

Organization Management

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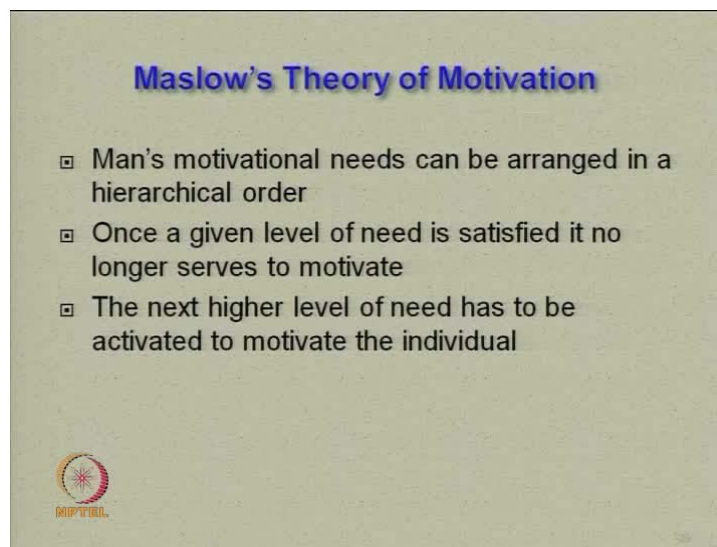
Module No. # 01

Lecture No. # 07

Theories and Major Schools of Thoughts and Framework of Organization Analysis (Contd.)

To continue with the remaining theories of organizations and used to which they can report to analyze an organization, a reference to Maslow is a must.

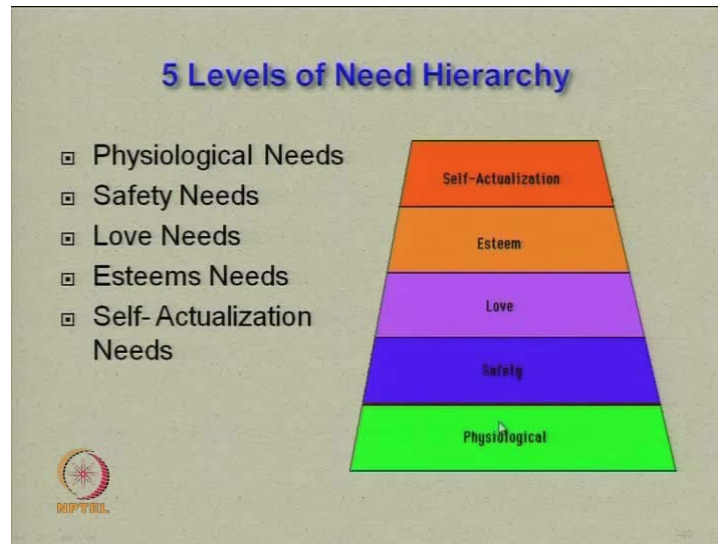
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He says **that** man's motivational needs are to be arranged in a hierarchical order. Once given the level of need, it has to be satisfied, but once satisfied it does not motivate. This is a very important law of life. Once your motivation is satisfied, it loses its motivational value. Perhaps, there is something significant in letting your desires not get fulfilled; it

will at least keep you going. The next higher level needs to be activated to motivate the individual.

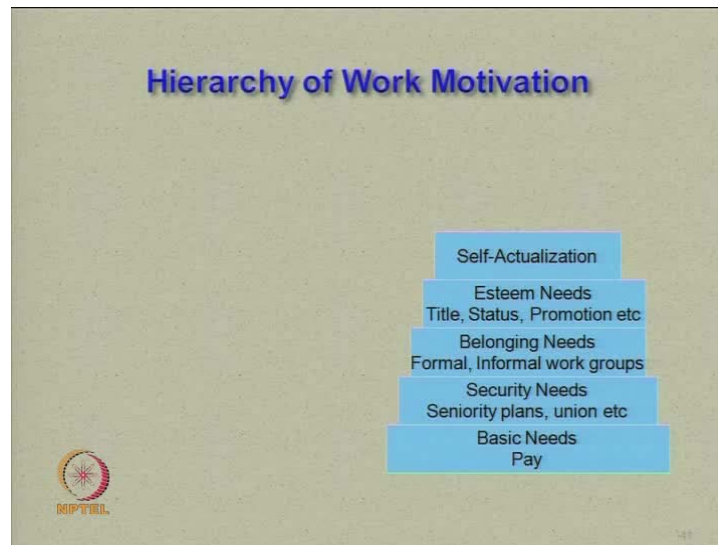
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5 Levels of Need Hierarchy: Physiological Needs, Safety Needs, Love Needs, Esteem Needs **and** Self-Actualization Needs. Physiological needs means what? Food, shelter, safety; you must feel secure. Love needs: Everyone has a tremendous need to love and to be loved, which is why people who cannot even find somebody to love start loving animals. If you cannot find animals, you start loving objects. My grandmother had given me this pot; I love it so much. You do not love the pot, **but** you are finding an object for your need to love.

Then, there are the esteem needs; everyone wants to be admired. What do you tell the girl you love so much? You are the prettiest girl I ever know. You know the trouble is with whom or how bigger liar you are and vice versa. Esteem needs have no gender factor, but everyone likes to be admired. Self-actualization needs: The needs of fulfilling your potential. That is the hierarchy of needs according to Mister Maslow. It is fashionable to put it in a diagram form and here they are: Physiological, Safety, Love, Esteem and Self-Actualization. This is why it is called a hierarchy.

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Remember: The hierarchy gets integrated because once one need is satiated you use the next need to motivate. That is the hierarchy of motivation and that hierarchy of motivation requires Self-Actualization, Esteem Needs, Belonging Needs, Security Needs and Basic Needs; at the end of it, I have given the manifestation of these needs.

For example, Esteem Needs: Title: We are very fond of titles. There must be a prefix and a suffix. We like a nice title, which means the smarter organizations do not necessarily revise pay; they just revise titles. Once I did a survey to discover; the word director has 37 connotations in India.

You can be a board level director and a director of simple goods and services. However, people love to be called a director because do you remember the **ugly** definition of management? Management is getting others to do your work. What a happy definition; you do not do something yourself, but you just say - you move this chair; you move that table; I told you it is an **ugly** definition. However, titles work in this country. The colonial part did it very well. They conferred huge titles for nothing and people felt so happy. They continued with that even after the **...** From those days; you know what days I am referring to - He was holder of this title. Wow! What a pedigree. Wow! Even today, certain titles may have been abolished, but you meet somebody from that tribe and you promptly refer to him as one. You know the biggest flattery - there was a train in which cubical there were four people traveling: There was one ex-maharaja, one dean, one

person, who was a professor and one outsider. The outsider kept referring to the ex-maharaja as maharaja. The maharaja got off to get something at a train as modern maharajas have to. The professor was talking to the dean and he called him maharaja. The dean said - I am not a maharaja, the maharaja just went out to get himself a cup of tea. He said - but for me, sir you are the maharaja. To which he said – yes, get a cup of tea for yourself and for me.

(()) People love titles. Even if he is only a dean, he likes to be called a maharaja. It comes out of a very deep rooted inferiority complex. You always want to be what you are not. You cannot sit on judgment; if it works, it works. The thing is you have to use it appropriately in an organizational frame. That is what I am saying; no value judgments please. So, people are driven by titles, status, promotions; they love promotions.

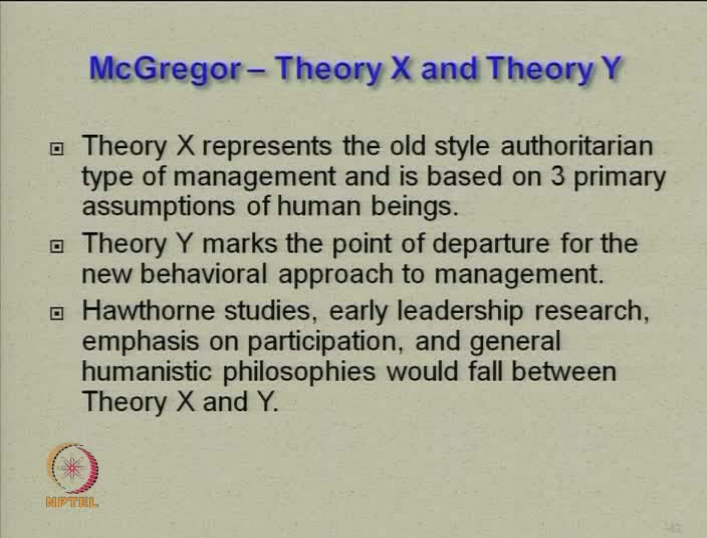
In India, nothing is more satisfying than a trip abroad. You want to promote your dealership network, take them to Bangkok. It is actually cheaper than taking them to Thiruvananthapuram; take it from me, if you know anything about aviation tariff structures. However, going abroad in India is like an Oscar. Then, you come back from there, you carry an eraser and you give it to your niece. She carries it powerfully to the school next day - Uncle had gone to London. Ah! Your uncle had gone to London, what did he get? He got me this rubber. Ah! He also got me this pencil. Ah! Suddenly, value of Neetha has gone up. What do you do? Crossing that immigration stamp is such a huge esteem need.

I too have gone abroad. In fact, there are huge phrases in traditional lexicon and one of them is London Palat. If you are London Palat, you have arrived somewhere. Mind you, going abroad does not mean going to one of your neighboring countries, no. London, Washington, Frankfurt, Paris; that is going abroad. Are you following what I am saying? **Pluck it; peoples esteem needs; you go very far in life.** The amazing thing is that you can do much of this without any cost; in fact, at lesser cost. As I said, you find out the tariffs; you will find out what I am telling you is true.

Then, Belonging Needs: Formal, Informal work groups. Everyone wants to belong to group. Security Needs: Seniority plans, Unions. One of the greatest colonial heritage is insecurity; we are all insecure wherever we are. Why is that such a family pressure when somebody marries out of caste? Insecurity; what is going to happen to the family. You


must understand the material roots of psychological needs if you want to understand behavior and a framework for analyzing behavior.

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McGregor - Theory X and Theory Y

- Theory X represents the old style authoritarian type of management and is based on 3 primary assumptions of human beings.
- Theory Y marks the point of departure for the new behavioral approach to management.
- Hawthorne studies, early leadership research, emphasis on participation, and general humanistic philosophies would fall between Theory X and Y.



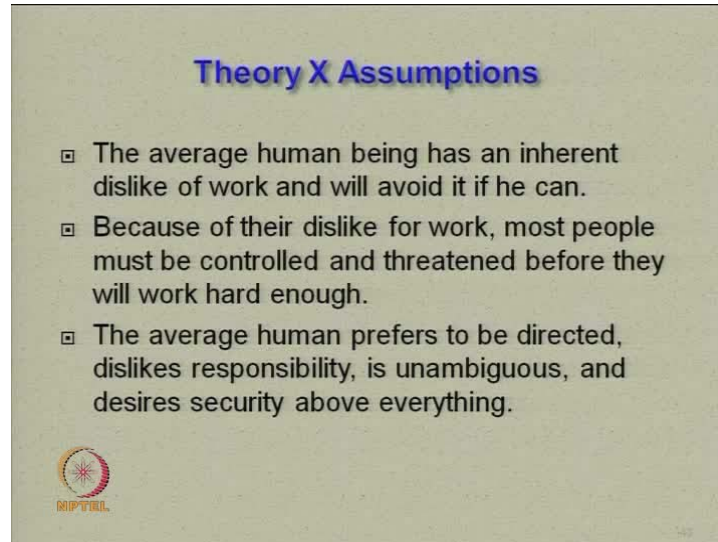
There is a theory of McGregor - Theory X and Theory Y. Theory X represents the old-style authoritarian type of management and is based on 3 primary assumptions about human beings. Theory Y marks the point of departure for the new behavioral approach to management, which believes that people love to be treated decently and handsomely. Hawthorne studies, early leadership research, emphasis on participation, and general humanistic philosophies would fall between Theory X and Theory Y.

This means no matter where you are in the spectrum, it is a theory. If you believe that people respond only to fear, you have Theory X. If you think people believe only out of love; how to behave and respond only to love, you have Theory Y. If you are somewhere in between, you are a follower of Hawthorne studies. See you cannot go wrong; you are somewhere on the spectrum. Either X will win or Y will win or something in between will win; no prizes for guessing. That is the charm of behavioral sciences; nobody ever goes wrong. Everybody claims that he is the theorist no wonder the engineers get so fed up with them; that is what you want to see.

The important thing is you cannot run life like engineering. These are two different ball games all together. At the end of it, when you come to actual life after you have learnt everything, there is so much more to be learnt. You will never learn other than through

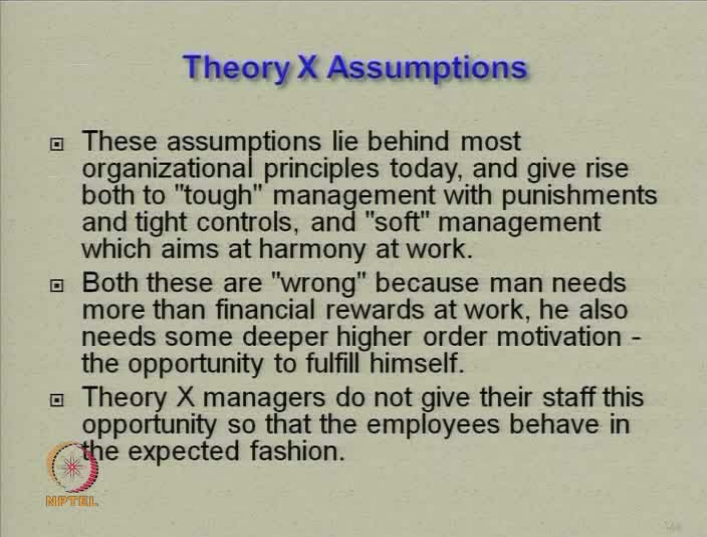
conscious experimentation. Therefore, what does learning do to you? It teaches you how to learn from life and how to reduce your mistakes; that is the only thing.

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What are the assumptions of theory X? The average human being has an inherent dislike of work and will avoid it if he can. Theory Y (Refer Slide Time: 11:09) marks the point of departure from new behavioral approach to management. Because of their dislike for work, most people must be controlled and threatened before they will work hard. The average human prefers to be directed, dislikes responsibility, is unambiguous, and desires security above everything. That is theory X.

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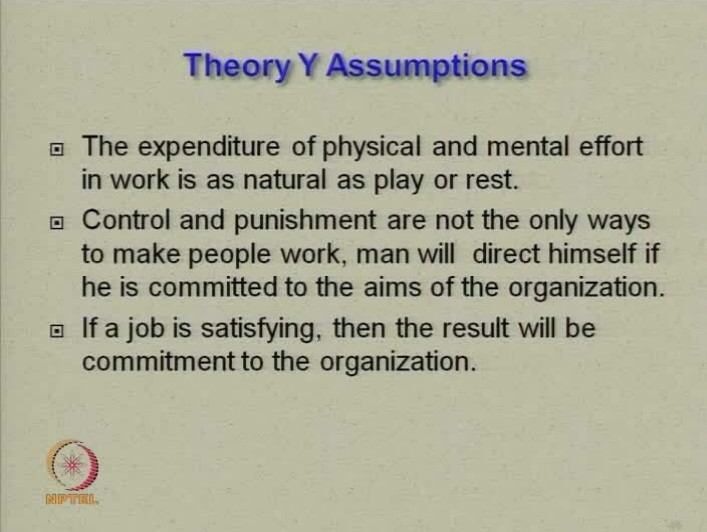
Theory X Assumptions

- ❑ These assumptions lie behind most organizational principles today, and give rise both to "tough" management with punishments and tight controls, and "soft" management which aims at harmony at work.
- ❑ Both these are "wrong" because man needs more than financial rewards at work, he also needs some deeper higher order motivation - the opportunity to fulfill himself.
- ❑ Theory X managers do not give their staff this opportunity so that the employees behave in the expected fashion.




These assumptions lie behind most organizational principle today, and give rise to tough management with punishments and tight controls, and soft management, which aims at harmony at work. Both these are wrong because man needs more than financial rewards at work, he also needs some deeper and higher order motivation - the opportunity to fulfill himself; that is the critique of theory X. These assumptions lie behind most of the organizational principles where people want to tough.

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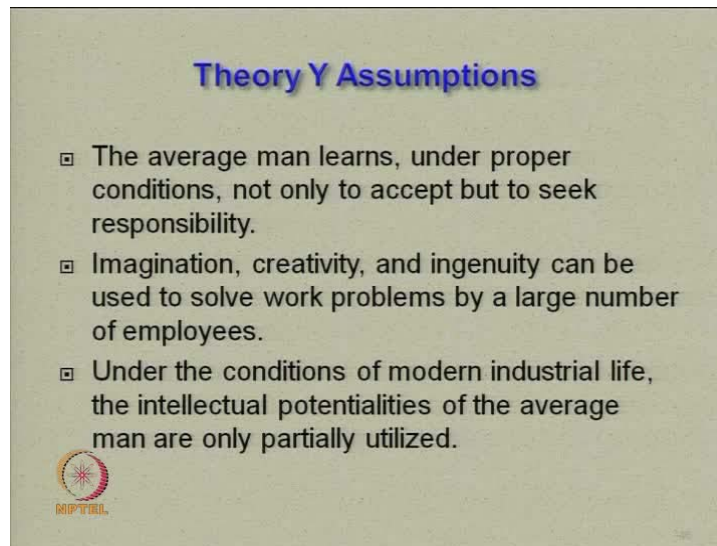
Theory Y Assumptions

- ❑ The expenditure of physical and mental effort in work is as natural as play or rest.
- ❑ Control and punishment are not the only ways to make people work, man will direct himself if he is committed to the aims of the organization.
- ❑ If a job is satisfying, then the result will be commitment to the organization.



On the other hand, theory Y believes that the expenditure of physical and mental effort in work is as natural as play or rest. Control and punishment are not the only ways to make people work, man will direct himself if he is committed to the aims of the organization. If a job is satisfying, then the results will be commitment to the organization.

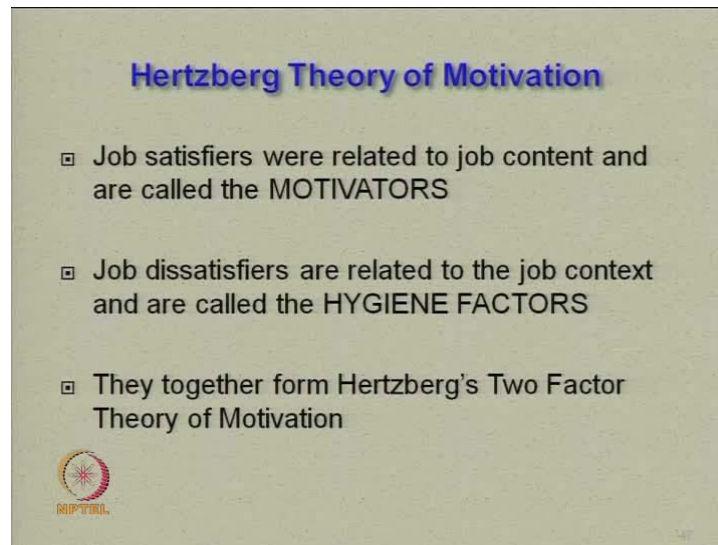
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Theory Y assumes that the average man learns under proper conditions not only to accept, but to seek responsibility. Imagination, creativity, and ingenuity can be used to solve work problems by a large number of employees. Under the conditions of modern industrial life, the intellectual potentials of various average individuals can only be partially utilized.

At the end of the day, each one responds to theory X at certain times theory Y at certain other times. Nobody is totally theory X, nobody is totally theory Y; in fact, nobody is totally in between. Man is a complex person. What motivates a person at one point of time may not motivate a person at another point of time. What tickles you at one point of time may not tickle you at another point of time. So, none of these theories are totally right, none of these theories are totally wrong, it is a question of what I have told you - what situation responds to what.

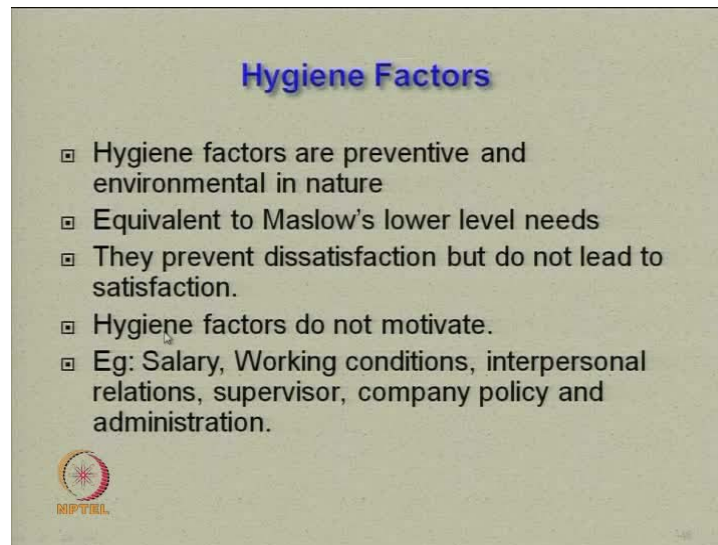
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There is a Hertzberg theory of motivation, which says that job satisfiers were related to job content and also called the motivators. People are motivated by the contents of the job. Now, that is a difficult one to answer - how do you find a job, which responds to what you are looking for? You have to be pretty insightful. The trouble is - at the end of the day, you want to make a living more than finding a satisfying job. If that is the only job you get, that is the only job you get.

There is a theory and there is a practical world. At the end of the day, no matter how you decide, you are bound to go wrong. The question is only by what extent and in what direction. Therefore, we get back to the favorite behavioral theory - the world belongs to the matured. If you are not the matured person, then be ready for fun and games. You know exactly what I mean by saying that. Job **satisfiers** are related to the job context and are called Hygiene Factors. They together form Hertzberg's Two Factor Theory of Motivation.

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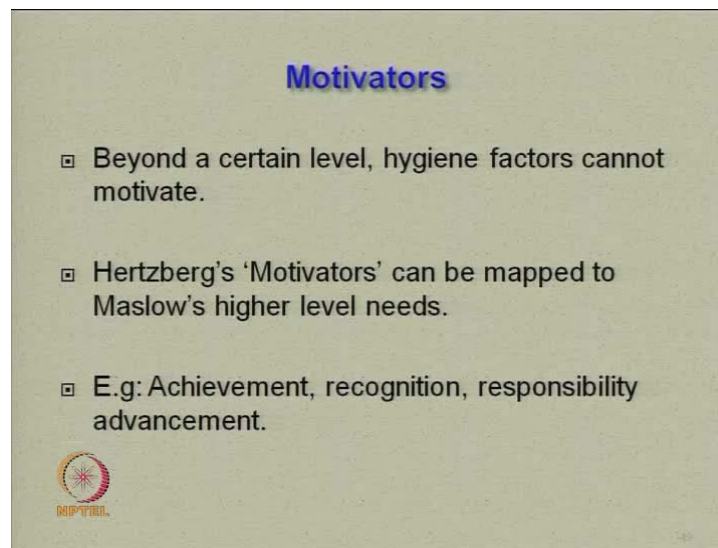
If you have understood these 3 assumptions, what are the hygiene factors? Hygiene factors are preventive and environmental in nature. It is equivalent to Maslow's lower level needs. They prevent dissatisfaction, but do not lead to satisfaction. This is the beautiful statement. The greatest example of a hygiene factor is mother's love; you do not recognize it when you have it, but you miss when it goes away. Now, how does that happen? Just reflect upon your relationship with the mother.

If you are an angel, it does not apply to you. However, by a large, most people have been rude to their mothers at some stage in their life. It is only when they are not with their mother, they do realize how much she did for what little. It is the same kind of theory - they prevent dissatisfaction, but do not necessarily lead to satisfaction. Now, if you can understand these seemingly contradictory words, you are into behavioral sciences. This is because life is not a neat package whether it is within an organization or outside an organization. The sooner you come to terms with it, the better manager you will make.

Hygiene factors do not motivate. For example, salaries, working conditions, interpersonal relations, supervisor, company policy and administration. How can salary motivate? Promotions can. You get the subtle difference? How can working conditions motivate? If there are bad working conditions, it will put you off. In fact, there are management experiments, which have proved that productivity has gone down when working conditions have improved. You give them a comfortable chair, good lighting, a

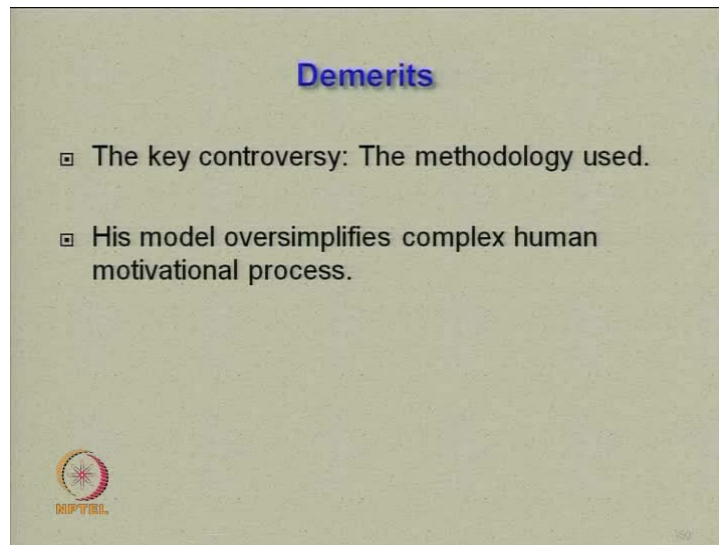
cup of tea whenever they want, they will chat among themselves or sleep. This experiment was carried out on telephone operators. It is not an experiment, which I am describing to you for the sake of proving a point; it is one of those recognized experiments that people realized. You cannot make a person too comfortable at his workstation. What is a company policy? Company policy is common everyone. So, it is not special to you.

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Motivators: Beyond a certain level, hygiene factors cannot motivate. Hertzberg's motivators can be mapped to Maslow's higher level needs; achievement, recognition, responsibility advancement.

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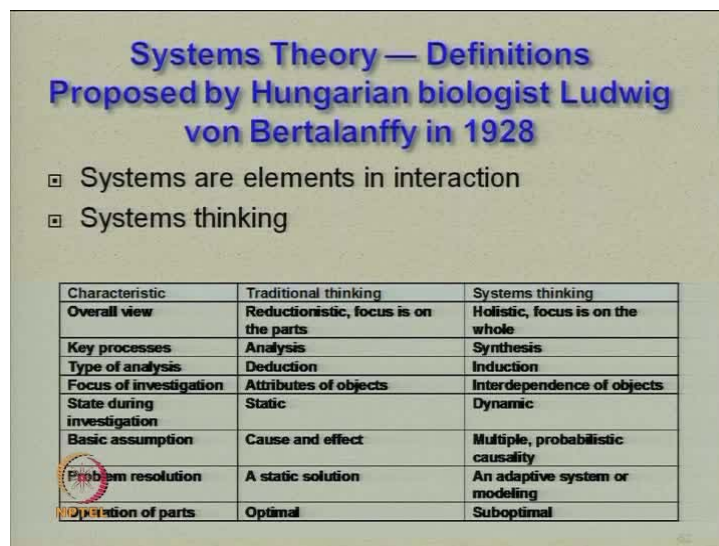
Demerits

- ❑ The key controversy: The methodology used.
- ❑ His model oversimplifies complex human motivational process.



What are the demerits of this? The key controversy: The methodology used. His model oversimplifies complex human motivational process. It is too limited in its focus; it does not take the whole picture. If you know how to use a computer, it is reducing the size to 60 percent exposure; it gets too small. Hertzberg like many other theorists has said something important, but it is not a complete picture.


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**Systems Theory — Definitions
Proposed by Hungarian biologist Ludwig
von Bertalanffy in 1928**

- ❑ Systems are elements in interaction
- ❑ Systems thinking

Characteristic	Traditional thinking	Systems thinking
Overall view	Reductionistic, focus is on the parts	Holistic, focus is on the whole
Key processes	Analysis	Synthesis
Type of analysis	Deduction	Induction
Focus of investigation	Attributes of objects	Interdependence of objects
State during investigation	Static	Dynamic
Basic assumption	Cause and effect	Multiple, probabilistic causality
Problem resolution	A static solution	An adaptive system or modeling
Integration of parts	Optimal	Suboptimal



Modern theories of organization management by definition; proposed by Hungarian biologist Ludwig von Bertalanffy in 1928, where he has listed the characteristics of

traditional thinking and systems thinking. This is not something, which needs to be explained if you have followed what I have said here so far. Please take a close look at it and try to understand what has been projected here.

The first column gives you the defining characteristics against the traits, which come to be recognized under traditional thinking are listed and the traits, which come under systems thinking are listed. You will see what the difference between traditional thinking and systems thinking is. This puts in a systematic form what I have been trying to express all along. However, it also goes beyond in terms of methodology.

Traditional thinking deals with analysis, systems thinking deals with synthesis. Traditional thinking deals with deductive processes, systems thinking deals with inductive processes. Traditional thinking confines itself to the attributes of the object, systems thinking goes to the interdependence of the objects. Traditional thinking often looks at the static, systems thinking looks at the dynamic. Traditional thinking looks at cause-and-effect, systems thinking looks at multiple, probabilistic causality. Traditional thinking looks at a static solution, systems thinking looks at an adaptive system or modeling. Traditional thinking looks at optimal, systems thinking is also contending with a suboptimal. Neither of them is wrong, but you can clearly see that systems thinking is more sophisticated than traditional thinking. However, the most sophisticated thinking may not work everywhere.

You know how it is with gadgets. The more complicated it is, the more complex it is. This more suboptimal will be its performance because its efficiency then has to be **calligraphed** even more carefully. Unless the machinery has that kind of sophistication **and** the maintenance has that kind of capability, it does not work; may be at **times** keeping things simple has its own strength. Therefore, systems are elements in interaction.

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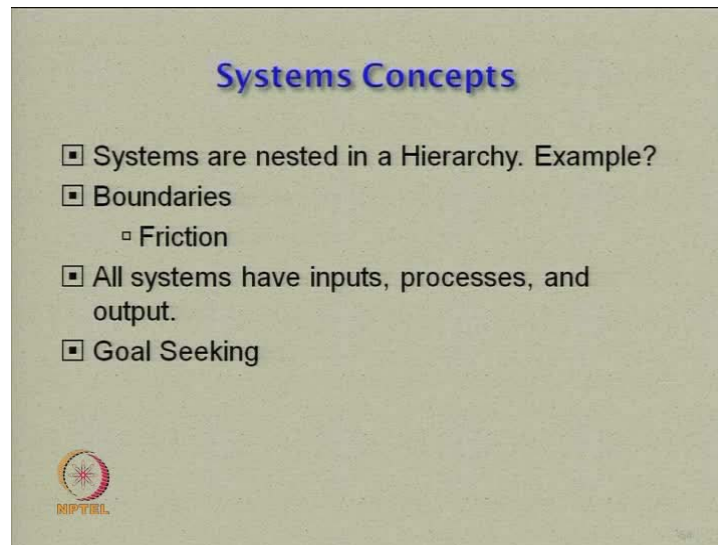
Open System	Closed System
Import energy from outside	Self-contained and self-maintained
Highly dynamic and flexible	Generally Mechanical
Intracts with the environment	Rigid and Static
Negative Entropy	No interaction
Feedback Mechanism	No interaction

Systems thinking has 2 heads: Open Systems and Closed Systems. Open systems talk of import of energy from outside, highly dynamic and flexible; systems interact with the environment. It talks of negative entropy and feedback mechanism. Closed system talks of self-contained and self-maintained, general systems, mechanical systems, rigid and static systems; There is no interaction with negative entropy. Again, with a feedback mechanism, there are no interactions.

In other words, to understand organizations, you must get two of your concepts clear: one is of systems types, which can be both closed and **open** system. Open system is a system, where there are no boundary conditions, which are existing. A closed system is one in which the boundary conditions are clearly defined.

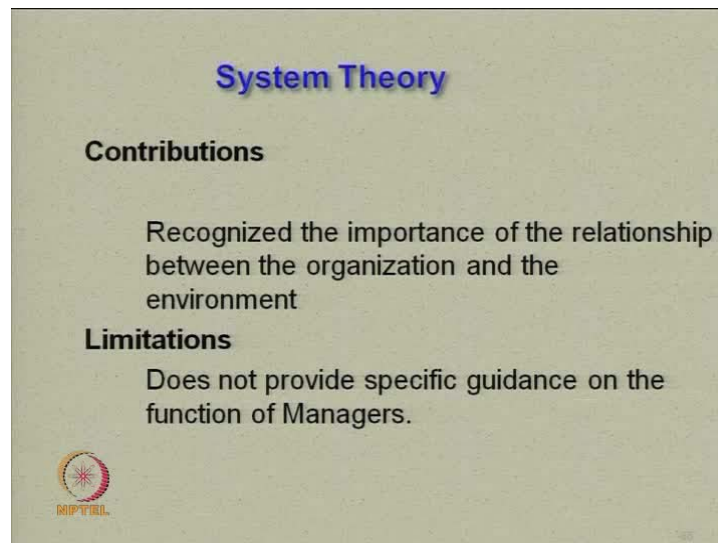
Systems thinking also provides a framework of analysis to organizations. In organization management, there are a lot of people, who apply the systems theory for understanding organizational operations. That is why you need to be exposed to systems perspective to provide you a framework of analysis.

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I would like you to think about the question such as - Are system nested in a hierarchy? If so, what is the example? The answer is boundaries create friction. All systems have inputs, processes and outputs. Therefore, why worry about boundaries. All systems seek goals.

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Ultimately, without getting into a debate on whether it is an open system or a closed system, let us look at the System Theory - what are the contributions it has made and what are its limitations.

Let me explain to you in another manner. Agriculture is an open system, an industry is a closed system; both serve a purpose. So, it is not as if a priori closed systems are better than open systems. Then, there will be a discussion - How closed is an industrial system? How open is an agricultural system? If you have boundaries to a plot of land on which you are cultivating paddy, is it really an open system? If material is coming through a supply chain and going out to vendors, is it really a closed system? The debate becomes endless and it is not my purpose to enter that debate here. My purpose is to say - these are two broad categories of reference, which can be used to provide a framework for organizational analysis. Let us not forget about the topic, which we are on.

What is the contribution of System Theory? It recognizes the importance of relationship between organization and environment. The limitations are: It does not provide specific guidance in the functioning of the managers. For our purposes, that is all that needs to be set.

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Three Distinct But Closely Interrelated Theories

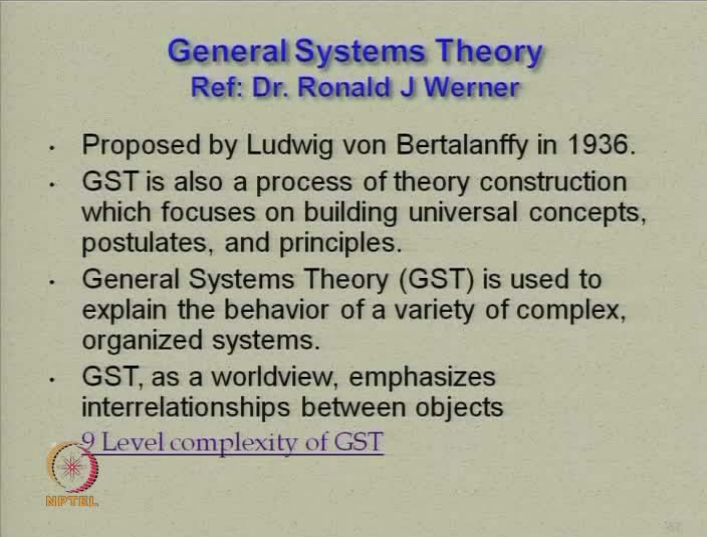
- **General Systems Theory (GST):** interested in systems in general; family systems theory is an extension of this branch.
- **Cybernetics:** a science of communication concerned with the transmission and control of information; it examines the communication and manipulation of information in various systems.
- **Information theory:** focuses on the reduction of uncertainty which is achieved by the acquisition of information.

Three distinct but closed interrelated theories are: General Systems Theory, Cybernetics and Information theory. This is what will bring us to the close of this whole discussion because general systems theory is interested in systems in general; family systems theory is an extension of this branch.

Cybernetics is a science of communication concerned with transmission and control of information. It examines the communication and manipulation of information in various

systems. Information theory focuses on reduction of uncertainty, which is achieved by acquisition of information. All organizations deal with information theory because an organization is brought alive by exchange of information. The organizational commands are given through information. Therefore, there is a close correlation between information systems and organization management.


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General Systems Theory
Ref: Dr. Ronald J Werner

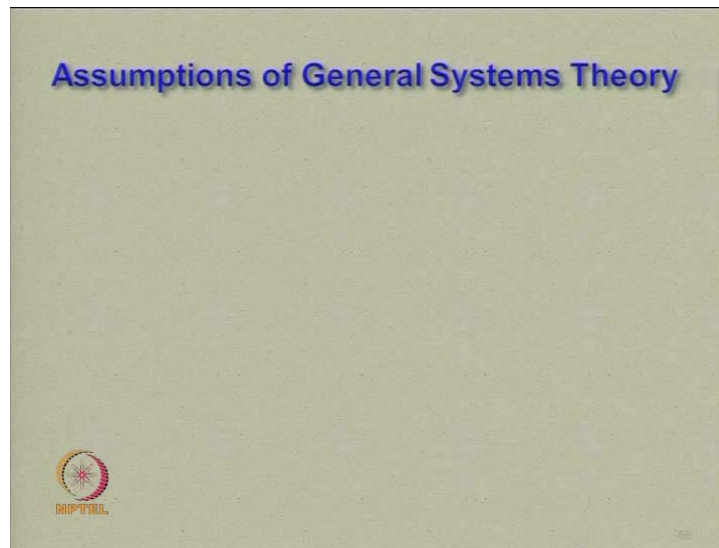
- Proposed by Ludwig von Bertalanffy in 1936.
- GST is also a process of theory construction which focuses on building universal concepts, postulates, and principles.
- General Systems Theory (GST) is used to explain the behavior of a variety of complex, organized systems.
- GST, as a worldview, emphasizes interrelationships between objects

9 Level complexity of GST



There are other theories on which people have commented like General Systems Theory, which was proposed by Ludwig. It has focused on building universal concepts, postulates, and principles. The General Systems Theory was used to explain the behavior of a variety of complex, organized systems. It was a world view and there were 9 levels of complexity of GST's.

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There are several assumptions of General Systems Theory, which I am just mentioning it to you; I am not getting into the details because systems approach to organization management is a topic in its own right. This session is devoted only to various organization theories and frameworks of reference of analysis of organizations. So long as you know that systems theory is a frame work of organizational analysis, you need not be worried about getting into the details of - General Systems Theory, Cybernetics, Information Systems. It is important to know, but does not constitute the subject matter of this particular analysis any more than any of the other theories, which we have done; need not be understood in all their ramifications, but as a general basket of theories, a general perspective on organizational analysis.

This will give you a whole range of possibilities, which you have on - how many theories are used to explain organization management and how they can be given a relationship with each other to provide a framework for understanding organization management. In the ultimate analysis, the selection will depend upon the type of the organization or the type of the subunit you are looking into and trying to understand.

Thank you very much.