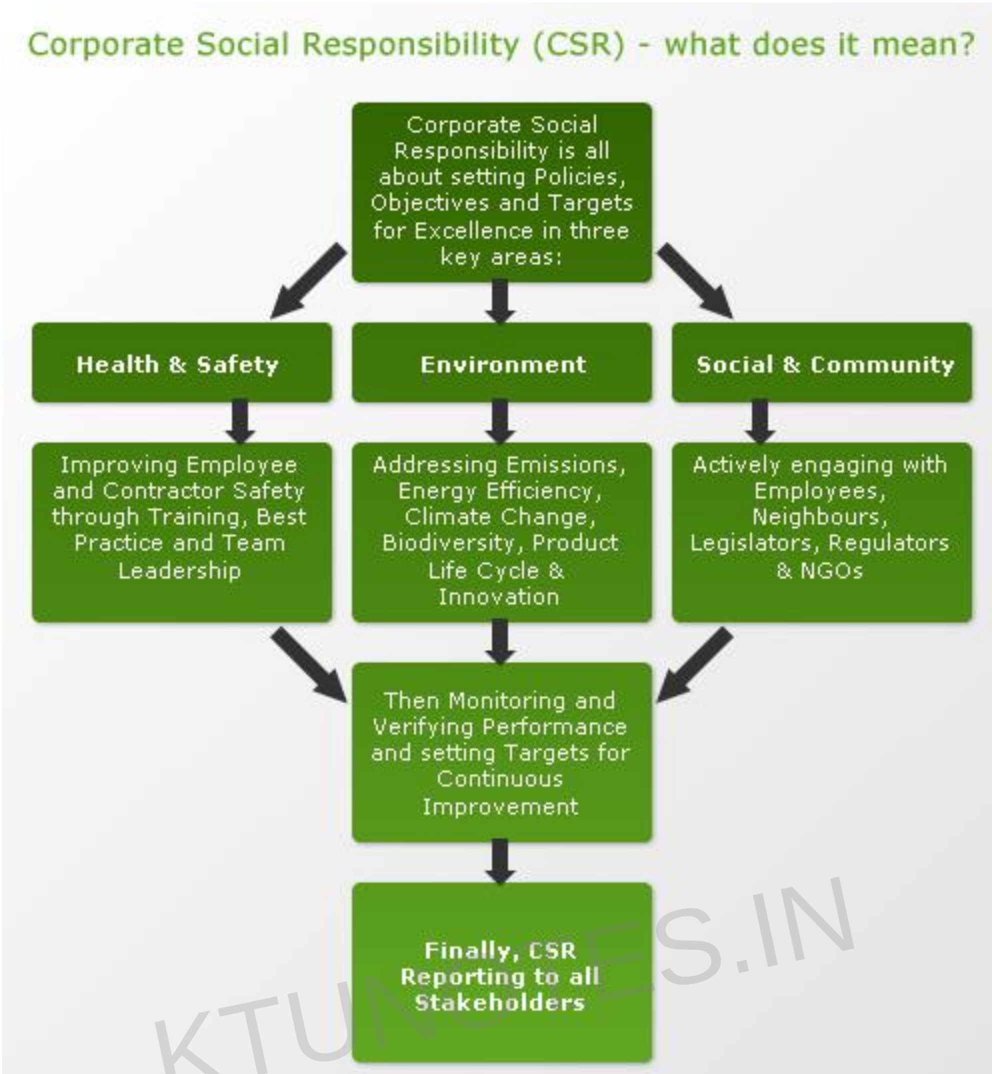
On the other hand, the European Commission hedges its bets with two definitions wrapped into one:

A concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.

In General CSR can be defined as

A company's sense of responsibility towards the community and environment (both ecological and social) in which it operates.
Companies express this citizenship

(1) Through their waste and pollution reduction processes,
(2) By contributing educational and social programs, and
(3) By earning adequate returns on the employed resources. See also corporate citizenship.



Principles of CSR

There are three principles which comprise of all the CSR activity and define its parameters.

These are:

- Sustainability
- Accountability
- Transparency

Sustainability

- The actions taken in the present affects the options available in the future for everyone and sustainability refers to the actions which help make the future better for future generations.
- The resources available are limited and if they are all utilized in the present, they will not be available for the future use
- So it is necessary to look for alternatives which would help replacing the function of currently used resources
- As the resources are depleted, their availability decreases and hence lead to increase in its price. So to keep the cost of organizations lower in the future, it is necessary to use the current available resources optimally
- So implication of sustainability is that society must use no more of a resource than can be regenerated.

Accountability

- An organization should recognize that its actions affect the external environment and therefore have to assume responsibility for the effects of its actions
- This implies for quantification of the effects of actions taken, both internal to the organization and externally and all the quantifications should be reports to all the parties affected by those actions
- This concept recognizes that the organization is part of a wider societal network and has responsibilities to all of that network rather than just to the owners of the organization
- Accountability therefore necessitates the development of appropriate measures of environmental performance and the reporting of the actions of the firm
- This leads to more costs to the organization in developing, recording and reporting such performance and to be of value the benefits must exceed the costs. Benefits must be determined by the usefulness of the measures selected to the decision-making process and by the way in which they facilitate resource allocation, both within the organization and between it and other stakeholders

Transparency

- The external impact of the actions of the organization have to be reported and the facts contained in the report should not be disguised
- Thus all the effects of the actions of the organization, including external impacts, should be apparent to all from using the information provided by the organization's reporting mechanisms.
- Transparency is of importance to external users of such information as these users lack the background details and knowledge available to internal users of such information.
- Transparency therefore can be seen to follow from the other two principles and equally can be seen to be a part of the process of recognition of responsibility on the part of the organization for the external effects of its actions and equally part of the process of transferring power to external stakeholders.

The Six Types of Corporate Social Initiatives

The six types of corporate social initiatives are:

Cause Promotion leverages corporate funds, in-kind contributions, or other resources to increase awareness and concern about a social cause or to support fundraising, participation, or volunteer recruitment for a cause. Well-conceived and executed cause promotions can improve attitudes toward a company; generate consumer traffic, sales and increased loyalty; and motivate employees and trade partners.

Cause-Related Marketing links monetary or in-kind donations to product sales or other consumer action. What most distinguishes cause-related marketing is the way it links a corporation's level of giving to consumer action. Because of that linkage, cause-related marketing initiatives often require more detailed agreements and coordination with nonprofit partners involving important activities such as establishing specific promotional offers, developing co-branded advertisements, abiding by state regulations and industry guidelines, and tracking consumer purchases and activities.

Corporate Social Marketing uses business resources to develop and/or implement a behavior change campaign intended to improve public healthy, safety, the environment, or community well-being. Behavior change is always the focus and the intended outcome.

Corporate Philanthropy involves a corporation making a *direct contribution* to a charity or cause, most often in the form of cash grants, donations, and/or in-kind services.

Employee Engagement activities support and encourage employees to engage with nonprofit organizations and causes. These efforts may include employees volunteering their expertise, talents, ideas and/or physical labor. Corporate support may involved providing paid time off from work, matching services to help employees find opportunities of interest, recognition for service, and organizing teams to support specific causes the corporation has targeted. Done right, these efforts fully integrate into existing corporate social initiatives and connect the employee activities to business goals.

Socially Responsible Business Practices are discretionary business practices that a corporation adopts and conducts to support social causes, to improve community well-being, and/or to protect the environment. Key distinctions include a focus on activities that are *discretionary*, not those mandated by laws or regulatory agencies.

Four Types of Corporate Social Responsibility

- **Economic Responsibilities** - A business exists to make a profit for shareholders. If it fails to do so, it likely won't be able to pay its employees, taxes and other obligations. A corporate social responsibility program (CSR program) cannot be implemented until a business is profitable.

- **Legal Responsibilities** - Following the law is the foundation of corporate responsibility. A company cannot benefit society if it does not adhere to labor and tax laws or applicable industry regulations.

- **Ethical Responsibilities** - Once a company is profitable and meets its legal responsibilities, it can move up the ladder to ethical responsibilities, which might include paying higher wages, offering employees better benefits, avoiding trade with unscrupulous companies or providing jobs to those who would otherwise have difficulty finding work.

- **Philanthropic Responsibilities** - As a company meets its economic, legal and ethical responsibilities, it can consider taking on philanthropic responsibilities. Corporate philanthropy ranges in size and scope, and can include everything from donating time to a local charity to building a children's hospital.

Arguments in favour of CSR:

The following arguments favour corporate social responsibility:

1. Protect the interests of stakeholders:
Labour force is united into unions which demand protection of their rights from business enterprises. To get the support of workers, it has become necessary for organisations to discharge responsibility towards their employees.

Consumer does not buy what is offered to him. He buys what he wants. Firms that fail to satisfy consumer needs will close down sooner or later. Besides, there are consumer redressal cells to protect consumers against anti-consumer activities. Consumer sovereignty has, thus, forced firms to assume social responsiveness towards them.

Firms that assume social responsibilities may suffer losses in the short-run but fulfilling social obligations is beneficial for long-run survival of the firms. The short-term costs are, therefore, investments for long-run profitability.

2. Long-run survival:
Business organisations are powerful institutions of the society. Their acceptance by the society will be denied if they ignore social problems. To avoid self-destruction in the long-run, business enterprises assume social responsibility.

3. Self-enlightenment:
With increase in the level of education and understanding of businesses that they are the creations of society, they are motivated to work for the cause of social good. Managers create public expectations by voluntarily setting and following standards of moral and social responsibility.

They ensure paying taxes to the Government, dividends to shareholders, fair wages to workers, quality goods to consumers and so on. Rather than legislative interference being the cause of social responsibility, firms assume social responsibility on their own.

4. Avoids government regulation:
Non-conformance to social norms may attract legislative restrictions. Government directly influences the organisations through regulations that dictate what they should do and what not. Various agencies monitor business activities.

Organisations that violate these regulations are levied fines and penalties. To avoid such interventions, organisations have risen to the cause of social concerns.

5. Resources:
Business organisations have enormous resources which can be partly used for solving social problems. Businesses are the creation of society and must work in the best interest of society, both economically and socially.

6. Professionalisation:
Management is moving towards professionalism which is contributing to social orientation of business. Increasing professionalism is causing managers to have formal management education and qualifications. Managers specialise in planning, organising, leading and controlling through their knowledge and subscribe to the code of ethics established by a recognised body.

The ethics of profession bind managers to social values and growing concern for society. Thus, there is increasing awareness of social responsibility. To grow in the environment of dynamism and challenge, business concern does not decide whether or not to discharge social responsibilities but decides how much social responsibility to discharge.

Arguments against CSR:

Corporate social responsibility is limited on the following grounds:

1. Business is an economic activity:
It is argued by the opponents of social responsibility that basic function of a business enterprise is to look into economic viability of its operations. It is for the Government to look after interests of the society. The prime responsibility of assuming social responsibility should, therefore, be of the Government and not of the business enterprises.

2. Quantification of social benefits:
What measures social responsibility and to what extent should a business enterprise be engaged in it, what amount of resources should be committed to the social values, whose interest should hold priority over others (shareholders should be preferred over suppliers or vice versa) and numerous other questions are open to subjective considerations, which make social responsibility a difficult task to be assumed.

3. Cost-benefit analysis:
Any social-benefit programme where initial costs exceed the benefits may not be taken up by enterprises even in the short-run.

4. Lack of skill and competence: Professionally qualified managers may not have the aptitude to solve the social problems.

5. Transfer of social costs: Costs related to social programmes are adjusted by the business concerns in the following ways:
(a) High prices:
The costs are passed to consumers by increasing prices of goods and services.

(b) Low wages:
If managers maintain the level of prices, the social costs may be reflected in reduction of wages.

(c) Low profits:
If wages are stabilized, profits would be reduced, which will lower dividends to the shareholders. Low profits will reduce managers' desire to further engage in corporate social responsibility

6. Sub-optimal utilisation of resources:
If scarce resources are utilised for social goals, this would violate the very purpose of existence of an organisation.

7 • Managerial Ethics

Ethics

The word ethics is derived from the Greek word ‘Ethos’ means custom or guiding beliefs. Ethics is the science relating to set of moral principles and rules determining what is right, wrong and valuable for every individuals. Code of ethics are always on the right directions because each and every individual employees having ethical standards, and expectations, a unified code of ethics can be a guidelines which is adopted by the organizations.

Managerial ethics

Managerial ethics is the standard of behavior that guides individual managers in their work.

Managerial ethics is the set of standard behavior, social norms and values, self-recognized moral standard generally accepted that business should be conducted by the managers in the decision making process. Making ethical choices can be often be difficult for the managers as it is compulsory to obey the rules and regulations of the law but acting ethically which goes beyond mere compliance with the law. Business ethics is the moral behavior of a businessman to promote goodwill and reputation in the society, gain profit in the long run.

Approaches to Management Ethics:

There are three approaches to management ethics:

1. Utilitarian approach:
In this approach, managers analyse the effects of decisions on people affected by these decisions. The action rather than the motive behind the action is the focus of this approach. Positive and negative results are weighed and managerial actions are justified if positive effects outweigh the negative effects. Pollution standards and analysing the impact of pollution on society is management ethics code under utilitarian approach.

2. Moral rights approach:
In this approach, managers follow ethical code which takes care of fundamental and moral rights of human beings; the right to speech, right to life and safety, right to express feelings etc. In the context of business organisations, managers disclose information in the annual reports necessary for welfare of the people concerned. The nature, timing and validity of information is taken into account while reporting information in the annual reports.

3. Social justice approach:
According to this approach, managers' actions are fair, impartial and equitable to all individuals and groups. Employees are not distinguished on the basis of caste, religion, race or gender though distinction on the basis of abilities or production is justified. For example, all employees, males or females with same skills should be treated at par but it is justified to treat employees who produce more differently from those who produce less.

Types of Management Ethics:

Three types of management ethics or standards of conduct are identified by Archie B. Carroll:

1. Immoral management:
It implies lack of ethical practices followed by managers. Managers want to maximise profits even if it is at the cost of legal standards or concern for employees.

2. Moral management:
According to moral management ethics, managers aim to maximise profits within the confines of ethical values and principles. They conform to professional and legal standards of conduct. The guiding principle in moral management ethics is "Is this action, decision, or behaviour fair to us and all parties involved?"

3. Amoral management:
This type of management ethics lies between moral and immoral management ethics. Managers respond to personal and legal ethics only if they are required to do so; otherwise there is lack of ethical perception and awareness.

There are two types of amoral management:
(a) Intentional:
Managers deliberately avoid ethical practices in business decisions because they think ethics should be followed in non-business activities.

(b) Unintentional:
Managers do not deliberately avoid ethical practices but unintentionally they make decisions whose moral implications are not taken into consideration.

Factors influencing Business Ethics

Business leaders today are well aware of the ethical issues and hence they want to improve the ethical standards of the business. Self-regulation is, of course, better and produce impressive results. Besides, there are also a number of factors, which significantly influence the managers to take ethical decisions.
Some of them are

1. Personal Code of Ethics
A man's personal code of ethics that is what one considers moral is the foremost responsible factor influencing his behavior.

2. Legislation
It is already stated that the Government will intervene and enact laws only when the businessmen become too unethical and selfish and totally ignore their responsibility to the society. No society can tolerate such misbehavior continuously. It will certainly exert pressure on the Government and the Government consequently has no other alternative to prohibit such unhealthy behavior of the businessmen.

3. Government Rules and Regulations
Laws support Government regulations regarding the working conditions, product safety, statutory warning etc. These provide some guidelines to the business managers in determining what are acceptable or recognized standards and practices.

4. Ethical Code of the Company
When a company grows larger, its standard of ethical conduct tends to rise. Any unethical behavior or conduct on the part of the company shall endanger its established reputation, public image and goodwill. Hence, most companies are very cautious in this respect. They issue specific guidelines to their subordinates regarding the dealings of the company.

5. Social Pressures
Social forces and pressures have considerable influence on ethics in business. If a company supplies sub-standard products and get involved in unethical conducts, the consumers will become indifferent towards the company. Such refusals shall exert a pressure on the company to act honestly and adhere strictly to the business ethics. Sometimes, the society itself may turn against a company.

6. Ethical Climate of the Industry
Modern industry today is working in a more and more competitive atmosphere. Hence only those firms, which strictly adhere to the ethical code, can retain its position unaffected in its line of business. When other firms, in the same industry are strictly adhering to the ethical standards, the firm in question should also perform up to the level of others. If the company's performance is below than other companies, in the same industry, it cannot survive in the field in the long run.

7. Cultural differences
Different cultures have different rules of conduct. Some cultures view certain ethical practices with different levels of condemnation.

8. Intensity of the Issue
The intensity and seriousness of the issue and the knowledge of how it affects an individual, company, society triggers the ethical decision making process .

Significance of Managerial Ethics

The following are the common significance of management ethics:

1. Promotes Goodwill and Reputation

As to be a Self-recognized business in the society, reputation is a valuable asset for a business firm. It deals to promote goodwill and image in the society. The export of goods and services considering quality, quantity, time and price helps to develop brand image and reputation as well as trust by the consumers. For this, the concept of black marketing, low quality and quantity, must be avoided.

2. Good Interpersonal Relationship with Stakeholders

An ethical manager always tries to put best and fulfill the needs and requirements of the stakeholders. Ethical behavior of business has direct impacts on employees and stakeholders. Ethical behavior helps to maintain good interpersonal relationship with different interested groups which gives pride of being associated with that business organization. This type of feelings in the ownership contributes rapid growth of business organization.

3. Legal considerations

An organization violating ethical standards faces lots of criticism and hostility. Such violations also results in penalty or social boycott of its products which is very embarrassing. To keep a company out of legal trouble, having a code of ethics statements helps to make a virtual requirement which is very essential for every company that may be for sole proprietorships and for the partnerships too.

4. Day to Day and strategic decision making

Being a business owner, a code of ethics helps in a foundation to base in which all the decisions are effective that affects internal and external stakeholders like staffs in their locality or the community. It also helps to guide rapid growth of a company. As the decisions can be taken at the emergency situation or at any time.

5. Promotes fair competition

By acting ethically, a business organization can protect the interest of the individuals and discourages involving in unfair trade practices such as artificial shortage, black marketing, adulteration, obsolescence and so on. Fairness develops not only in that business but also in the other organizations associated with it.

6. Promotes social responsibility

Ethical standards of business to economic and social development which operates through prudent use of resources free, and fair competition. Business ethics guide managers to involve in social welfare programs for society like participating in education,health,sports,environmental protection etc. As a socio-economic agent, business organization has a direct relation with different components of the society such as shareholders, employees, government, suppliers, and a community.

7. Improve working environment

Through the ethical practices, a climate of equity and equality, justice, freedom, belongingness, sense of responsibility and ownership is created in an organization itself with these factors. It consists of a positive impact on the organizational performance. Being a ethical businessman, they should have a concept i.e. ethics are not shaped as well as sized only by an individual values but also they are influenced by the organizational working environment.

8. Helps to increase market share

An ethical business practice of a manager helps to gain and sustain prestige, reputation and image in the society. They keep promises and transparency which helps to gain credibility and stability which are really an essential factors for the smooth, relevant, systematic and efficient running of a business firm.