

Management theories for semco



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BUSTER**

According to E. F. L. Brech 1957 “ Managing is an operational process initially best dissected by analysing the managerial functions.”(Gerald A. Cole, 2003). The purpose of this essay is to examine the success of Semco Company and to evaluate and write about the relevance of management theories to it. This essay is divided into four parts and a conclusion is given at the end.

“ Management is working with and through other people to accomplish the objectives of both the organization and its members”. (Patrick J. Montana, Bruce H. Charnov 2000). In different schools of management it was segmented into various layers and personnel development evolved into a big phenomenon of human resource. Different organizations use different kinds of management systems including autocratic, democratic and bureaucratic according to their culture, goals and vision. All the people in an organization are important as per duties assigned to them. The best of management is to take the work out perfectly of employees in an organization with limited resources.

In this essay author intends to look at the management definition and interpretation by classical theorists and the principles set by them and how the management process is undertaken in the Semco for its greater success over the past years.

Part 1

The emergence of the classical school of management dates back to late 1800s and started to progressively dominate the activities of managers in

companies till 1920s. It coincided with the revolutionary shift in economy from agriculture to industrialisation.

The classical school of management focused more on the organization's productivity. The fundamental assumptions revealed from the works of the contributors to the classical school of management about humane beings nature were the notion “ that economic incentives were the best motivators” (Alan B. Albarran, 2009) and employees are chiefly motivated by money and in order to get the ideal work done, job descriptions should be defined and close supervision is necessary (Peter K. Pringle, Michael F. Starr, 2006). The belief that workers only have economical and physical needs, and that job satisfaction and other social needs are either not important or nonexistent. Profit maximization, centralized decision-making and specialized labour were the primary focus of this school. There was no concept of motivation of employees other than economic reward (wages). Responsibility of supervision, planning, controlling and decision-making solely laid onto management (Alan B. Albarran, 2009).

In order to understand Semco Company reliance on classical school of management authors has divided this essay into three parts as per the three different approaches to management, which represent the classical school of management.

Scientific Management (Fredrick W. Taylor, 1856-1915)

Administrative Management (Henri Fayol, 1841-1925)

Bureaucratic Management (Max Weber, 1864-1920)

Scientific Management (Fredrick W. Taylor, 1856-1915)

Semco does not tend to rely on scientific management approach of F. W. Taylor at all. According to this approach of management individuals are reactive as per set rules by management and have no right of decision making whereas I find Semco not only involves employees in such a big decision making process such as purchase of a new plant site or an acquisition but also it offers them a right of democratic vote. Frederick W. Taylor, a mechanical engineer by profession, is referred to as the father of scientific management most emphasized on individuals and not the group norm, as advocated by Elton Mayo (1880-1949), and believes “ that economic incentives were the best motivators” ” (Alan B. Albarran, 2009) whereas Semco is a perfect example of democratic approach of management where all the employees are given a chance to become the part in company-wide profit sharing programme where even the payout ratio is set by employees themselves. Even members are given royalties on their projects achievements. Semco let’s its employees cherish the freedom, which would lead them feel careful and make them responsible. People are not only a factor of production in Semco contrary to scientific approach. Information is not kept to management only as Taylor advocated and carrot and stick approach is nonexistent in Semco.

Administrative Management (Henri Fayol, 1841-1925)

Unlike F. W. Taylor, “ Fayol was among the first management theorists to recognize management as a process” (Alan B. Albarran, 2009). He outlined a model called POC3. According to his 14 general principles set for managers

to undertake daily activities in the industry I find Semco is relying on some of them. Workers at Semco have division of work as in the four hierarchy circles where executives, managers, supervisors and workers are defined with their assigned jobs and I find a project team called Nucleuses of Technology Innovation (NTI), which is freed from daily work and is given specified jobs such as product development, cost reduction and a new business plan. Semco with its employee's agreement is respected by both the parties. All the workers are authorised for decision-making and responsible for the growth of the company. Employees work for a common goal for the betterment of organisation putting their personal benefits aside. I don't find unity or direction of command as there is no a formal CEO and the innermost circle comprises on six counsellors, one of which acts as chairman every six months influences its decisions as the right of democratic voting is there in major decisions. To an extent, Semco's policy regarding employees salaries is in line with one of Fayol's principles of management i. e. remuneration; salary is decided by the employees themselves so it is obvious that they will make a fair judgement so it is fair to them and the firm, as Fayol believed. Additionally, they are given a chance to share 23% of unit's profit quarterly and the NTI staff is given rewards on their successful projects, which did not form a part of Fayol's principles. This motivates them to work but also urges them to utilize their full potential for future developments. Equity seems foremost priority of Semco Company, as the employees are loyal towards it as the management has been kind and just to them. Employees at every stage of authority, at workplace or in market place, are innovative and even Semco has got a separate department for such innovations. Semco is all about teamwork.

Bureaucratic Management (Max Weber, 1864-1920)

A German Sociologist “ Max Weber (1864-1920) focused on another aspect of worker productivity – organizational structure” (Alan B. Albarran, 2009). According to his theory if any organization uses hierarchy of bureaucracy, it would facilitate the firm with its highest level of productivity. Semco does not entertain this approach of management, as it has no strong central authority with a system of seniority. Semco does have an organisational configuration made up of four circles but it does not state their influence on its employees apart from their job division. It also does not outline the promotional strategies for these circles whether it is based on seniority or work experience or on qualifications of employees. Nor it qualifies the structural issue outlined by L. F Urwick 1952 as he defines the span of control. Semco also did not disclose its procedures for the basis of hiring its employees. Furthermore Semco does not believe at all on the strategic planning or vision as it considers them the barriers to the ways of success.

Part 4

Novotel is of one the world’s largest three star hotel chain in the world, first opened in Lille, Paris in 1967. It is mid-scale hotel group. Initially the hotel focused on business customers with standard facilities. Main focus was given to customer-focused service. Its management was highly flexible. Because of its innovative approach towards offering high standard accommodation to its customers at competitive price it spread widely all over the world in 46 countries rapidly. Initially the chairmen used to run the hotels themselves but due to rapid expansion its highly flexible management structure became impracticable. A tall hierarchy was structured with overabundance of job

titles and detailed reporting system through enormous levels of management namely, GM, Director delegee, regional manager, director of operations, country MD, and the chairman. A set of operational procedures was structured with almost every instruction a hotelman may need called Novotel's bible " The Bolts". So the Novotel's innovative rationale, flexibility and responsiveness became the tale of old days. Novotel's became structured, over-managed and very inward. As a result concentration on its main stakeholders (customers) was lost. But during the recession the need for cutting the costs and increase of profit was deeply realized. All possible solutions, like shift cuts and efforts to increase sale, resulted in partial successes

The project of " Back to the Future" was launched with more emphasis on employee empowerment and customer-focused service. Hierarchy was re-structured from tall to flat. Each GM was given the title of " the master of his house" and the he was responsible to run the hotel, as he feels fit.

With the relevance to Semco, where employees were given the right to vote in decision-making, this empowerment was not only given to GM but to all the staff for instance, if a waiter receives any complaints from customer (guest) about the food he was authorized to make a decision himself of replacing the food or refunding the money without involving the restaurant manager. Restaurant manager was authorized to add or remove dishes from the menu as per demand.

Levels of authority were reduced with a strategy called " three and three" and long reporting system was flattened. Control system was decentralized.

Previous head office staff were promoted to consultants and started serving as source of guidance for GM in order to solve problems relating to all business activities. All the staff was asked to act as per situation and take decision. This idea of empowerment created some problems and training of the staff became vital. So new training project was developed under the umbrella of The School of Life. This training was also given to managers as well and they were responsible for staff development. Staff felt confident to deal with situations.

Novotel incorporates Herzberg's theory of motivation as we witnessed in SEMCO. According to Herzberg, job security is one of the hygiene factors; Novotel when re-structuring its hierarchy did not make any of its staff redundant but offered them positions in its other different branches. Training was provided to its entire staff regardless their positions.

Hygiene factors were applied to its entire staff whereas the former head of departments were given the opportunity for gradual advancement in their career through four years training programme. On the completion of every year they were awarded badges such as bronze, silver, gold or platinum. Some of them became consultant to GM for solutions of the problems faced by the Novotel. (Motivators)

With this innovations and employee empowerment very positive response was recorded and sale increased and profit mounted 15 per cent and occupancy increased by 19 per cent. Customers and employee satisfaction went up and fewer complaints were received in first 12 months of the project.