Management and Entrepreneurship

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MANAGEMENT

Indra Krishnamurthy Nooyi, Chairman and CEO, PepsiCo, has made all the Indians proud by ranking 3rd on the Forbes list of 100 most powerful women in the world in 2008.

Learning Objectives

After reading this chapter, you will be able to answer the following questions:

- What is management?
- What are the functions of a manager?
- What are the various hierarchies of management?
- What kind of knowledge and skills are required by managers at different levels of management?
- How did management evolve as a discipline over the period of time?

INTRODUCTION

The term *management* has enjoyed great prominence during the twentieth century and continues its dominance in the twenty-first century. During this time, various corporations were created worldwide and managed successfully by professionally trained managers. The discipline of management was thought to be primarily propounded and developed in America, until it saw innovative management principles emanating in Japan during this period. Many Japanese management concepts remained an enigma for American companies during the 1980s when the Japanese companies challenged the might of their American counterparts in their home turf. It took quite sometime for the American researchers and practitioners of management to uncover the mysteries of Japanese management concepts like *just-in-time* (JIT), *total quality management* (TQM), *kaizen, quality circles,* etc.

Management was formally introduced as an academic discipline in the USA with the establishment of Harvard Business School in 1908. Harvard Business School has many firsts to its credit in the field of management. For example, it made a new departure in business education by emphasizing the two fundamental functions of industrial management and commercial organization or marketing, with chief emphasis upon the latter (Gay, 1944). It is also famous for its "case study" method of teaching.

In India, the advent of management education can be traced back to 1962, when the Indian Institute of Management (IIM) at Calcutta was established by the Government of India in collaboration with the Sloan School of Management, Massachusetts Institute of Technology (MIT). Later in the same year, the Indian Institute of Management at Ahmedabad was established in association with the Harvard Business School.

Arguably, the discipline of management existed in India during the ancient times, when Lord Krishna gave sermons to Arjuna during the war against the *Kauravas*. These sermons, vividly captured in the *Bhagwat Gita,* can be successfully applied to the current managerial scenarios.

■ Meaning of Management

"Management cannot be defined or understood—let alone practiced—except in terms of its performance dimensions and of the demands of performance on it" (Drucker, 1973). These words of Peter Drucker place high importance on achievement of results by managers. The results of a manager's actions should be enjoyed by the customer or the client as the ultimate beneficiary. The customers may be external or internal to the organization, i.e. at times, the results of manager's actions may impact the internal customers like the employees of another department of the organization. The internal customers for a manager may also be the shareholders of the company and the Board of Directors.

Mary Parker Follett (1868–1933) defined management as "the art of getting things done through people." Peter Drucker, who is hailed as the father of modern management theory, discovered Follett's work in the 1950s and is said to have referred to Follett as his "guru" (Mary Parker Follett Foundation, 2008). This simple yet compelling definition captures the essence of management, though it can be argued that management is an art as well as a science. Therefore, it would be worthwhile to truncate the definition of management to "getting things done through people." Interestingly, in this definition, the manager is not expected to do things on his own, but to take work out of other people. These people may be subordinates, superiors, vendors, contractors, shareholders, and other stakeholders.

If we merge Drucker's emphasis upon achievement of results by managers for the benefit of the customer/client in the definition by Follett, it gets transformed to: "Management is getting things done through people for the benefit of the customer or the client."

Points to Ponder

- Management was formally recognized as a formal academic discipline in the USA with the establishment of Harvard Business School in 1908.
- In India, the advent of management education can be traced back to 1962, when the Indian Institute of Management (IIM) at Calcutta was established.
- Peter Drucker places high importance on achievement of results by managers.
- Mary Parker Follett defined management as "the art of getting things done through people."
- By merging the ideas of Follett and Drucker, the definition can be worked out as: "management is getting things done through people for the benefit of the customer or the client."

INDRA NOOYI—TRANSFORMING PEPSICo

Indra Krishnamurthy Nooyi ranks 3rd on the Forbes list of 100 most powerful women in the world in 2008. As the Chairman and CEO of PepsiCo, Nooyi's slogan is "performance for purpose." She has been instrumental in transforming PepsiCo into a company which has explicit focus on selling healthy food. As a business management professional, Nooyi is famous for her uncanny business acumen with a sense of heart and fun.

Nooyi has indeed made people realize that in today's international business scenario, an Indian lady can rise to the highest ranks. Hailing from Chennai, she is a product of the Indian Institute of Management, Calcutta (1976 batch). Her professors at IIM Calcutta remember her as a mediocre student, who has surpassed everybody's expectations by assuming such a prestigious position at one of the world's largest corporations. After completing her course at IIM-C, she worked in Mumbai for Johnson & Johnson and is said to be closely associated with the launch of "Stayfree" brand of sanitary napkins. She is also a Master in Public and Private Management from the Yale School of Management, from where she graduated in 1980.

Having held the positions of Corporate Strategist at Motorola and ABB earlier, she joined PepsiCo in 1994 as its Chief Strategist. She is said to be the real force in influencing the then CEO to spin off Pizza Hut and KFC as she did not find these food chain fitting the Pepsi portfolio. Similarly, she supported the spin off of Pepsi's bottling business and acquisition of Tropicana. Since 2000, when she became chief financial officer, the company's annual revenues have risen 72%, while net profit more than doubled, to \$5.6 billion in 2006. Amusingly, Nooyi has been found casually strolling in the office barefoot and at times, even sings in the halls (Business Week, 2007).

Her father seems to have influenced her a lot and she confesses to have learned from him the benefits of "positive intent." According to her, in business meetings, at times, people say something at the spur of the moment, which may upset you immensely. In place of assuming a *negative intent*, which results in screaming while seething with anger, one should assume *positive intent* and try to rationally find out why the other person is reacting in that manner. In her own words, you can either misconstrue what they are saying and assume they are trying to put you down, or you can say, "Wait a minute. Let me really get behind what they are saying to understand whether they are reacting because they are hurt, upset, confused, or they don't understand what it is I've asked them to do." If you react from a negative perspective—because you did not like the way they reacted—then it just becomes two negatives fighting each other. But when you assume positive intent, I think often what happens is the other person says, "Hey, wait a minute, maybe I am wrong in reacting the way I do because this person is really making an effort" (Nooyi, 2008).

According to Nooyi, an important attribute of success is to "be yourself." In illustrating the rule, she humourously recounted a learning experience when she was a graduate student at Yale University, seeking her first summer job, because she had "no money to live on." She purchased a $50 business suit from the local budget store and attended a job interview looking like "the ultimate country bumpkin" in her ill-fitting clothes and shod in garish orange snow boots, that her appearance elicited "a collective gasp (of horror) from people there." When she tearfully consulted her career development counselor about her sartorial snafu, the latter advised her to wear a sari for her next interview, assuring Nooyi that, "if they cannot accept you in a sari, it's their loss, not yours." She recalled that she not only wore a sari for her next interview with Boston Consulting Group and clinched the job, but continued to wear them to work all summer and "did just fine." She insists, "Never hide what makes you" (Dandapani, 2005).

Discussion questions

1. Discuss the pros and cons of "be yourself" approach followed by Nooyi.
2. Do you agree with the power of "positive intent"? Critically discuss how you would react in situations when your colleagues make comments which annoy you.

NATURE AND CHARACTERISTICS OF MANAGEMENT

Management has a vast canvas and has various characteristics based upon various dimensions as shown in Figure 1.1. We shall study these characteristics one by one.

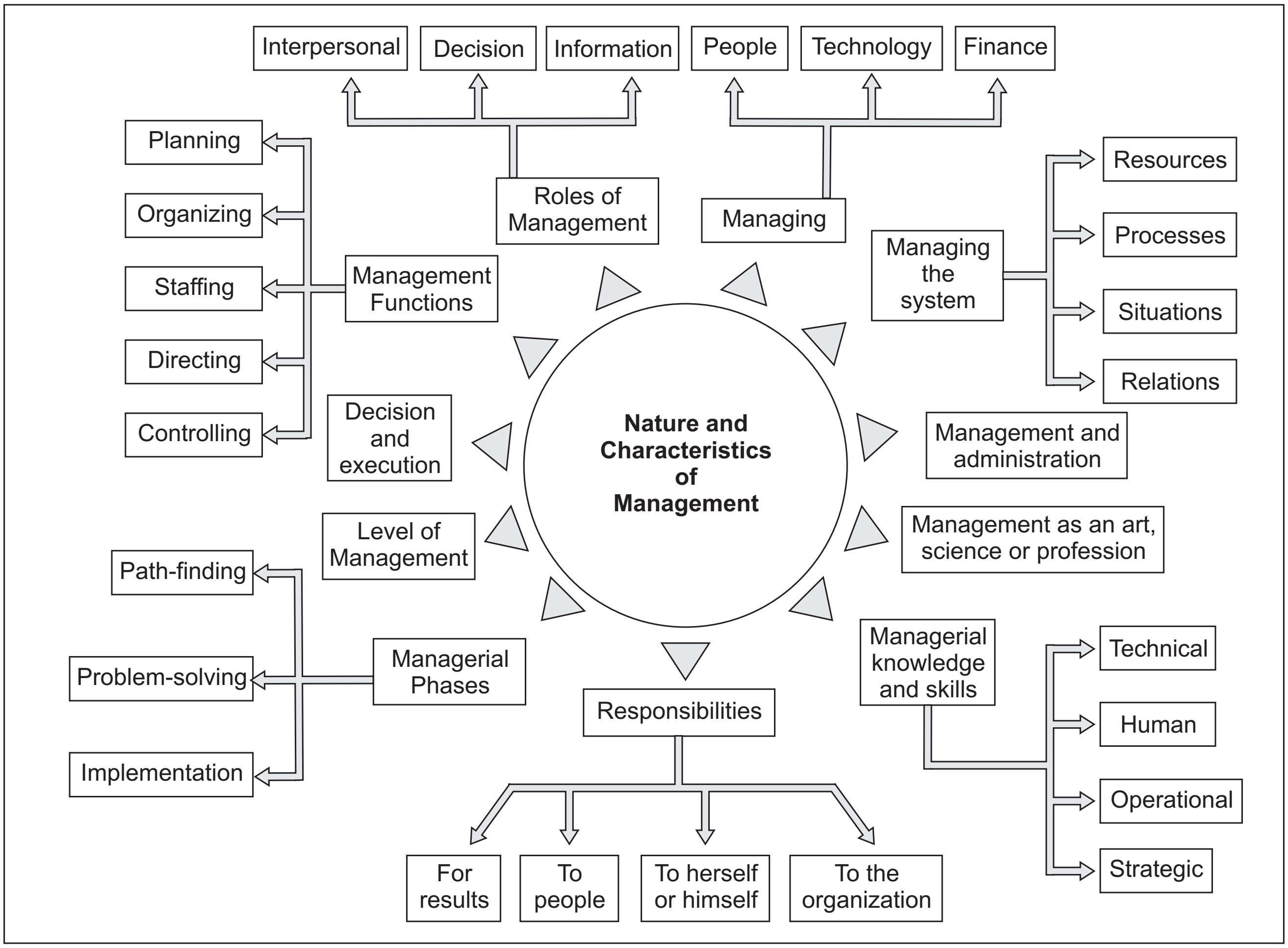


Figure 1.1 Nature and Characteristics of Management

■ Management as a Science, Art, or Profession

Management is perhaps the only subject in academics which enjoys the distinction of being a science as well as an art and a profession. This is so because the contributions in the evolution of this subject have come from all the directions—artists, social scientists, economists, engineers, administrators, and practicing managers.

Management is an art because it requires the creativity and subjective skills of a manager like the communication skills, negotiation skills, motivational skills, etc. Every individual manager has his own personal traits—attitude, ethics, values and style, which constitute an art form.

Management is also a science as it requires a systematic study based upon scientific methods to analyse business problems and to find optimal solutions. Later in this chapter, while covering the development of management thought, we would come across the contributions of various scientists, engineers, and mathematicians who used scientific tools and techniques in laying the foundations of management as a discipline.

Management is undoubtedly one of the most sought after professions, which is evident from the immense achievements of successful managers in creating new enterprises, growing existing enterprises, and the lucrative pay packages offered by organizations worldwide to its managers.

Managerial Knowledge and Skills

Katz (1955) proposed three areas of managerial knowledge and skills required by managers, namely *technical*, *human*, and *conceptual*. However, later, Shenhar (1990) further expanded the areas into four, viz. *technical*, *human*, *operational*, and *strategic*. Knowledge symbolizes the "science" part of management, i.e. what the managers are supposed to "know", while skills represent the "art" form, i.e. how the managers should "do" or "apply the knowledge."

Technical knowledge is constituted by the scientific methods, tools, techniques, and concepts that managers should know for taking informed decisions in various situations. ***Technical skills*** are required to apply the know-how to solve technical problems and are necessary to evaluate the work done by others.

Human knowledge comprises of human and behavioural theories developed by social scientists who propounded various models on leadership, motivation, negotiation, communication, etc. ***Human skills*** are needed to practically get the work done through people, i.e. to lead them, to motivate them, to communicate with them, and to negotiate with them in such a manner that they contribute to work with their heart and soul.

Operational knowledge relates to the day-to-day running of an enterprise. This involves designing, implementing, and maintaining a transformation process which converts various inputs into output of desired products and services. The inputs can be capital, buildings, equipment, workers, etc. ***Operational skills*** involve proper resources allocation to various activities in the transformation process, sequencing of activities according to precedence requirements, routing the material into factory premises, preparing production plans, etc. In service setups, this skill requires, for example, preparing service blueprints to clearly depict and demarcate the customer-facing parts of the service process vis-à-vis the backend operations (through a line of visibility) to identify the service failure points and ways to minimize the failures.

Strategic knowledge deals with long-term planning for the organization as a whole. This involves scanning the environment for threats and opportunities while analysing the strengths and weaknesses of the organization. It provides an overall direction to the whole of the organization keeping in view the industry dynamics in which the organization operates and the market forces like the competitors. ***Strategic skills*** are required in the implementation of the strategic plans, e.g. communicating the plans to all concerned, allocating budgets and human resources, keeping a track on the progress of implementation of plans, etc.

■ Levels of Management

Figure 1.2 shows an indicative organization structure to demarcate the various levels of management in an organization. The organization structure may vary from organization to organization according to the nature of the industry and areas of activity of the organization.

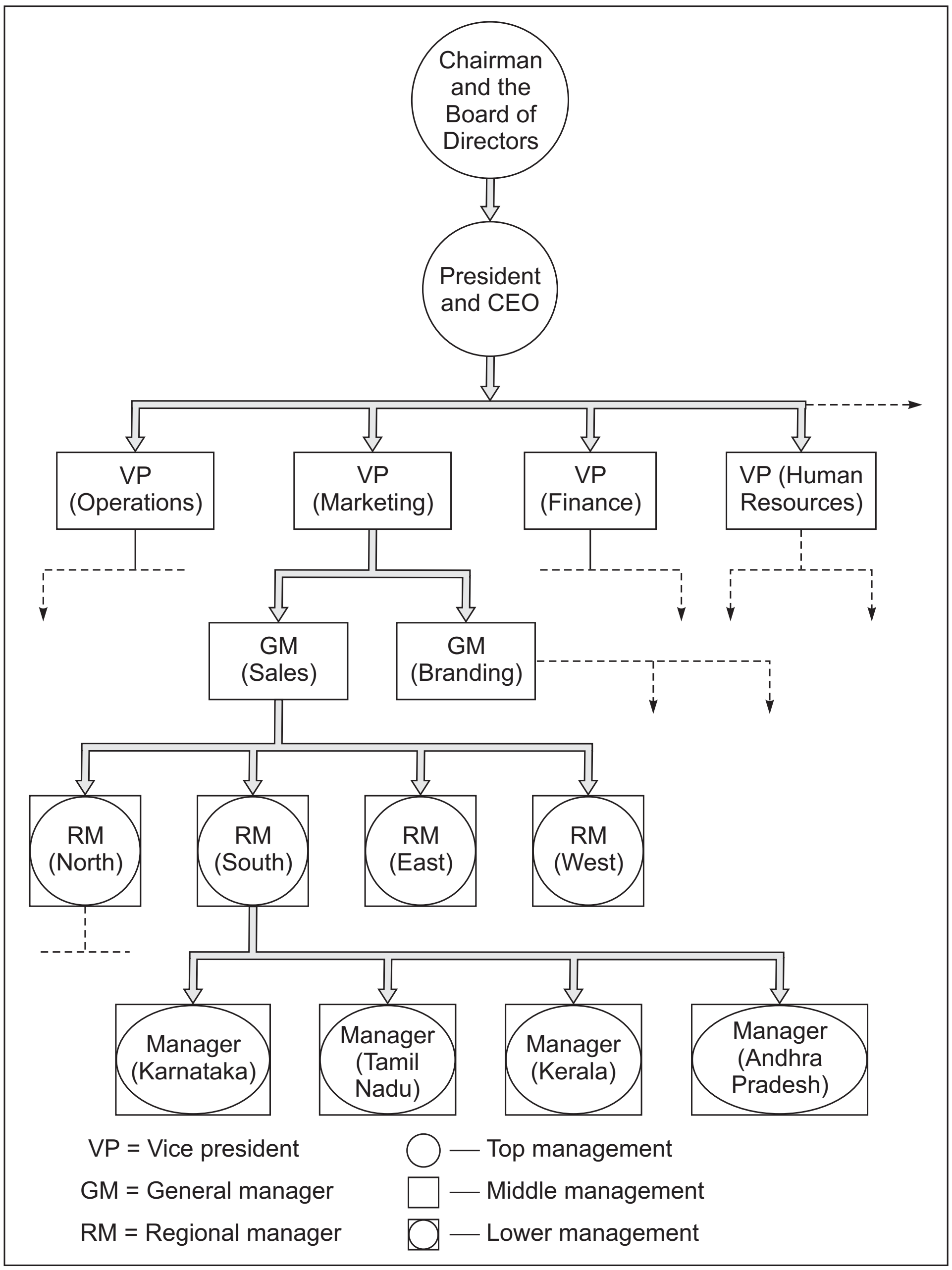


Figure 1.2
Indicative Organization Structure

Top management

Top management of the organization is constituted by the Chairman, and the Board of Directors, the President, and the Chief Executive Officer (CEO). The strategic knowledge and skills are most useful for this level of managers, whose primary role is to set the vision, mission, and long-term direction of the organization. They also create the strategic objectives for the firm. For example, a strategic objective for a firm may be to double the sales revenue in the coming five years.

Middle management

According to Drucker (1954, p. 126), the operating (middle) management tends to see things "functionally." Thus, the middle management consists of managers taking care of the functional areas like operations, finance, marketing and human resources, strategy and management information systems. The functional areas may further be segregated into specialized sub-functions. For example, marketing department may be divided into sales and branding sections. As shown in Figure 1.2, the General Manager (Sales) would report to the Vice-President (Marketing).

The middle managers need the operating knowledge and skills to convert the strategic plans set by the top management into operating (annual) policies and targets. They later use control mechanisms to gauge up to what extent the lower management is successful in implementing these policies and in achieving the targets. For example, the strategic objective of doubling the sales revenue in the next five years may be converted by the middle management into operating annual objective of 20% growth in sales revenue every year for the coming five years.

Lower management

Lower management level is formed by the managers who are entrusted with the job of implementing the operating policies and targets given by the middle management. As shown in Figure 1.2, the regional managers are responsible achieving the sales targets for their respective regions like North, South, East, and West.

The Regional Manager (South), say, has a team of managers operating under him for the states of Karnataka, Tamil Nadu, Kerala, and Andhra Pradesh. Depending upon the sales growth prospects in the four states, the Regional Manager (South) may charge the Manager (Karnataka) to achieve a sales growth rate of 30%, while instructing the Manager (Kerala) to achieve a sales growth rate of 15% and so on such that the overall growth for all the four states in South aggregates to 20% (the operating target set by the middle management).

The technical knowledge and skills come most handy for the lower management. For example, Manager (Karnataka) must know the concepts of customer relationship management (CRM) to retain her existing customer base, while using the selling skills to rope in new customers.

It is noteworthy that human knowledge and skills are of great utility at all levels of management. For example, the Board of Directors has to deal with numerous shareholders, lower management has to deal with customers, vendors, etc., and the middle management has to take care of the compelling demands of top as well as middle managers while dealing with external people like the government agencies, financial institutions, etc.

■ Management and Administration

The terms *management* and *administration* are often used interchangeably in common parlance. Extensive research in the literature reveals that there is a subtle difference between the two. American and European scholars seem to have a divergent view as to which term is a subset of the other. American scholar Schulze (1919) is of the view that administration is a much broader concept, which encompasses management within itself. On the contrary, British scholar Sheldon (1930) and French scholar Fayol (1916) opine that management has a broader meaning than administration *in a general sense*.

Let us first look at the definitions of the terms *administration*, *organization*, and *management* as given by Schulze (1919).

Administration is the force which lays down the object for which an organization and its management are to strive and the broad policies under which they are to operate.

An ***organization*** is the combination of the necessary human beings, materials, tools, equipment, working space, and appurtenances (accessories) brought together in systematic and effective correlation, to accomplish some desired object.

Management is the force which leads, guides and directs an organization in the accomplishment of the predetermined object.

While defining these terms, Schulze himself contends, "the words *management* and *administration* are so frequently used synonymously that one rather hesitates to draw a distinction between them, for, after all, usage gives a word its meaning." He justifies his explicit distinction between the two terms by pointing towards the American model of the government, whereby the President typifies the administrative force, while the various governmental heads of departments typify the management force.

If we draw a parallel between a business enterprise and the American government, the Board of Directors of the enterprise may be taken as the administrative force, while the Chief Executive Office (CEO) along with his subordinates would form the management force. Figure 1.3 shows the difference between management and administration.

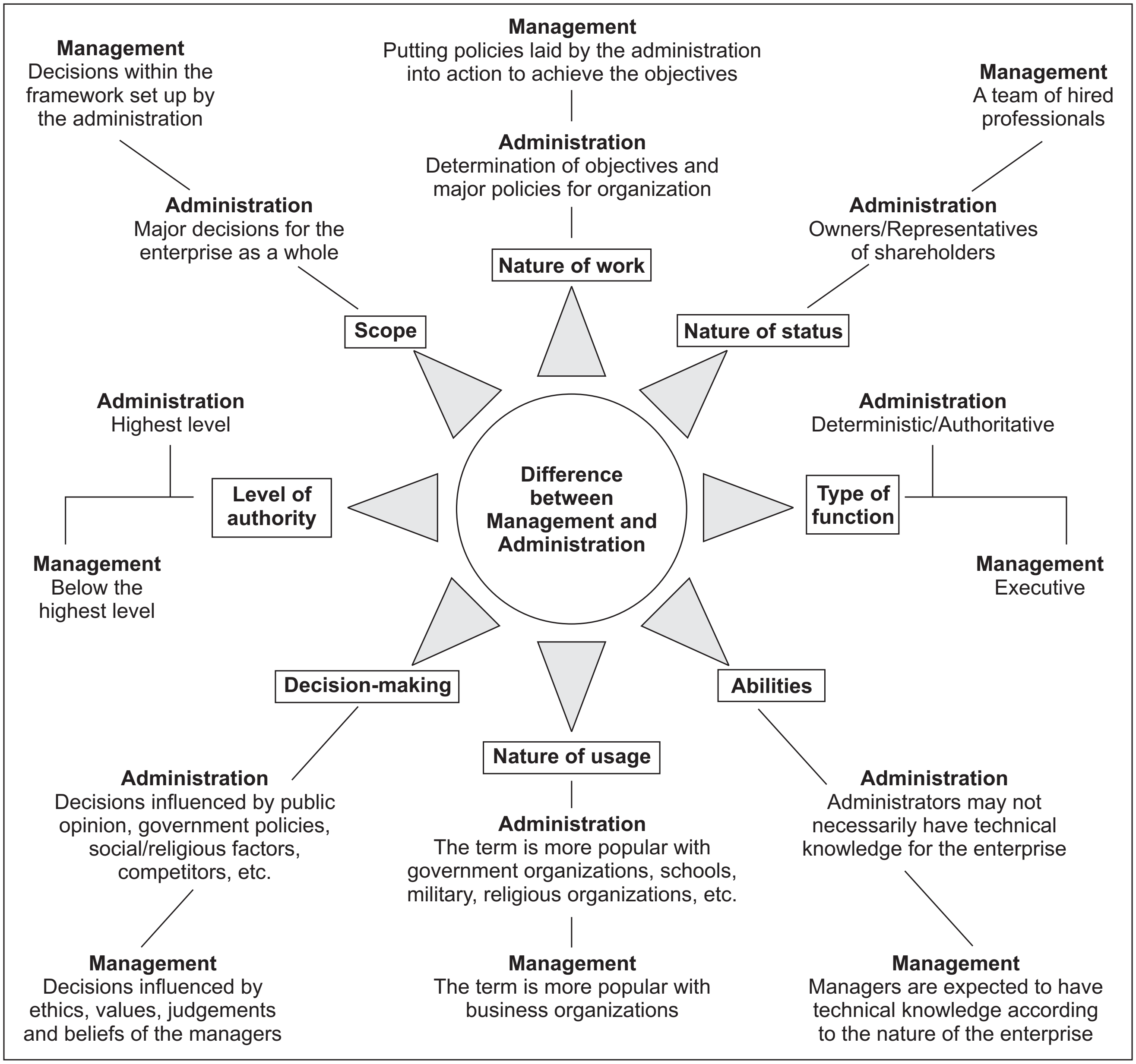


Figure 1.3 Difference between Management and Administration

■ Decision and Execution

This characteristic of management requires the managers to decide and execute. Decision-making is an attribute which is of paramount importance for a manager. A manager has to take decisions all the time, some of which have short-term impact, while others have long-term impact.

Management has various tools and techniques to aid the decision-making on part of the manager. Thus, the expectation is that the manager will make informed and calculated decisions based upon past experiences rather than hunch or gut-feel.

As achievement of results is necessary for a manager, s/he has to implement the decisions as well. A well-thought of decision would not yield desired results unless it is meticulously implemented. Hence, decision and execution should go like hand in glove on part of a manager.

■ Managing People, Technology, and Finance

The key ingredients that decide the sustainability of an organization are its competent workforce, sound technology, and prudent financial judgements. Managing these resources (people, technology, and finance) is vital for any organization.

Managing the people

Managing the people is undoubtedly the most important and challenging task for managers, as human beings may be compared to the most complex of machines—they have feelings, emotions, and sentiments. Getting things done through people may not always be a cakewalk. People need to be motivated, trained, and directed to make them *do* the work wholeheartedly.

When we talk about people, these may not only be the subordinates or superiors within the organization, but also vendors, customers, stakeholders, and shareholders. It is important to understand the subtle difference between the terms *stakeholders* and *shareholders*. Shareholders are the people or organizations holding an equity stake in the enterprise. They share the profit and bear the losses depending upon the performance of the enterprise. Stakeholders may be anybody affected by the operations of the enterprise—employees, shareholders, government, suppliers, customers, or local people getting affected (e.g. local people getting displaced due to a factory being set-up on a land where they currently live). It is thus important for a manager to develop the art and skills of dealing with such a vast variety of people.

Managing the technology

Technology is increasingly becoming crucial for the success of an enterprise irrespective of industry. The kind of transformation organizations have witnessed due to rapid advancements in technology over the past few years is dramatic. For example, in the banking industry, Internet banking has become more of a norm than exception within a short time span of past few years. Thus, it is imperative that recent advances in technology are monitored and deployed by managers in order to keep their organizations competitive.

Another example from the textile machinery—our local Indian machines (manufactured in places like Coimbatore) are finding it difficult to compete against the more sophisticated German machines in the Indian market. Under pressure from the Chinese competition, the Indian textile manufactures prefer German machines to increase their production capacities. This goes on to demonstrate how important it is for our local textile machinery manufacturers to improve their research and development capabilities.

Management of technology is therefore an integral part of a manager's responsibilities. The processes used in transforming the input resources into output of desired goods and services are also dependent upon the technology used, thus adding to its importance.

Managing the finances

Needless to say, *managing the monetary part* of an enterprise is necessary for a manager. It starts with the preparation of budgets for various activities of the organization, keeping a track of the money invested, ensuring a return on investment (revenue generation–the top line) and finally, the profits (or losses) made (the bottom line).

In addition, the manager has to pay attention to the market price of the equity shares of the company, as the primary objective of an enterprise is to maximize the wealth of the shareholders. The Ambanis of Reliance are famous for protecting the interest of their shareholders under the worst of circumstances.

Managing money is important in non-profit organizations as well, as the focus there is to minimize the cost of operations while fulfilling the strategic organizational objectives.

■ Managing the System

The systems approach to management envisages that a manager should be adept in managing the complex system comprising of *resources*, *processes*, *situations*, and *relations*.

Resources

Resources are the men, machines, materials, tools, equipment, capital, buildings, facilities, etc. Resources are not unlimited for an organization which makes it all the more important for a manager to deploy and use a judicious mix of various resources in achieving the end objective of favourable results.

There may be close interrelationships between some of these resources, which need to be understood by the manager. For example, if the manager decides to install highly automated machines in the plant, it may lessen the number of workers required in the factory. Similarly, if a bank increases the number of ATM machines in a city, it would require lesser number of teller counters and personnel manning them in its branches.

Processes

Processes are the predetermined steps followed by an organization to convert various resources (inputs) into desired output of products and services. Ill-conceived processes may result in wastage of resources, effort and worst of all—low quality products and services. A manager has to, thus, carefully design and deploy suitable processes, which eliminate the wastes and optimally utilize the resources for best results.

There are various management techniques like *methods analysis* which aid the managers in this effort. For example, a thorough process analysis may reveal that the patients in a hospital have to unnecessarily wait for long durations at various stages of their medical examination, check-ups, tests, medicine distribution at the dispensary, etc. This would require redesigning of the patient OPD (Out-Patient Department) process so as to reduce waiting time of the patients.

Situations

Situations of various sorts often demand prompt action/decision from a manager. Some of the situations may be unprecedented and abrupt with very less reaction time on part of the manager. A positive attitude, will, and patience to handle such situations are expected from a manager.

Three examples come to mind when we talk of extreme situations managers may face over their career time. One is that of Manjunath, an executive of Indian Oil Corporation Ltd (and an alumnus of IIM Lucknow) who was shot dead a few years back by a retail outlet owner in Lakhimpur Khiri (U.P.) for his honest actions to stop adulteration of petroleum products at the outlet.

Another equally appalling situation was faced by L.K. Chowdhury, the CEO of Graziano, an Italian electronics MNC with office in Greater Noida, when on 22 September 2008, the workers dismissed by him had beaten him to death. Such situations are not limited to the Indian context as the third instance is about Sid Agarwal, the CEO of SiPort in California, who was shot dead by a sacked employee, Jing Hua Wu in November 2008.

These incidents have raised several questions and debates in business schools about the approach managers should adopt to avoid such gory incidents. However, all situations faced by managers may not be this extreme. For example, a manager may have to handle a crisis due to delay in delivery of raw material from a supplier, resulting in halting of production in the factory.

Relations

Relations developed by a manager with customers, subordinates, superiors, suppliers, government officials, media, etc. play a major role in growth/survival of an organization. It requires a conscious effort on part of a manager to continually communicate with people, exchange views with them or to send them greetings/gifts on festivities, etc.

Ambanis of Reliance are often accused of maintaining close relations with government officials and political parties to swing some government policies in their favour. However, this approach is neither new nor illegitimate in the present business context, as long as ethical and legal limits are not broached.

■ Management Functions

Management functions are often confused with two related concepts—functional areas of management and the scope of management. Let us discuss each of these concepts to understand the difference between them.

Management functions

As shown in Figure 1.4, the core of management shows the modified form of management functions initially identified by Fayol (1916). These are the functional activities in which managers are involved. Fayol's original management functions were *planning*, *organizing*, *command*, *coordination*, and *control*. However, Gulick (1937) adapted the acronym POSDCORB from Fayol with the initials representing *planning*, *organizing*, *staffing*, *directing*, *coordination*, *reporting*, and *budgeting* (Wren, 2003, p. 100).

However, most modern texts follow the acronym POSDC and have confined the management functions to *planning*, *organizing*, *staffing*, *directing*, and *controlling*. This book also follows the same convention as shown in Figure 1.4. Shenhar and Renier (1996) have very succinctly captured the essence of each of these management functions as under:

Planning Selecting objectives and the means for accomplishing those objectives.

Organizing Designing a structure of roles for people to fill.

Staffing Selecting and developing people to fill organizational roles effectively.

Directing Taking actions to motivate people and help them see that contributing to group objectives is in their own interest.

Controlling Measuring and correcting activities of people to ensure that plans are being realized.

We shall be discussing in detail each of the above managerial functions in the next few chapters.

Functional areas of management

As shown in Figure 1.4, the management functions are applicable equally well to the organization functions or organizational areas (at times referred to as the functional "areas" of management). The organizational functions are operations, marketing, finance, strategy, human resources, and management information systems (MIS) (Bhat and Kumar, 2008).

Operations are constituted by the transformation process which coverts various types of inputs into desired products and services. ***Marketing*** is a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders. In practice, marketing includes activities like advertising, branding, selling, distribution, etc.

The organization function of ***finance*** is about time, money, risk, and the interrelationships thereof. In layman's terms, ***strategy*** is all about long-term planning for achieving the long-term goals of the organization. Human resources is the organizational function which deals with selection and recruitment of employees, performance appraisal, compensation, rewards, recognition, training and development, etc. The *MIS* focuses on providing needed information to the managers in a useful format and at a proper time by using contemporary information technologies.

Scope of management

The outermost periphery in Figure 1.4 depicts the scope of management which is truly vast. It encompasses for-profit as well as non-profit organizations, government as well as non-governmental organizations, and service as well as manufacturing organizations. It is in fact difficult to find an area of activity where management is not applicable.

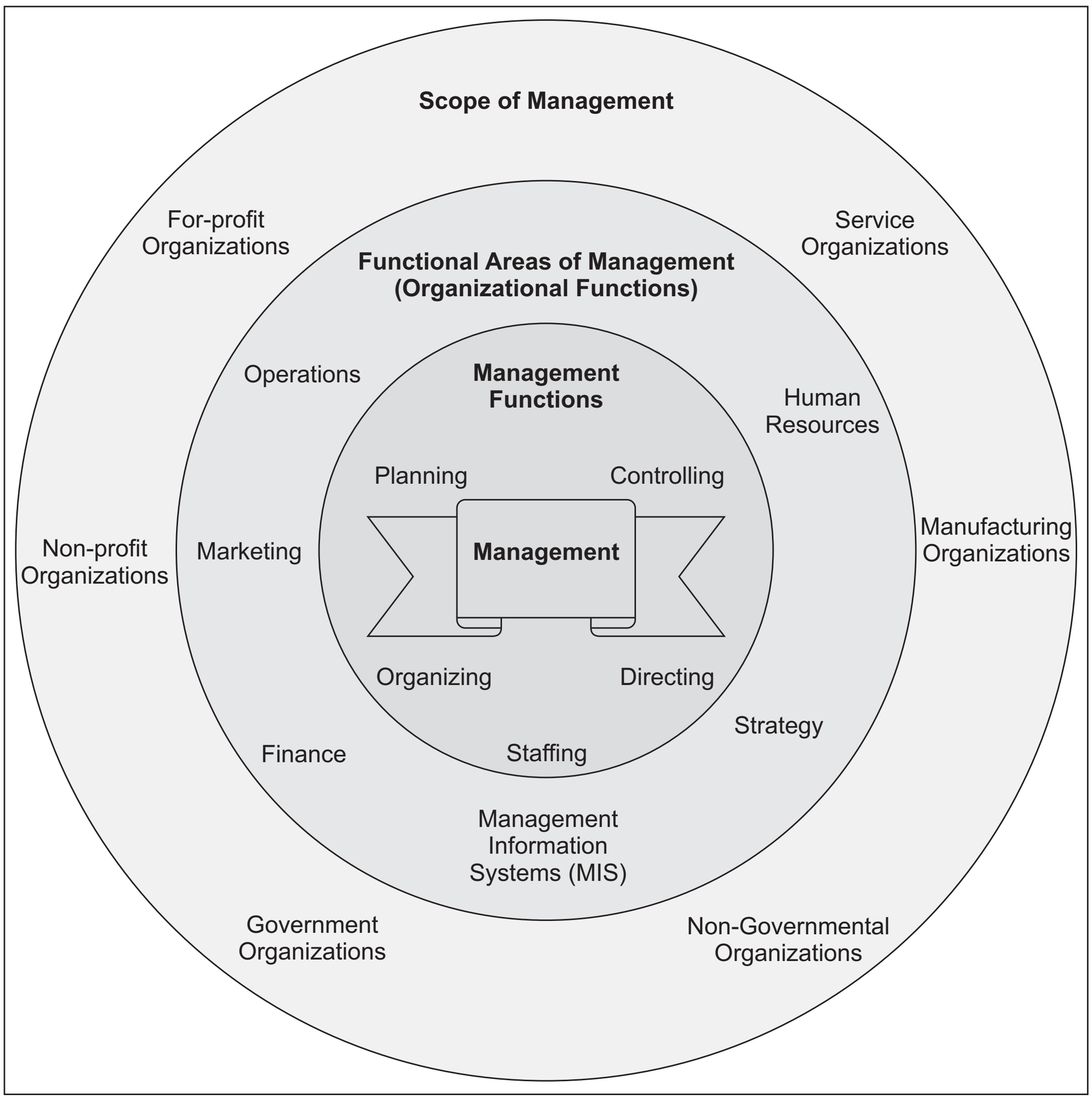


Figure 1.4 Scope, Functional areas of Management, and Management Functions

For-profit organizations like business enterprises need management for wealth maximization of their shareholders. Non-profit organizations like educational institutions, healthcare organizations, etc. value management for keeping their cost of operations at optimal levels.

Government organizations like municipal corporations, water supply departments, electricity boards etc. use management to effectively use the taxpayer's money in providing best possible services to the public. Non-governmental organizations like environmental agencies, etc. benefit from management in achieving their societal objectives in a cost-effective manner.

Manufacturing organizations extensively use management to increase productivity, to enhance quality of the products manufactured and in innovating new products. Similarly, service organizations benefit from management in providing an exemplary service experience to the customers.

■ Roles of Management

Managers perform a myriad of roles in discharging their duties. Mintzberg (1973) classified managerial roles into three broad categories (Figure 1.1), namely *information roles*, *decision-making roles*, and *interpersonal roles*.

Information role

In the *information role*, managers are expected to use state-of-the-art communication channels to extract the latest information and use it for the advantage of the organization. For example, it is necessary to keep a track about what the competitor's latest moves are. A manager, thus, must use formal and informal channels of communication to know about the competitor's actions and accordingly, prepare plans to offset their moves in order to retain and grow the market share.

In this role, managers need to *monitor* the latest happenings in and outside the organization, have to *disseminate* relevant information to the subordinates and at times, need to act as *spokespersons* of the organization to interact with the media and people at large.

Decision-making role

In their *decision-making role*, managers have to take four kinds of decisions according to Mintzberg (1973). The first and foremost is to act as an *entrepreneur* within the organization and try to set new goals and objectives for it. In management jargon, they need to be the *intrapreneurs* to identify new opportunities of growth and make the organization exploit such opportunities.

The next role is that of a *disturbance-handler*—a manager should take appropriate decisions in crisis situations like strikes, lock-outs, etc. to resolve conflicts between two or more people and to take care of any unforeseen circumstances requiring urgent attention and action.

Managers have to also act as *resource allocators*. Resources are limited for any organization and optimal utilization of resources helps in minimizing the costs and in increasing the competitiveness of the firm in the market. There may be instances whereby there may be several competing options for resource allocation and managers have to choose the ones which would result in the best yields and outcomes. For example, a manager may have to choose between spending capital resources in either promoting the existing portfolio of products or in research and development for creating new innovative products.

Another important decision-making role for a manager is to act as a fierce *negotiator*. Negotiating prices of supplies with vendors, negotiating selling prices of products with clients, negotiating with trade unions for arriving at fair compensation structures for workers, are a few examples here.

Interpersonal role

The *interpersonal role* puts demands on managers in three respects. Firstly, they have to act as a *figurehead*, i.e. to perform ceremonial and social duties like presenting the progress report before the Board of Directors in board meetings, to preside over major events, e.g. launch of a new product, etc. Secondly, managers have to act as *leaders* in directing and motivating people. At last, they have to perform the role of acting as a *liaison* or an interface with other departments outside their purview to achieve coordination and to create synergy.

■ Managerial Phases

Leavitt (1986) proposed three phases of management, namely *path-finding*, *problem-solving*, and *implementing* (Figure 1.1). According to him, all three phases are important in the "management mix" and should be balanced by a manager to achieve success.

Path-finding phase

In the *path-finding phase*, a manager should think as an entrepreneur and a strategist in setting the mission, vision, and direction for the organization. In this phase, a manager should use all the creativity in coming up with new ideas, innovations, and radical transformations for the organization. S/he needs to establish an ethos for the organization and create a culture such that the environment all across the organization is conducive for creativity. Therefore, in this phase, the manager need not necessarily be focusing upon meticulous planning, but on enthusing the whole organization with fresh thinking and ideas for the betterment of the organization.

Problem-solving phase

In the subsequent phase of *problem-solving*, a manager is expected to use rationale and critical thinking to analyze the various aspects of the ideas originated during the path-finding phase. This requires allocating resources, setting priorities, and ensuring that there are no roadblocks to be encountered later. Here there is scope for intuitive judgements based upon past experience in addition to informed planning and organizing.

Implementation phase

The third phase of *implementation through people* is equally important. It is indeed an art to motivate, persuade, cajole, coerce, or intimidate people to get the work done during this phase. It is always easier if the people charged with the responsibility of implementation are doing it with their heart and soul rather than just to fulfill orders from the manager. Hence, the people skills are of paramount importance in this managerial phase.

■ Responsibilities of a Manager

Shenhar and Renier (1996) present four responsibilities of a manager based upon the goals to be achieved by him/her. These are: responsibility for results, responsibility to people, responsibility to the organization, and responsibility towards self (Figure 1.1).

Responsibility for results

Responsibility for results is of course the most pressing demand on the manager. The manager has to demonstrate achievement of results for the department s/he is in charge of. For example, a sales manager's performance is gauged on the basis of sales targets achieved in a quarter.

Responsibility to the people

A manager has responsibility to the people who work under him. They look up to him for motivation, rewards, incentives, promotions, bonus, and recognition for the hard work put in by them. The manager has to take care of their growth and development in the organization and has to, at times, become a mentor to some of them in distress.

Responsibility to the organization

Responsibility to the organization for its well being and for projecting its positive image to the outside world is expected out of a manager. It requires a sense of belongingness, empathy, and camaraderie. It is the responsibility of a manager to safeguard his organization from any risks of bankruptcy under the circumstances of an acute downturn. Of course, it is a mutually shared responsibility with other manager colleagues in the organization to protect its interests.

Responsibility towards self

A manager also has a responsibility towards self in the sense that he should take care of his own career development rather than depending upon the organization to do so (though many organizations do take care of this aspect). It is their own responsibility to find time for proper relaxation at regular intervals for giving a sustainable performance day-after-day rather than wearing themselves down with managerial burden and blaming the superiors for the same. It would require efficient time management on their part to discharge regular duties while finding suitable amount of time for rest, relaxation, and rejuvenation.

Points to Ponder

- Management is an art because it requires the creativity and subjective skills of a manager like the communication skills, negotiation skills, motivational skills, etc. Every individual manager has his own personal traits—attitude, ethics, values, and style, which constitute an art form.
- Management is also a science as it requires a systematic study based upon scientific methods to analyse business problems and to find optimal solutions.
- Human knowledge and skills are of great utility at all levels of management.
- Difference between the terms *administration* and *management* can be understood by drawing an analogy with the American model of the government, whereby the President typifies the administrative force, while the various governmental heads of departments typify the management force.
- The management functions (POSDC) are applicable equally well to the organization functions or organizational areas (at times referred to as the functional areas of management), namely operations, marketing, finance, strategy, human resources, and management information systems (MIS).
- The scope of management is truly vast as it is difficult to find an area of activity where management is not applicable.

ANAND MAHINDRA'S TWO CENTS WORTH TO INDIAN IT INDUSTRY

Mahindra & Mahindra has broken the unspoken rule that says automakers must design, engineer, and test their own vehicles while spending hundreds of millions of dollars in the process. Along the way, they can divvy up contracts to suppliers who will build the components for them. Mahindra, instead, tried something suppliers had been suggesting for years. The company built a brand-new vehicle with virtually 100 percent supplier involvement from concept to reality for $120 million, including improvements to the plant. The Mahindra Scorpio SUV had all of its major systems designed directly by suppliers with the only input from Mahindra being performance specifications and program cost. Design and engineering of systems was done by suppliers, as was testing, validation, and materials selection. Sourcing and engineering locations were also chosen by suppliers. The rest is history—Scorpio has been immensely successful in the country.

Anand Mahindra, vice chairman and managing director of Mahindra & Mahindra, was invited at the 2008 Nasscom Leadership Summit to share his thoughts about the Indian IT industry. In his discourse, Mahindra compared the evolution of the Indian IT industry with the Trimurti—the trinity in Indian mythology of *Brahma* the creator, *Vishnu* the sustainer, and *Shiva* the destroyer. While addressing the gathering of distinguished IT professional at the Summit, this is what Mahindra had to say:

You people have gone through a stage, where like Brahma, you created something out of nothing. You created a new and global industry. You created a service sector that is today, a major pillar of our GDP. But most importantly, you created a perception of a new India, both in the world and in Indian hearts and minds. Brahma created a physical landscape; you sowed the seeds of a new mental and psychological landscape. In that sense, you are truly the Brahmas of the age of liberalization.

But creation is only the first phase. You then have to move on to the next phase of sustaining that creation—to the realm of Vishnu the preserver. Creation is a one-time affair. Sustaining that creation is obviously a longer haul, subject to many attacks and crises. Perhaps that is why Vishnu comes not in one, but in ten incarnations. Every time there is a new danger, he changes his *avatar* to a form best suited to meet that danger. At various times, he has come as a fish, as a tortoise, as a dwarf. But his most interesting avatar came when he had to fight the demon *Hiranyakashyap*. Hiranyakashyap was a bad guy, who had obtained an amazing boon from the gods. Neither man nor beast could kill him; he could not be killed by daylight or at nighttime, within his home or outside it, on the ground or in the sky. All this made him pretty invincible—he went on a rampage, and only Vishnu could tackle him.

The IT industry today faces challenges every bit as complex as those Hiranyakashyap posed for Vishnu. It is hit by a macroeconomic tsunami of adverse currency changes, rapidly escalating costs in both salaries and infrastructure, and inadequate talent pools below the tier 1 and 2 institutions. At the company level, firms are beginning to feel the penalties of poor differentiation and lack of focus (trying to be all things to all people); and an over-emphasis on high volumes and price competition. Suddenly, the industry seems to have fallen off its pedestal. You are facing your very own Hiranyakashyap. It is interesting to see how Vishnu dealt with him.

How do you destroy someone who cannot be killed by man or beast, inside or outside, by day or night, etc.? The demon pretty much had all bases covered. So Vishnu took on the *Narasimha* avatar to bypass the boon. Narasimha was a hybrid creature; half-man half-lion, and therefore neither man nor beast. He killed Hiranyakashyap at twilight, which is neither day nor night. He killed him in the courtyard, which is neither inside a house nor outside it. And he killed the demon by placing him across his knee and tearing him apart, thus circumventing the terms of the boon that he could not be killed either on the ground or in the sky.

Now that is what I call an innovative algorithm! So what are the lessons for the IT industry in this story? Well, the first thing Vishnu did was to reinvent himself. It was not the gentle and contemplative Vishnu who fought Hiranyakashyap—it was the fearsome Narasimha avatar. Vishnu reinvented himself to suit the circumstances. The circumstances have changed drastically. Reinvent yourselves.

Do I have all the answers on the modes of reinvention? No, obviously not, otherwise I'd be out there filing patents, although I can suggest two broad approaches.

First, why don't we design business models that challenge traditional industry approaches and then transform our organizations, people and processes to execute. If we simply keep knocking on the doors of clients with our traditional offshoring options, we'll meet the fate of hearing aid salespersons: our best customers won't hear the doorbell!

For example, software-on-demand and open source models changed the rules of the software game. Can we not try to change the rules of the game this time around? Why didn't we invent Zoom technology or Virtualization? Thus far, India's brand of innovation has been identified with the IT industry, but is it truly innovative? Is it really game-changing? Ironically, you can now look to the old smokestack industries for inspiration.

A few weeks ago, an Indian car company made a game-changing move. Maybe the Nano will ultimately not retail for a hundred thousand rupees. Maybe it won't have great margins, or replace as many motorcycles as it would like to, but it was a game-changing move; it fired a shot that was heard around the world. Can the IT world make any such claim?

There was an old saying, apparently adopted by the IT industry, that the secret of success is to jump every time opportunity knocks. And how do you know when opportunity knocks? You don't, you just keep jumping! So when are we going to stop simply jumping every time a client seems to sneeze, and actually create products and IP that become their own opportunities?

Why aren't IT companies using the massive potential of India's soft power, the film and TV business to exploit technological dominance of what Tata Motors calls the *last mile* but is actually the *first mile* in the brave new interactive world?

Secondly, why don't we try to focus on a vertical industry (e.g., telecom) or horizontal domain (e.g., supply chain management) selecting the key dimensions of competitive differentiation—product vs. service, breadth vs. depth, speed of delivery, customer service responsiveness, fixed or outcome-based pricing, proprietary technology or intellectual property, and so on.

And let us be prepared to make hard decisions along the way—change people who don't fit, walk away from businesses that doesn't fit. It is essential, while attempting this, however, to recognize that focus, differentiation, and brand building require time and investment. Selling value or doing business differently than the norm tends to elongate sales cycles, which tends to put pressure on cash flow and we need to resist the temptation to broaden our offerings or slash prices just to win the business and keep people busy.

Along with reinvention, during the course of reinventing himself, Vishnu figured out the loopholes in the boon, and regrouped his physical and mental aspects to take advantage of these loopholes. That is something the IT industry can do as well. It is often been pointed out that the Chinese word for "crisis" is also the Chinese word for "opportunity"—I love that mindset. I truly believe that the adverse rate of the dollar can be viewed as the glass half-empty or the glass half-full. Sure it affects margins. But it is also a chance to take advantage of the loophole and buy yourselves what you don't have, so that you can regroup your structure to meet the challenge.

To me, the fact that our currency is more valuable and our price earnings ratios are still higher than average, means that we can acquire the front-ends and the large IT businesses that we never thought we could before. And the bigger the better. If people are egging us on to leapfrog, then they should also cheer as you bid for companies that seem bigger fish than you. It is happening all the time today in the manufacturing sector—Tata Corus being the stellar example—and we at Mahindra, while starting from scratch, have inorganically compiled together a portfolio of acquisitions that make us the fourth largest steel forging company in the world today.

This is not without historical precedent. If you look at Japan and South Korea, both of them went through a phase of enduring the world's skepticism, then painstakingly building strong and competent domestic businesses, and then on the back of global liquidity support and strong price earnings ratios, compressing time by acquiring global firms and their customer credibility.

In effect, by acquiring the strengths and skill sets you need, you will regroup your profile and create a new entity, which can vanquish your challenges as effectively as Vishnu vanquished Hiranyakashyap.

And finally, while reinventing yourselves, you will have to bring in some of the aspects of the third element of the Trimurti—that of Shiva the destroyer. Destroy, for example, the premise that cost arbitrage is the way to go. Recognize that the low cost, high volume offshore outsourcing battle has already been fought and won. Often, when strategic frames grow rigid, companies, like countries, tend to keep fighting the LAST war. If you are not already on the winners list, you need to think of other ways to compete on value and differentiation, rather than price and scale. Destroy the premise that success comes only from size, and desist from comparisons with other Indian companies. There are still many IT companies in India who define success as “We want to be one of the top ten Indian IT companies.” Why not, for example, “We want to be the world’s #1 banking back office solutions provider?”

And lastly, perhaps the time has come to destroy the notion that the world may be your oyster but India is not. There is a huge domestic market in middle class and corporate India that has not been plumbed. Even selling to the bottom of the pyramid is profitable today. But it needs a creative destruction of the current mindset and a re-think on many of the assumptions we hold dear. So, in conclusion, perhaps there really isn’t that much distance between avatars in the mythological sense and avatars in the technology sense. Perhaps they are both symbolic expressions of the same reality. In their different ways, they both underline the same message—that it is necessary in any situation to reinvent, regroup and re-think our way out of whatever challenges confront us (Mahindra, 2008).

Discussion questions

1. Up to what extent do you agree with Anand Mahindra’s view that the Indian IT industry needs to reinvent itself?
2. Is India’s IT industry truly innovative? Justify with suitable rationale.

■ ■ DEVELOPMENT OF MANAGEMENT THOUGHT

Management thought seems to have its roots grounded in ancient and medieval times, when scholars, priests, kings, and courtesans were trying to develop their administrative skills (Figure 1.5). Management started developing into its full-fledged form during the industrial revolution in Europe when the *classical management movement* started gaining its pace. The time frame usually assigned to this movement is 1885 to 1940, though initial references to its evolution can be traced back to 1796.

The next stage of the development of management thought is popularly known as the *behavioural management movement* with its starting time somewhere around 1930. This movement continues to traverse through the current times. However, due to its inception in the early part of the twentieth century,

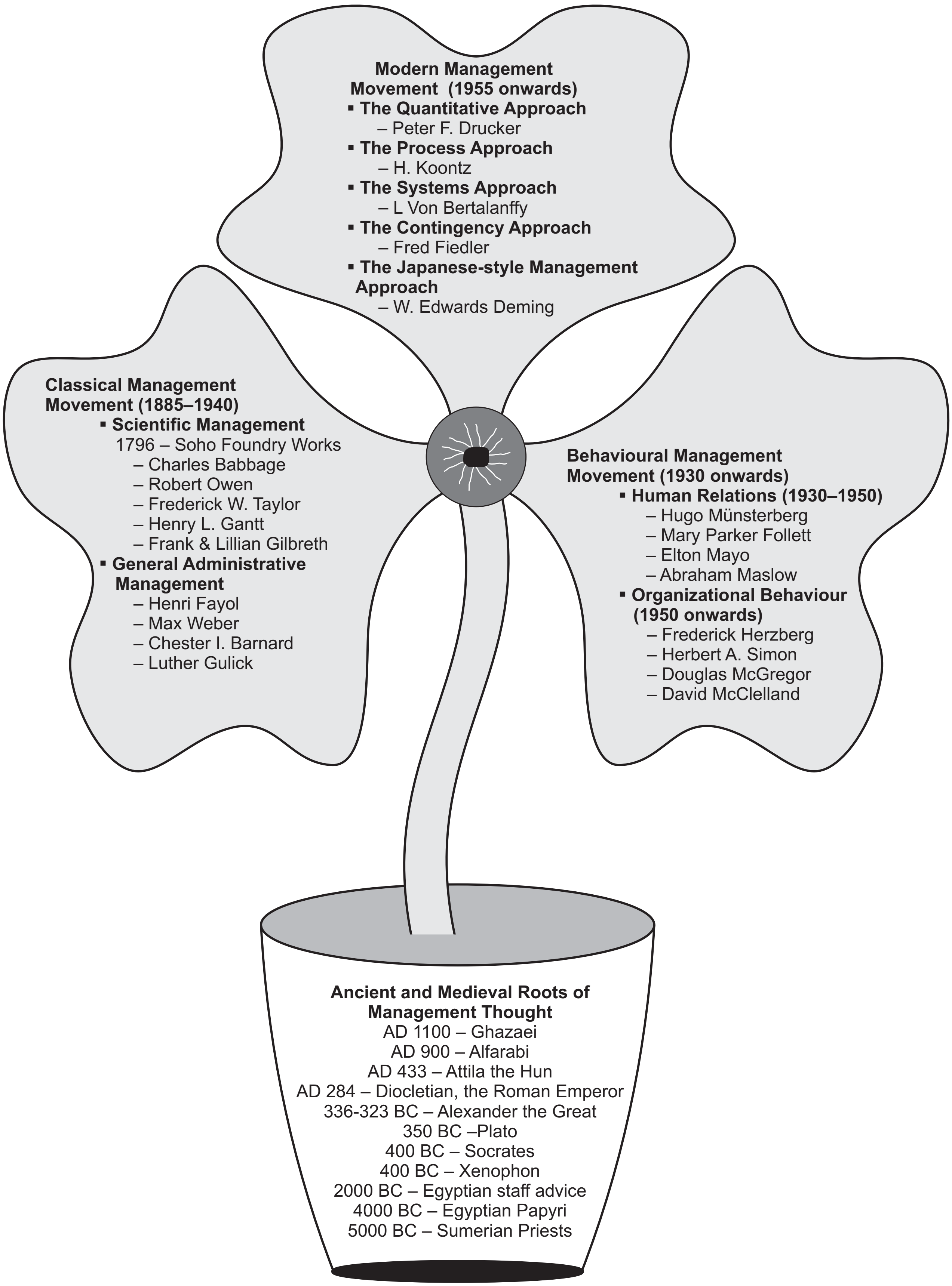


Figure 1.5 Development of Management Thought

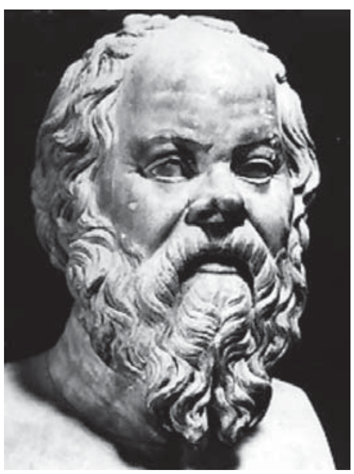
we shall discuss it under the early management approaches along with *ancient and medieval roots* and *classical management movement*.

The *modern management movement* was arguably heralded by Peter Drucker with his seminal work—*The Practice of Management* (1954), in which he explained the various lacunae in the American management systems by giving various pragmatic examples, case studies and proposing solutions thereof. Perhaps, this book by Drucker served as a harbinger to the end of American dominance in management thought and the imminent rise of Japan. We shall assign to it the period from 1955 to the present times. This is the most fascinating period in the history of management, particularly because of the forays of Japanese-style of management in the mainstream management thought.

■ Early Management Approaches

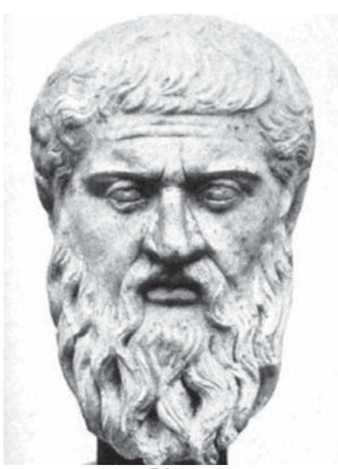
The early management approaches include ancient and medieval roots of management thought, classical management movement, and behavioural management movement.

Ancient and medieval roots of management thought



Socrates

The oldest references to the roots of management thought can be traced back to about 5000 BC. The Sumerian priests were found to keeping written records of business transactions in the city of Ur (Iraq). The transcriptions on the Egyptian papyri (a natural form of paper used by the Egyptians) reveal that the Egyptians were aware of the importance of planning, organizing, and controlling. Also, there are indications that staff advice existed in Egyptian management by 2000 BC. Socrates, a classical Greek philosopher, is credited with first proposing, the universality of management in 400 BC and in the same year, another Greek scholar, Xenophon (a contemporary and admirer of Socrates) is said to have recognized management as a separate art (Claude, 1968). Socrates is also credited with defining management as a skill separate from technical knowledge and experience (Higgins, 1991).



Plato

In 350 BC, Plato – another Greek philosopher and a disciple of Socrates – described the principles of specialization. In his work, *The Repubic*, Plato explained the ways to groom carefully selected persons into leaders by training them in specialized skills and knowledge (Osigweh, 1985). Ancient Greek scholars seem to have contributed a lot to the ancient management thought, as one of their greatest kings, Alexander the Great, used a staff organization system during his military campaigns from 336 BC to 323 BC (Claude, 1968).

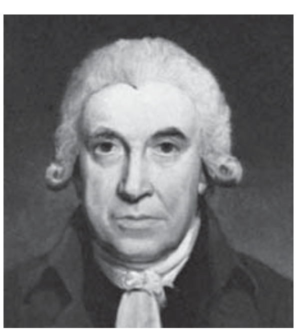
In AD 284, the Roman king, Diocletian seems to have understood the significance of delegation of authority and chain of command, when he created organizational hierarchies by dividing his empire into 101 provinces and further grouping them into 13 dioceses (districts) (Osigweh, 1985). The accounts of Attila the Hun, the king of an empire stretching from Germany to major part of Eastern Europe, indicate that he was instrumental in unifying the various Hunnish tribes of those times into a nation in AD 433 and believed leadership to be a privilege (Roberts, 1987). In AD 900, Alfarabi (one of the greatest scientists and philosophers of Persia) identified the traits of a leader, while another scholar, Ghazaei suggested the traits of a manager in AD 1100 (Claude, 1968).

Classical management movement

The classical management movement has two thrust areas, *scientific management* and *general administrative management*. Let us discuss each one of these parts of the movement separately.

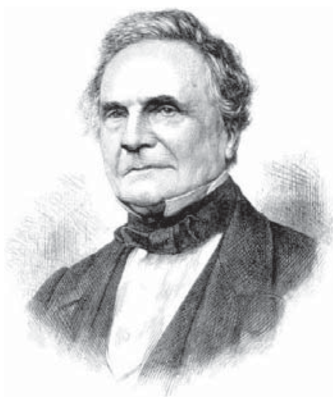
Scientific management. Scientific management methods called for optimizing the way that tasks were performed and simplifying the tasks enough so that workers could be trained to perform their specialized sequence of motions in the one "best" way. Scientific management started gaining momentum during the evolution of the industrial activity in Europe during the late nineteenth century. However, the concepts had started taking roots much earlier during the late eighteenth century.

The fundamental objective of scientific management was to find better ways of improving the productivity in the factories, as Europe transitioned from small-scale handicraft industry to large-scale mass production activities. Thus, scientific management can be deemed as the inception of operations management stream of the management thought.



James Watt

The successful creation of the steam engine by James Watt (1736–1819), a Scottish inventor and mechanical engineer, served as a harbinger of the industrial revolution in Great Britain and rest of the world. Having obtained the patent for the steam engine, Watt created a steam engine manufacturing company in partnership with Matthew Boulton in 1794. The company had a foundry called the *Soho Foundry Works*, which both the partners decided to give under the joint control of their sons, *James Watt Jr.* and *Matthew Robinson Boulton* in 1796. Watt Jr. and Robinson deployed systematic techniques to manage their foundry like demand forecasting, facility layout and work flow, production planning, planned site selection, production standards and standardization of product standards. They also created systems to determine costs and profits for each machine manufactured. They meticulously developed training programmes for their employees, systems for compensation based upon work measurements and also, employee welfare programmes like sickness benefit programme executed by a committee of elected employees (Pollard, 1974).



Charles Babbage

Charles Babbage (1772–1871), a British mathematician, mechanical engineer and inventor, was a firm believer of the merits of division of labour. He promoted the idea of profit-sharing with the workers based upon their productivity and encouraged the use of employee suggestion schemes. He proposed the observational methods of studying manufacturing processes. His seminal work published in 1832, *On the Economy of Machinery and Manufactures*, is regarded as an important masterpiece of scientific management (Higgins, 1991).

Robert Owen

Robert Owen (1771–1858), a British social reformer, is remembered for his reforms regarding child labour in factories, providing meals in the factory to the on-the-job workers and creation of suitable housing facilities for the workers. The origins of human resources management can be traced back to these pioneering efforts of Owen. He used visual displays like painted signboards with four different colours attached to machines signifying various levels of productivity achieved by the individual workers working on these machines. These signboards served as *silent monitors* of worker productivity and everybody in the factory could easily see the accomplishment of a worker by viewing the colour of the signboard attached to his machine (Wren, 1972).

Frederick Winslow Taylor (1856–1915), an American mechanical engineer, is aptly hailed as the father of scientific management. His book *The Principles of Scientific Management* was published in 1911 and is regarded as a cornerstone of

Frederick Taylor

management thought. He is famous for his stopwatch time studies, in which he measured the time taken by workers in performing various parts of a task. He argued that by such measurements, a standard time can be arrived at, which can be used to create benchmarks for others to follow. According to him, this careful scientific analysis of a task helps in finding "one best way" of performing it.

In one such interesting experiment, he developed the "Science of Shoveling." He observed that the same type and size of shovel was used by workers to lift material of different densities. He provided workers with customized shovels of shapes and sizes according to the densities of the material to be lifted. The productivity increased three to four times due to this innovation.

Taylor believed that the primary interest of the workers and an organization's management team was the same—the management team wants better productivity from the workers, while workers want higher wages. Workers can command higher wages because their work is measurable. Once the workers understand the benefits of scientific management, they would immediately develop a better mental attitude towards the management team, thus eliminating the need for constructive criticism and complaints (Taylor, 1911).

Henry Gantt

Henry Laurence Gantt (1861–1919), an American mechanical engineer, is famous for the Gantt charts invented by him for use in project management. These charts served as visual display to gauge the progress of various activities in a project and are still used extensively in project management and other applications. Gantt worked with Frederick W. Taylor from 1887 to 1893 at Midvale Steel and Bethlehem Steel. Earlier, Gantt was the roommate of Taylor at the Stevens Institute of Technology. Using his Gantt charts, Gantt was able to devise an incentive system to reward the workers who completed a task before the stipulated time. He also introduced incentive schemes for the supervisors who were able to train their workers well to enhance productivity.

Lillian Moller Gilbreth (1878–1972) and *Frank Bunker Gilbreth* (1868–1924), the American couple, were the pioneers in the field of industrial engineering. Lillian was a PhD in industrial psychology, while Frank had no formal education beyond high school. However, Frank had rare management insights and rose from being a bricklayer, to a building contractor, an inventor and eventually, to


Lillian and Moller Gilbreth

a management engineer/consultant along with his wife Lillian. Lillian served as an advisor to American Presidents—Hoover, Roosevelt, Eisenhower, Kennedy, and Johnson—on matters of civil defense, war production, and rehabilitation of the physically handicapped. The husband-wife duo is credited with the evolution of time-motion studies, through which they developed the *Laws of Motion Economy* having 22 principles dealing with the use of the human body, the workplace arrangement, and tools and equipment design (Gilbreth & Gilbreth, 1917).

General administrative management. While scientific management had a micro focus upon the workers, the tasks performed by them, and increasing worker productivity; general administrative management had a macro focus upon the organization as a whole. General administrative management is deemed as a harbinger of the modern organizational theory.


Henri Fayol

Henri Fayol (1841–1915) was a French executive and mining engineer. He is one of the most revered contributors of general administrative management and is credited with the creation of the *systematic management theory*. His most popular concept is that of the basic functions of a manager, namely planning, organizing, commanding, coordinating, and controlling. He emphasized upon the unity of command, i.e. there should be one supervisor for each worker in an organization (Fayol, 1916).


Max Weber

Maximilian Carl Emil Weber (1864–1920), a German political economist and sociologist, is known as the father of bureaucratic management. He created organizational hierarchies in which the lower level of the organization was accountable to the next higher level. In his view, qualification was the basis for recruiting an individual for a position in the office. In this hierarchy, an individual was given promotion on the basis of seniority or achievement or both (Weber, 1947).

Chester Irving Barnard (1886–1961) was an American executive and a proponent of early organizational theory. He proposed the acceptance theory of authority,


Chester Barnard

in which an employee first considers the validity of her superior's orders and then decides whether to accept it or not. According to this theory, the employee is likely to accept the directives of his boss if he has understood it, is able to follow it, and finds it in conformance with the organizational goals. In relation to the existence of informal groups within an organization, Barnard claimed that such groups occurred repeatedly without any unified purpose (Barnard, 1938). This is quite in contrast to the modern management theory, in which a major function of the informal organizational groupings is to fulfill inter-group goals that are not met by formal organizations (Pindur *et al*., 1995).


Luther Gulick

Luther Halsey Gulick III (1892–1993), an American social scientist, is best known for the acronym POSDCORB proposed by him. POSDCORB stands for the seven activities of a manager, namely planning, organizing, staffing, directing, coordinating, reporting, and budgeting. This is indeed an expansion of the earlier work of Henri Fayol about the functions of a manager. Gulick was instrumental in contributing to the area of departmentalization of organizations, whereby he emphasized upon the need to avoid grouping dissimilar activities under a single department (Gulick, 1937).

Behavioural management movement

During the 1930s, the detractors of scientific management started gaining support with the rationale that achieving simple mechanical efficiency is not just enough to achieve organizational success and there are many more things needed to be done regarding the human aspects of the organization. Thus, the behavioural management movement started gaining momentum with two thrust areas: *human relations* and *organizational behaviour*. The major contributions of behavioural management are that it produces understanding concerning motivation, group dynamics, leadership, and other interpersonal processes in organizations (Ivancevich *et al.,* 1994).

Human relations (1930–1950). Human relations involve the understanding of human needs, human behaviour, human conflicts, and informal human relationships.


Hugo Munsterberg

Hugo Münsterberg (1863–1916) was a German-American psychologist and is considered as the father of industrial or applied psychology. He believed that there is a strong correlation between scientific management and industrial psychology/human behaviour. He argued that both were aimed at improving efficiency through work analysis in a scientific way (Ivancevich *et al.*, 1994).


Mary Follett

Mary Parker Follett (1868–1933) was an American social scientist, who laid the foundations of modern organizational development with seminal contributions in conflict management, motivation, cooperation and authority (Fry, 1989). Prior to her work, people deemed conflicts in organizations in negative perspective only. She contended that conflict is a process in which considerable differences of opinion occur, but if the conflicts are resolved amicably, they may contribute in a constructive way for the attainment of organizational goals (Follett, 1941).


Elton Mayo

Elton Mayo (1880–1949) was an Australian psychologist, sociologist and organization theorist, who was initially a faculty member at the University of Queensland (Australia), but moved on to join University of Pennsylvania and later, the Harvard Business School where he spent a major part of his academic career as a professor of industrial research. Mayo is hailed as the founder of the human relations movement and is famous for the Hawthorne experiments at a factory of General Electric which he conducted along with his colleagues. The findings of this study revealed that changes in the physical environment (like better lighting, temperature, etc.) and economic benefits (like increase in wages) had little effect on productivity, but the informal relationship between the supervisors, subordinates, and peers had a strong impact on increasing the productivity. Mayo deduced that informal or unofficial groups formed at work have a strong influence on the behaviour of those workers in a group and this human behaviour can be constructively utilized by managers to achieve better productivity and a congenial work environment (Hellriegel and Slocum, 1992).

Abraham Maslow (1908–1970) was an American psychologist. He is noted for his conceptualization of a five-tiered *hierarchy of human needs*, and is considered the father of humanistic psychology. Needs were defined as internal states which

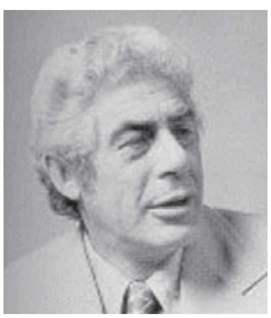
Maslow

make certain outcomes appear attractive. According to Maslow, the genesis of motivation takes place through needs. Motivation was defined as the willingness to exert high levels of effort to achieve certain goals.

Maslow saw human beings' needs arranged like a ladder. The most basic needs, at the bottom, were physical—air, water, food, sleep. Then came safety needs—security, stability—followed by psychological or social needs—for belonging, love, and acceptance. At the top of it all were the self-actualizing needs—the need to fulfill oneself, to become all that one is capable of becoming.

Maslow felt that unfulfilled needs lower on the ladder would inhibit the person from climbing to the next step. Someone dying of thirst quickly forgets his thirst when he has no oxygen, as he pointed out. Therefore, Maslow recommended that lower level physiological needs should be fulfilled for individuals to get motivated for self-actualization (Maslow, 1943).

Organizational behaviour (1950 onwards). Organizational behaviour is the systematic study and careful application of knowledge about how people—as individuals and as groups—act within an organization.



Frederick Herzberg

Frederick Herzberg (1923–2000) was a noted American psychologist, who proposed the *Two-Factor Theory* (also known as *Motivation-Hygiene Theory*). He found that job satisfaction and job dissatisfaction acted independently of each other. Two-Factor Theory states that there are certain factors in the workplace that cause job satisfaction, while a separate set of factors cause dissatisfaction. It distinguishes between: motivators (e.g. challenging work, recognition, responsibility) which give positive satisfaction, arising from intrinsic conditions of the job itself, such as recognition, achievement, or personal growth, and hygiene factors (e.g. status, job security, salary, and fringe benefits) which do not give positive satisfaction, although dissatisfaction results from their absence. Essentially, hygiene factors are needed to ensure an employee is not dissatisfied and motivation factors are needed in order to motivate an employee for higher performance (Herzberg, 1966).

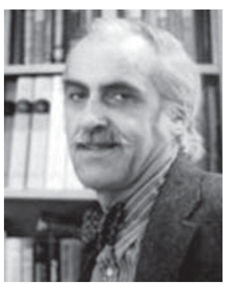
Herbert Simon

Herbert Alexander Simon (1916–2001) was an American social scientist and a professor at Carnegie Mellon University. He contended that individuals behaving rationally do not try to arrive at an *optimal* decision, but a decision which is *good enough* to allow them to achieve a goal under the circumstances put forth by the environment (Simon, 1976).


Douglas McGregor

Douglas McGregor (1906–1964) was a professor at the MIT Sloan School of Management, who believed that managers use either of the two theories, namely Theory X and Theory Y, to motivate their employees. Theory X has a negative connotation in the sense that it is based upon the traditional approach of direction and control, whereby managers place orders on their subordinates and place control mechanisms to keep an eye on the progress made by them. Thus, according to this theory, employees get motivated to work due to coercion, fear factor and force. On the contrary, Theory Y is based upon the modern behavioural approach which treats employees as capable, responsible, and mature.

McGregor argued that most organizations at that time were fulfilling the basic needs of employees and therefore, the workplace needs to be reorganized in order to provide an environment for achieving higher-level social, esteem, and self actualization needs. This way, the work would be more enjoyable for the employees who would willingly commit themselves to sharing more responsibility for the achievement of organizational goals (McGregor, 1960).


David McClelland

David McClelland (1917–1998) was an American psychological theorist, who argued that all types of needs may not be uniformly applicable to all individuals (as suggested by Maslow), as some needs are acquired through interaction with the environment, i.e. are learned or socially acquired. These are the need for achievement, need for power, and need for affiliation (McClelland, 1961).

■ Modern Management Approaches

The modern management movement builds upon the classical and behavioural movements by integrating the fundamental theories of management with contemporary approaches like quantitative, process, systems, contingency, and Japanese-style.

Peter Ferdinand Drucker (1909–2005), an Austrian-American scholar, is widely considered as the *father of modern management*. His landmark work *The Practice of Management* (1954) is deemed as the harbinger of the modern management movement. In his proposed model called *Management by Objectives* (MBO), he emphasized the need for setting clearly spelled-out objectives for every manager at all levels of the hierarchy in an organization. These objectives should be in


Peter Drucker

line with the overall goals of the business enterprise. These objectives should specify what performance outputs are expected to be generated by the manager's own managerial unit, how his unit may help other managerial units in achieving their objectives and last but not the least, what help the manager can expect from other units in achieving his own objectives. In nutshell, the emphasis from the beginning should be on teamwork and team results (Drucker, 1954).

The quantitative approach

Quantitative management has its roots in the development of mathematical and statistical techniques to solve military problems during the Second World War (Ivancevich *et al.*, 1994). Over the years, it evolved into three major areas: *management science*, *operations management*, and *management information systems*. In management science, mathematical models are developed specifically to aid in decision-making and problem solving. Operations management has its focus on the application of management science to organizations. As the name suggests, management information systems are communication systems designed to provide relevant information to the managers as and when they require.

Linear programming for optimal allocation of resources, simulation models, inventory optimization models, scheduling theories, and game theory belong to the quantitative approach to management. The roots of strategic management can be traced back to game theory, in which various actions of competitor firms and the payoffs related to different outcome combinations are analysed to find the optimal strategy with highest expected payoff.

The process approach

Koontz (1961) proposed that managing is a process and can best be dissected intellectually by analysing the functions of the manager as outlined by Fayol (1916). According to him, management is a universal process, regardless of the type of enterprise, or the level in a given enterprise, although the environment of management differs widely between enterprises and levels. Further, it is a continuous process in the form of a circular loop (Figure 1.6) such that the last function in the process, namely *controlling* leading back to the first function *planning* (Robbins, 1991).

The systems approach

Von Bertalanffy (1972) describes a *system* as consisting of connected parts joined to form a whole in which the coordinated and combined effect of the subsystems creates synergy. There are two types of systems: *closed* and *open*. Closed systems

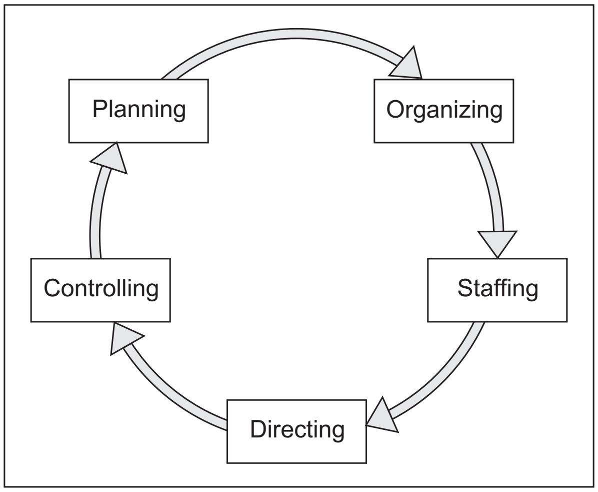


Figure 1.6
The Process Approach to Management

do not interact with the external environment, while open systems do so. Taylor's scientific management, Weber's bureaucratic theory, and Gulick's administrative principles are considered as closed system models, while the human relations and behavioural theories are deemed as an open system model.

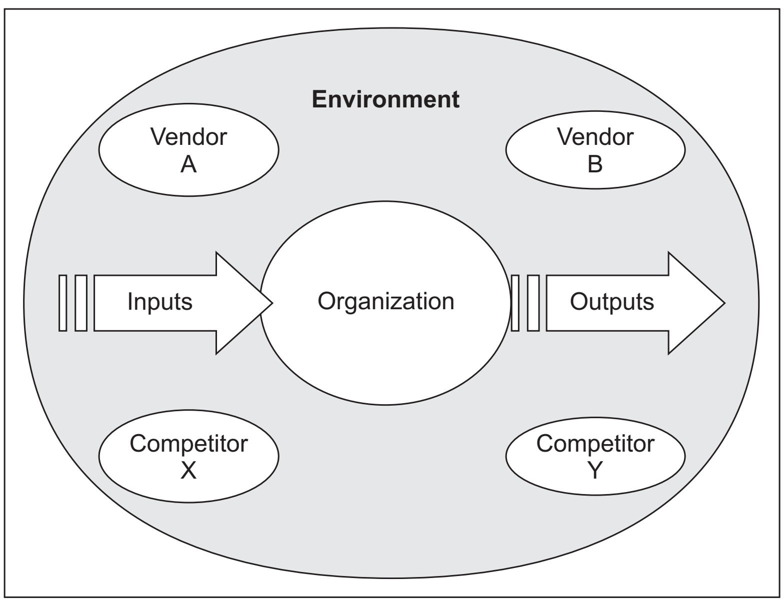


Figure 1.7
The Systems Approach to Management

In the systems theory, an organization is one of the elements in the business environment (along with its competitors, which are the other elements), which takes inputs of various types of resources from the environment and after processing them, it returns the output in the form of finished products and services (Figure 1.7).

The contingency approach

The contingency approach (also known as *situational management*) suggests that there are many situational factors which make a business problem different from the other and hence, a unique approach to problem solving/decision-making by managers is required rather than a generic approach. These situation factors can be external environment (say competitors, vendors, government, etc.), technology, organizational characteristics, characteristics of the manager, characteristics of the subordinates, etc.

Fred Fiedler's model of contingency theory requires the leaders/managers to rate their least preferred coworker (LPC) on a bipolar scale of 1 to 8 (with "unfriendly" represented by 1 and "friendly" represented by 8). A high LPC score suggests that the manager/leader has a *human relations orientation*, while a low LPC score indicates a task *orientation*.

Fiedler assumes that everybody's least preferred coworker in fact is on average about equally unpleasant. But people who are indeed relationship-motivated, tend to describe their least preferred coworkers in a more positive manner, e.g. more pleasant and more efficient. Therefore, they receive higher LPC scores. People who are task-motivated, on the other hand, tend to rate their least preferred coworkers in a more negative manner. Therefore, they receive lower LPC scores.

So, the LPC scale is actually not about the least preferred worker at all, instead, it is about the person who takes the test; it is about that person's motivation type. This is so, because, individuals who rate their least preferred coworker in a relatively favourable light on these scales derive satisfaction out of interpersonal relationship, and those who rate the coworker in a relatively unfavourable light get satisfaction out of successful task performance. This method reveals an individual's emotional reaction to people with whom he or she cannot work.

The contingency theory allows for predicting the characteristics of the appropriate situations for effectiveness. Three situational components determine the favourableness or situational control:

1. *Leader-member relations*, referring to the degree of mutual trust, respect and confidence between the leader and the subordinates.
2. *Task structure*, referring to the extent to which group tasks are clear and structured.
3. *Leader position power*, referring to the power inherent in the leader's position itself.

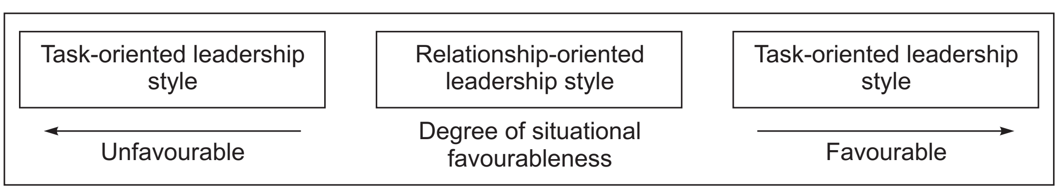


Figure 1.8 Identification of Appropriate Leadership Style

As shown in Figure 1.8, when there is a good leader-member relation, a highly structured task, and high leader position power, the situation is considered a *favourable situation*. Fiedler found that low-LPC leaders are more effective in extremely favourable or unfavourable situations, whereas high-LPC leaders perform best in situations with intermediate favourability (Fiedler and Chemers, 1974).

For example, task-oriented leadership would be advisable in natural disaster, like a flood or fire. In an uncertain situation, the leader-member relations are usually poor, the task is unstructured, and the position power is weak. The one who emerges as a leader to direct the group's activity usually does not know any of his or her subordinates personally. The task-oriented leader who gets things accomplished proves to be the most successful. If the leader is considerate (relationship-oriented), he or she may waste so much time in the disaster, which may lead things to get out of control and lives might get lost.

The Japanese-style management approach

William Edwards Deming (1900–1993) is the most influential quality management *guru*, not only for the Japanese, but also for the rest of the world. The only difference is that the world came to know about Deming very late compared to the Japanese, who listened to him carefully, when nobody else was listening and implemented his concepts to become world leaders in quality.

After the World War II, the American companies were experiencing boom time because of the large capacities of their plants now available, which were earlier devoted to the war effort. The countries devastated in the war were willing to buy anything no matter of what quality and the Americans were ready to supply. The Americans were, thus, not bothered about quality at all at that time.

On the other hand, Japanese managers and engineers realized that they required new techniques to build their devastated country and economy fast. They invited Deming for his lectures on *statistical quality control*. In the early 1950s, he lectured to engineers and senior managers throughout Japan, including in his lectures principles now regarded as part of *total quality management* (TQM) or *company-wide quality* (Deming, 1982). Only in the year 1970, did the Americans recognized the efforts of Deming, but it was too late by then, as the Japanese had made inroads into the world markets and Americans were facing a tough competition from them.

The Japanese concepts of management like *just-in-time* (JIT), *single-sourcing*, the *Keiretsu system*, *kaizen, poka-yoke, hoshin kanri, quality circles,* and *quality function deployment* (QFD) provided a radically different approach to management compared to the American theories.

Schonberger (1982) defined the JIT system as to "Produce and deliver finished goods just-in-time to be sold, sub-assemblies just-in-time to be assembled into finished goods, and purchased materials just-in-time to be transformed into fabricated parts."

Single-sourcing is a concept whereby the Japanese companies try to forge long-term relationship with a single supplier, who is given the order for supplying a component for all the volumes required.

Keiretsu are vertically integrated groups with a dominant manufacturing firm and a network of major suppliers and subcontractors. There are six main groups in Japan: Mitsui, Mitsubishi, Sumitomo, Fuyo, Sanwa, and Dai-Ichi Kangyo. For example, Toyota, although a member of the Mitsui group, has developed such an extensive network of suppliers and subcontractors that it has become the core company in its own entrepreneurial *keiretsu*. It is typical of companies within a *keiretsu* not to do any business with companies in another *keiretsu*.

Kaizen in Japanese means *continuous improvement* in every sphere of activity. Kaizen is a sub-system of JIT.

The Japanese word *Poka-Yoke* has been derived from *Yokeru* (in Japanese, to avoid) *Poka* (inadvertent errors). *Poka-Yoke* are simple and inexpensive devices used in order to ensure that zero defects are produced by the organization. The Japanese quality guru Shigeo Shingo (1986) propounded the concept of *zero quality control* using Poka-Yoke devices leading to "defects = zero." This concept is synonymous with terms like *fail-safing*, *fail-proofing*, *fool-proofing*, *error-proofing*, and *100% inspection*.

Hoshin Kanri literally means in Japanese: *ho*–method; *shin*–shiny metal showing direction; *kanri*–planning. A useful interpretation of the literal translation is that Hoshin Kanri is a methodology for setting strategic direction (Kondo, 1998).

Quality circles are voluntarily formed informal groups of workers with an objective to problem-solve and propose solutions (Olberding, 1998).

Hin shitsu, *ki nou*, *ten kai* in Japanese means *quality function deployment*. This methodology of designing the products and services starting from the "voice of the customer" was developed by Akao (1972). The American Society for Quality Control defines QFD as a "structured method in which customer requirements are translated into appropriate technical requirements for each stage of product development and production. The QFD process is often referred to as listening to the voice of the customer" (Bemowski, 1992).

Points to Ponder

- The oldest references to the roots of management thought can be traced back to about 5000 BC. The Sumerian priests were found to keeping written records of business transactions in the city of Ur (Iraq).
- The fundamental objective of scientific management was to find better ways of improving the productivity in the factories, as Europe transitioned from small-scale handicraft industry to large-scale mass production activities.
- The major contributions of behavioural management are that it produces understanding concerning motivation, group dynamics, leadership, and other interpersonal processes in organizations.
- In the systems theory, an organization is one of the elements in the business environment (along with its competitors, which are the other elements), which takes inputs of various types of resources from the environment and after processing them, it returns the output in the form of finished products and services.
- The contingency approach (also known as situational management) suggests that there are many situational factors which make a business problem different from the other and hence, a unique approach to problem solving/decision-making by managers is required rather than a generic approach.

HENRY FORD—AN ENTREPRENEUR'S RESISTANCE TO MANAGE THROUGH MANAGERS

Henry Ford (1863–1947) was an American engineer, an innovator, and founder of the Ford Motor Company. He is known as the father of the assembly line. The Model T produced by his company was the first successful attempt to large-scale manufacturing of affordable automobiles in America. He is also known for his "wage motive" in which he more than doubled the wages of deserving workers in his factory. This move proved immensely profitable, as not only it reversed the employee turnover, but also attracted the best of skilled mechanics to his factory from all over the region, thus reducing training costs while increasing productivity and improving quality manifold.

Drucker (1954) has vividly captured the resistance of the legendry Henry Ford to employ and groom managers to manage his company and the ensuing near-collapse of his company due to this approach. During the early 1920s, Ford enjoyed dominance in the American automobile market with about 75% of the market share commanded by its cars. However, by the time World War II started (late 1930s), its market share had plummeted to about 20%.

Insiders of the company and people in the automotive industry in general were waiting for the old man to pass away so that his only son Edsel Ford could take over and change the company's fortunes. Ironically, Edsel suddenly died during World War II, thus adding to the woes of the company.

The reason for an immensely successful company like Ford to land into such a dire situation was simple—Henry Ford's resistance to manage his empire through professional managers. So much so that he had deliberately and consciously created a secret policing system whereby executives were spied on to find if they tried to take any decision on their own without consulting Ford. The rationale behind such a strange behaviour on part of Henry Ford was the fear of any conspiracy against him to dethrone him from his enviable position of authority. Therefore, he preferred to have executives who were good enough only to execute what they were told to do rather than manage on their own. During the 20 years of his (mis)rule, most of the good people had either been fired or had joined the rival General Motors after Ford's unprofessional attitude became unbearable for them.

The responsibility for a turnaround of business fell in 1944 on the young shoulders of Henry Ford II, the twenty-year-old grandson of Henry Ford with his father already dead and his grandfather rapidly failing. The young man had little experience, but still he understood the real reason for the problems of his company. It was not an easy task for him with his grandfather still alive and his police still in action. However, in the due course, he was able to rope in professional managers for top positions in the company and created a proper organization structure with full authority to the managers and commensurate responsibility. The rest is history as the turnaround of Ford Motor became a legend for American business.

Discussion questions

1. Discuss more examples particularly in the context of Indian industry whereby entrepreneurs have been reluctant to delegate responsibilities to managers in their organization.
2. Is the tendency of Henry Ford to exercise excessive control over its employees typical of entrepreneurs? Can you cite some examples in which professional top management of some organization has demonstrated similar controls?

SUMMARY

- Management is the process of getting things done through people for the benefit of the customer or the client. Management is perhaps the only subject in academics which enjoys the distinction of being a science as well as an art and a profession. This is so because the contributions in the evolution of this subject have come from all the directions—artists, social scientists, economists, engineers, administrators, and practicing managers.
- Knowledge symbolizes the science part of management, i.e. what the managers are supposed to know, while skills represent the art form, i.e. how the managers should *do* or *apply the knowledge*.
- The scope of management is truly vast. It encompasses for-profit as well as non-profit organizations, government as well as non-governmental organizations, and service as well as manufacturing organizations. It is in fact difficult to find an area of activity where management is not applicable.
- Management thought seems to have its roots grounded in ancient and medieval times, when scholars, priests, kings, and courtesans were trying to develop their administrative skills. Management started developing into its full-fledged form during the industrial revolution in Europe when the classical management movement started gaining its pace. The next stage of the development of management thought is popularly known as the behavioural management movement with its starting time somewhere around 1930. This movement continues to traverse through the current times.
- The modern management movement is the most fascinating period in the history of management, particularly because of the forays of Japanese-style of management in the mainstream management thought. The Japanese concepts of management like *just-in-time* (JIT), *single-sourcing*, the *keiretsu* system, *kaizen*, *poka-yoke*, *hoshin kanri*, *quality circles* and *quality function deployment* provided a radically different approach to management compared to the American theories.

KEYWORDS

Administration is the force which lays down the object for which an organization and its management are to strive and the broad policies under which they are to operate.

Controlling is measuring and correcting activities of people to ensure that plans are being realized.

Directing is taking actions to motivate people and help them see that contributing to group objectives is in their own interest.

Finance is about time, money, risk, and the interrelationships thereof.

Hoshin kanri in Japanese literally means: *ho*–method; *shin*–shiny metal showing direction; *kanri*–planning. *Hoshin Kanri* is a methodology for setting strategic direction.

Human relations involves the understanding of human needs, human behaviour, human conflicts, and informal human relationships.

Human resources is the organizational function which deals with selection and recruitment of employees, performance appraisal, compensation, rewards, recognition, training and development, etc.

Just-in-time system is to: "Produce and deliver finished goods just-in-time to be sold, sub-assemblies just-in-time to be assembled into finished goods, and purchased materials just in time to be transformed into fabricated parts."

Kaizen *in* Japanese means *continuous improvement* in every sphere of activity.

Keiretsu *are* vertically integrated groups with a dominant manufacturing firm and a network of major suppliers and subcontractors.

Management by objectives means setting clearly spelled-out objectives for every manager at all levels of the hierarchy in an organization in line with the overall goals of the business enterprise.

Management information system focuses on providing needed information to the managers in a useful format and at a proper time by using contemporary information technologies.

Management is the process of getting things done through people for the benefit of the customer or the client.

Marketing is a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.

Motivation is defined as the willingness to exert high levels of effort to achieve certain goals.

Needs are defined as internal states which make certain outcomes appear attractive.

Operations are constituted by the transformation process which converts various types of inputs into desired products and services.

Organization is the combination of the necessary manpower, materials, tools, equipment, working space, and appurtenances (accessories) brought together in systematic and effective correlation, to accomplish some desired object.

Organizational behaviour is the systematic study and careful application of knowledge about how people–as individuals and as groups–act within an organization.

Organizing is designing a structure of roles for people to fill.

Planning is selecting objectives and the means for accomplishing those objectives.

Poka-Yoke has been derived from Yokeru (in Japanese, to avoid) and *Poka* (inadvertent errors). *Poka-Yoke* are simple and inexpensive devices used in order to ensure that zero defects are produced by the organization.

Quality circles are voluntarily formed informal groups of workers with an objective to problem-solve and propose solutions.

Quality function deployment is a structured method in which customer requirements are translated into appropriate technical requirements for each stage of product development and production.

Scientific management methods are called so for optimizing the way that tasks are performed and simplifying the tasks enough so that workers could be trained to perform their specialized sequence of motions in one best way.

Shareholders are the people/organizations holding an equity stake in the enterprise. They share the profit and bear the losses depending upon the performance of the enterprise.

Single-sourcing is a concept whereby the Japanese companies try to forge long-term relationship with a single supplier, who is given the order for supplying a component for all the volumes required.

Staffing is selecting and developing people to fill organizational roles effectively.

Stakeholders may be anybody affected by the operations of the enterprise—employees, shareholders, government, suppliers, customers, or local people getting affected (e.g. local people getting displaced due a factory being set-up on a land where they currently live).

Strategy is all about long-term planning for achieving the long-term goals of the organization.

System consists of connected parts joined to form a whole in which the coordinated and combined effect of the subsystems creates synergy. Closed systems do not interact with the external environment, while open systems do so.

Zero quality control means zero defects. This concept is synonymous with terms like fail-safing, fail-proofing, fool-proofing, error-proofing and 100% inspection.

REVIEW QUESTIONS

1. Define management and explain the important aspects of the definition.
2. How would you justify that management is an art, a science as well as a profession?
3. What kind of knowledge and skills are required on part of a contemporary manager?
4. What are the different levels or hierarchies of management? Are the knowledge and skills required by managers different at different levels?
5. How is management different from administration? Explain the various aspects of differentiation between the two terms.
6. It is argued that managers have two broad activities—decision and execution. Would you agree? Give reasons for your viewpoint.
7. Explain how managing people, technology, and finance are important aspects of management.
8. Explain the various facets of “managing the system” approach to management.
9. What are the management functions? How are these different from organizational functions or functional areas of management?
10. It is argued that management has universal application and has unlimited scope. Discuss.
11. Enumerate and explain the different roles of a manager.
12. What are managerial phases? Are there interrelationships between these phases?
13. Enumerate and explain the various responsibilities of a manager.
14. Make a schematic diagram to outline the development of management thought.
15. Elaborate on the ancient and medieval roots of management thought.
16. Who were the contributors in the scientific management stream of the classical management movement? Briefly explain their contributions.
17. Who were the contributors in the general-administrative management stream of the classical management movement? Briefly explain their contributions.
18. Who were the contributors in the human relations stream of the behavioural management movement? Briefly explain their contributions.
19. Who were the contributors in the organizational behaviour stream of the behav-

ioural management movement? Briefly explain their contributions.

20. Explain the various facets of the quantitative approach in modern management theory.
21. How are the process and systems approach to management different or similar in modern management theory? Explain with proper reasoning.
22. What is the contribution of Fred Fiedler in the contingency approach to management?
23. Explain the various aspects of the Japanese-style management approach in modern management theory.

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