

NEOCLASSICAL THEORY

Neo-classical Theory is built on the base of classical theory. It modified, improved and extended the classical theory. Classical theory concentrated on job content and management of physical resources whereas, neoclassical theory gave greater emphasis to individual and group relationship in the workplace. The neo- classical theory pointed out the role of psychology and sociology in the understanding of individual and group behaviour in an organization.

George Elton Mayo (Australia, 1880 - 1949):

Elton Mayo was born in Australia. He was educated in Logic and Philosophy at St. Peter's College, Adelaide. He led a team of researchers from Harvard University, which carried out investigation in human problems at the Hawthorne Plant of Western Electrical Company at Chicago. They conducted some experiments (known as Hawthorne Experiments) and investigated informal groupings, informal relationships, patterns of communication, patterns of informal leadership etc. Elton Mayo is generally recognized as the father of Human Relations School. Other prominent contributors to this school include Roethlisberger, Dickson, Dewey, Lewin etc.

Hawthorne Experiment:

In 1927, a group of researchers led by Elton Mayo and Fritz Roethlisberger of the Harvard Business School were invited to join in the studies at the Hawthorne Works of Western Electric Company, Chicago. The experiment lasted up to 1932. The Hawthorne Experiments brought out that the productivity of the employees is not the function of only physical conditions of work and money wages paid to them. Productivity of employees depends heavily upon the satisfaction of the employees in their work situation. Mayo's idea was that logical factors were far less important than emotional factors in determining productivity efficiency. Furthermore, of all the human factors influencing employee behaviour, the most powerful were those emanating from the worker's participation in social groups. Thus, Mayo concluded that work arrangements in addition to meeting the objective requirements of production must at the same time satisfy the employee's subjective requirement of social satisfaction at his work place.

The Hawthorne experiment consists of four parts. These parts are briefly described below:-

1. Illumination Experiment.
2. Relay Assembly Test Room Experiment.
3. Interviewing Programme.
4. Bank Wiring Test Room Experiment.

1. Illumination Experiment:

This experiment was conducted to establish relationship between output and illumination. When the intensity of light was increased, the output also increased. The output showed an upward trend even when the illumination was gradually brought down to the normal level. Therefore, it was concluded that there is no consistent relationship between output of workers and illumination in the factory. There must be some other factor which affected productivity.

2. Relay Assembly Test Room Experiment:

This phase aimed at knowing not only the impact of illumination on production but also other factors like length of the working day, rest hours, and other physical conditions. In this experiment, a small homogeneous work-group of six girls was constituted. These girls were friendly to each other and were asked to work in a very informal atmosphere under the supervision of a researcher. Productivity and morale increased considerably during the period of the experiment. Productivity went on increasing and stabilized at a high level even when all the improvements were taken away and the pre-test conditions were reintroduced. The researchers concluded that socio-psychological factors such as feeling of being important, recognition, attention, participation, cohesive work-group, and non-directive supervision held the key for higher productivity.

3. Mass Interview Programme:

The objective of this programme was to make a systematic study of the employees' attitudes which would reveal the meaning which their "working situation" has for them. The researchers interviewed a large number of workers with regard to their opinions on work,

working conditions and supervision. Initially, a direct approach was used whereby interviews asked questions considered important by managers and researchers. The researchers observed that the replies of the workmen were guarded. Therefore, this approach was replaced by an indirect technique, where the interviewer simply listened to what the workmen had to say. The findings confirmed the importance of social factors at work in the total work environment.

4. Bank Wiring Test Room Experiment:

This experiment was conducted by Roethlisberger and Dickson with a view to develop a new method of observation and obtaining more exact information about social groups within a company and also finding out the causes which restrict output. The experiment was conducted to study a group of workers under conditions which were as close as possible to normal. This group comprised of 14 workers. After the experiment, the production records of this group were compared with their earlier production records. It was observed that the group evolved its own production norms for each individual worker, which was made lower than those set by the management. Because of this, workers would produce only that much, thereby defeating the incentive system. Those workers who tried to produce more than the group norms were isolated, harassed or punished by the group. The findings of the study are:-

- i. Each individual was restricting output.
- ii. The group had its own "unofficial" standards of performance.
- iii. Individual output remained fairly constant over a period of time.
- iv. Informal groups play an important role in the working of an organization.

Contributions of the Hawthorne Experiment:

Elton Mayo and his associates conducted their studies in the Hawthorne plant of the Western Electrical Company, U.S.A., between 1927 and 1930. According to them, **Behavioural Science** methods have many areas of application in management. The important features of the Hawthorne Experiment are:-

1. A business organization is basically a social system. It is not just a techno-economic system.

2. The employer can be motivated by psychological and social wants because his behaviour is also influenced by feelings, emotions and attitudes. Thus economic incentives are not the only method to motivate people.
3. Management must learn to develop co-operative attitudes and not rely merely on command.
4. Participation becomes an important instrument in human relations movement. In order to achieve participation, effective two-way communication network is essential.
5. Productivity is linked with employee satisfaction in any business organization. Therefore management must take greater interest in employee satisfaction.
6. Group psychology plays an important role in any business organization. We must therefore rely more on informal group effort.
7. The neo-classical theory emphasizes that man is a living machine and he is far more important than the inanimate machine. Hence, the key to higher productivity lies in employee morale. High morale results in higher output.

Elements of Behavioural Theory:

There are three elements of behavioural theory:

1. The Individual:

The neoclassical theory emphasized that individual differences must be recognised. An individual has feelings, emotions, perception and attitude. Each person is unique. He brings to the job situation certain attitudes, beliefs and ways of life, as well as skills. He has certain meaning of his job, his supervision, working conditions etc. The inner world of the worker is more important than the external reality in the determination of productivity. Thus human relations at work determine the rise or fall in productivity. Therefore human relationists advocate the adoption of multidimensional model of motivation which is based upon economic, individual and social factors.

2. Work Groups:

Workers are not isolated; they are social beings and should be treated as such by management. The existence of informal organization is natural. The neo-classical theory describes the vital effects of group psychology and behaviour on motivation and productivity.

3. Participative Management:

The emergence of participative management is inevitable when emphasis is laid on individual and work groups. Allowing labour to participate in decision making primarily to increase productivity was a new form of supervision. Management now welcomes worker participation in planning job contents and job operations. Neoclassical theory focuses its attention on workers. Plant layout, machinery, tool etc., must offer employee convenience and facilities. Therefore, neoclassical approach is trying to satisfy personal security and social needs of workers.

Human relationists made very significant contribution to management thought by bringing into limelight human and social factors in organizations. But their concepts were carried beyond an appropriate limit. There are many other factors which influence productivity directly. Modern management thought wants equal emphasis on man and machine and we can evolve appropriate man- machine system to secure both goals – productivity and satisfaction.

Limitations of Human Relations Approach:-

1. The human relationists drew conclusions from Hawthorne studies. These conclusions are based on clinical insight rather than on scientific evidence.
2. The study tends to overemphasize the psychological aspects at the cost of the structural and technical aspects.
3. It is assumed that all organizational problems are amenable to solutions through human relations. This assumption does not hold good in practice.
4. The human relationists saw only the human variables as critical and ignored other variables.
5. The human relationists overemphasize the group and group decision-making. But in practice, groups may create problems and collective decision-making may not be possible.

