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## **Imperatives of Classical and Human Relations Management Approaches to Bank and Other Financial Institutions in Nigeria**

**Dr. Edemivwaye Aghoghovbiah Anthony**  
Branch Business Head, Ecobank Nigeria Ltd., Warri, Nigeria

### ***Abstract:***

*This study will focus critically on evaluating the application of classical and human relation approach of management theories to Banks and other financial institutions in Nigeria. In this process we will examine the historical development of management along key contributor to classical and human relation management: the classical school was dominated by Henry Fayol (1949), FederickWinslowTaylor (1952), Max Webber (1978)while Human relations school have contributors Maslow on hierarchy of needs, Herzberg on motivation factor, Macbiregor on theories X and Y, Folle various contribution on team work, Argyris – psychological growth and organizational learning, Mintzberg duel on the importance of people, culture and complexity. This exposition will also distinguish between these theories and their inherent benefits.*

***Keywords:*** classical approach, neoclassical approach, management, Banks, Financial institutions.

### **1. Introduction**

Generally it is an obvious fact to stakeholders of any organization that its value of existence rest squarely on its ability to provide solution to the needs of stakeholders, relationship between management and employees as well as customers' needs that will sustain the organization. These activities must be in line with the corporate vision and mission.

In this work, Bank and other financial institutions shall be used as a study in evaluating the presence of classical and human relation approach to management. Accordingly, this work is being structured as follows:

- Review of classical and human relation theories
- Application of these theories to Banks and other Financial institutions in Nigeria
- Discussion and conclusion reached

In providing management solutions, organizations have been saddled with the problems of determining the best practices. In fact, efficient and effective management practice whether to apply classical model that focus on structure and the job or human relation that focus more on employee relation and psychological behavior or mixture of both theories within the organization.

Gerald Cole and Phil Kelly (2004, Pg1) "every practicing business manager who seeks to improve their skills and abilities should be concerned with the knowledge and application of management theories".

The major task here is to determine the extent of the presence of classical and human relation practices in Banks and other financial Institutions in Nigeria.

#### ***1.1. Aims of Study***

The following are the major concern of this study:

- i. To critically evaluate the role of classical and human relation approach of management in Bank and other financial institutions in Nigeria.
- ii. To review and appraise the contribution of classical and Human relation theorists of management.
- iii. To compare and contrast between classical and human relation theory of management.
- iv. To determine the compatibility of classical and Human relation theories.

### **2. Methodology**

This presentation is descriptive and qualitative in its entirety. It is mainly based on secondary data and information. Attempt is made to give an in-depth understanding of the role of classical and Human relation approach to management by reference to books, articles, paper essay and global experience of the Author spanning over two decades as an active and practicing Banker. The original works of Classical and Human relation l theorists in the field of management has been identified and reviewed.

### 2.1. Author's Brief Profile

Dr. Edemivwaye Aghoghovbiah Anthony who is a management staff with Ecobank Nigeria Limited as Branch Business Head and with over twenty two years banking experience, holds:

- PhD Accounting and Finance, Pebble Hills University, USA 2015
- MSc Management from University of South Wales, United Kingdom 2014
- Masters of Business Administration (MBA) from University of Benin -1999 and
- BSc Accounting, upper division, University of Port Harcourt. 1989

Professionally, he holds:

- Fellow, Nigeria Institute of Management (Chartered), FNIM, 1994
- Fellow, Institute of Certified Public Accountants of Nigeria (FCPA) 2011
- Fellow, Institute of Credit Administration (FICA), 2014
- Chartered Fellow, Chartered Management Institute, (CMgr FCMI) United Kingdom. 2012
- Member, Institute of Chartered Accountants of Nigeria (ICAN)
- Member, Chartered Institute of Bankers of Nigeria (CIBN)
- Associate member of International Academy of Retail Banking(ARB), UK 2015

Most importantly, he has twenty six years post graduate experience spread across Manufacturing, Construction, Accounting, Taxation, Economics, Auditing & Investigation, Finance and Banking. He is vast in Bank management, merger & acquisition of businesses, negotiation & deals management. After having a stint with Akintola Williams Deloitte(Chartered Accountants) and **Honeywell Group** as an Internal Auditor, he has been experiencing distinguish management career with Ecobank Nigeria Limited since 1993 to date.

On the whole, his experience in Banking has witness massive material and human resources accounting and management touching base with community that is characterized with honesty and integrity.

Dr. EdemivwayeA. Anthony, who is widely travelled, is happily married with children

## 3. Literature Review

### 3.1. Classical Approach to Management

Gerald A. Cole and Phil Kelly(2004) writes “a school of management theory, dating from the early twentieth century, based on the application of work study techniques to the design of work and organization of work in order to maximize output – increase productivity(to find the best way of performing each task); it is a form of job design theory and practice which stresses short, repetitive work cycles, detailed prescribed task sequences; a separation of task concept from task execution; and motivation based on economic rewards”

A broader reflection on the above citation shows clearly that the traditional view of managing enterprise is hinged on sacrosanct principles which include:

- Defining organizational purpose
- Efficient and effective structure
- Levels of duty and responsibility all defined
- Organizational relationship is formal
- Planning procedure clearly spelt out
- Management structures with defined hierarchy in place
- Logical and rational behavior assumed

It is important to recognize straight ahead major proposal of classical management school of thought which include Henry Fayol (1949), Frederick Winslow Taylor, Urwick (1952) and Brech.

Fayol set the pace when he published his book, principle of management. He received high accolades for his most respected fourteen (14) element of management which states that:

- There must be decision of work among individual and group
- Authority and responsibility must be enshrining in role/position.
- Discipline must be maintained
- Unity of command – state that employee should receive order from one superior
- Unity of direction
- Supreme corporate interest
- Fair remuneration for employee and firm
- Centralization presence
- Scalar chain: there should be scalar chain defining line of authority
- Order
- Equity
- Stability of tenure of employees
- Initiative – staff encourage to show it
- Esprit de corps which emphasis team work

Fayol also clearly define the global view of management function to include planning, organizing, direct, and coordinate and control of money, material and machine which is the essence of organization so as to achieve profitability.

Daniel A Wren, Arthur G. Bedeian, John D Breeze,(2002) state that “ it was not until the storr’s translation that Fayol (1949) Administration industrielle et Generale reached a wider audience especially in the USA authority on management”.

Fayol work has made it easy for scientific decision making process hinge on problem identification, problem analysis, related data collection and analysis, alternative option sought and weighted and decision reached.

However a postmodern lens reveal employee flatter structure and increase employee involvement in day to day decision making process of modern organization tend to constitute minus for scientific management school of thought.

The contribution of Frederick W Taylor (1856 to 1917) to the field of scientific management cannot be forgotten in a hurry. He is regarded to be the father of scientific management. Taylor’s Research emphasize that worker should be trained in step by step method of the one least way for a particular job in his sense, work must be standardize so as to guarantee work flows in more efficient and effective manner. He emphasize time and motion and sequence with the aim of improving operations and profitability.

Max Weber (1864-1920) contribution worth expressing.His work of power and authority led to his detailed work on bureaucracy. Webbers work center on:

- Organizational function must be sounded by rules
- Specialization of work
- That hierarchy of roles and functions
- Technical competence must be honored
- Management and owns must be separated
- Proper documentation of rules and procedure

Webber’s perception of bureaucracy was crowded essentially by his thinking then. According to Handy (1999) bureaucracy is a role culture based on logic and rationality. One fact that cannot be avoided is that organizations practice varied level of bureaucracy.

### 3.2. Benefits of Classical School

The benefits arising from classical model of management cannot be emphasized. This give management capacity to effectively measure with accuracy degree of work done by employee and the organization as a whole while information can be extracted for quick management decision and productivity is improved. Employee remuneration can be calculated easily and workers can take advantage of incentive payment and enable management to concentrate in leadership role at the top.it has the capacity to improve the physical conditions for employee. More also, scientific management scholars has provided root to support modern work or research in management theory and procedure.

However the usefulness of classical functions for classifying managerial work activities has been challenge by other theorist. We are all aware of Mintzberg(1970,1971,1973,1975) who postulated his own typology for describing managerial work. Kottler (1982a,1982b) and Stewart(1974,1976,1982) also have their own opinion about management job.

Having gone through various material the work of Mntzberg, kotter and Stewart show clearly of need that classical theories has the following setbacks which include: rigidity adherence to rule and procedure and has the capacity to slow down results. It is tantamount to carrot- and-stick approach to motivate which union frowns at particularly as they have lost bargaining power. It also places planning and control of money, material and human resources at management disposal.

### 3.3. Human Relations Theories of Management

The human relation theorist are concern with people, workers of the organization, workers feelings, interest, opinions, creativity, cognition and emotion of workers is recognized in line with the paradigm shift of management focus on the job itself to work concern. Gerald D Cote and Phil Kelly (2011.p 47) said that “Elton Mayo has been described as the founder of human relation movement whose advocate the need for managerial strategies to ensure the concern for people at work was given the highest priority” Mayo’s Hawthorne study implication which is the main catalyst of human relation movement had been explored by Simon Brooks (2013) as below

Study	Outcome/Effect
1. Illuminate study November 1924	People tends to alter behavior where is perceived observation
2. Relay Assembly Test study (1927- 1932)	There is power in relationship between works and management. The amount and quality of workers involvement in decision making is increased by human interrelationship
3. Interview program 1928- 1930	Demonstrated powerful influence of upward communication Positive attitude towards company increase as workers option were sought for
4. Bank wiring room observation November 1931- may 1932	Level future therapist to account for the existence of informal communication

Table 1

However in spite of methodological setback in Mayo’s study, it had provided a major breakthrough in relinquishing the relevance of human relationship and the social setting of organization

Other contributors to human relation approach to management are

- Maslow on hierarchy of needs
- Herzberg on motivation factor
- Macbiregor on theories X and Y
- Folle various contribution on team work
- Argyris – psychological growth and organizational learning
- Mintzberg duel on the importance of people, culture and complexity.

Maslow’s (1943, 1954) clearly identified 5 set of human needs that people seek are motivated to achieve these needs one after the other. These needs are shown in diagram below.

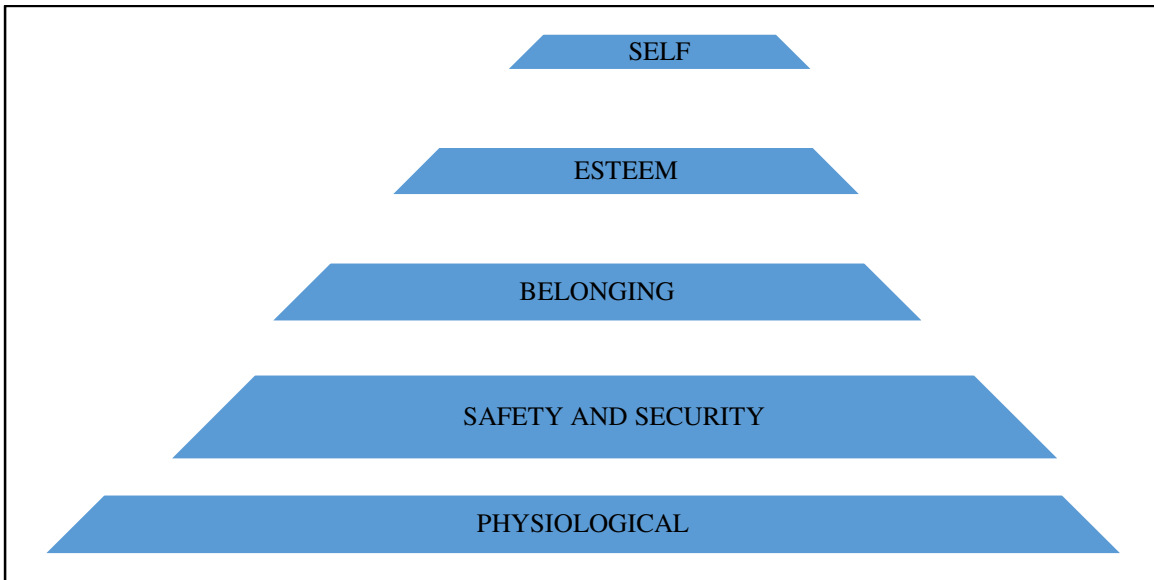


Figure 1

In spite of Maslow contribution to human relation approach to management, McLeod, S.A (2007) identified poor methodology and that this level of needs is difficult to analyse for scientific test and validation.

Herzberg’s two factor theory (1959) classified motivation and job satisfaction into broad groups of factor known as the motivation factors and hygiene factors as below:

Motivation factor (job content)	hygiene factor(job context)
Achievement	company policy
Recognition	supervision
Work itself	relationship with supervision
Responsibility	work conditions
Advancement	relationship with peers
Growth	salary
Personal life	Relationship with subordinates
	status
	job security

Table 2

Herzberg (2002), the factors causing satisfaction are different from those causing dissatisfaction the two feelings cannot be treated as opposition of one another. The opposite of satisfaction is not dissatisfaction but rather no satisfaction.

Practicing managers and consultants applauded the work of Herzberg for leaning clear in distinguishing between factors inducing positive satisfaction and those causing dissatisfaction and also counter Taylorism. However.

Herzberg theory failed to appeal to fellow social scientists on the ground that job satisfaction is not the same as motivation and that its applicability to non-professional group was in doubt.

Now, Matthew Stewart (2010) states that “ this question about happy ending comes to mind on the 50<sup>th</sup> anniversary of one the most storied contributions to management literature, Douglas McGregor’s famous distinction between theory X and Y. In his hugely

influential 1960 book the human side of enterprises (McGraw- Hill), McGregor made a simple yet powerful observation that managerial practice often expresses some very deep assumptions he claimed dominate the managerial thought world.”

The characteristic of laziness, lack of ambition, self-center mindedness, dislike for change and always wait to be directed relates to theory X. Theory Y people are willing to work and do things within organization without control. They are willing to take responsibility that is unlike theory X worker, theory Y person need not be coerce or forced to be active or achieve. They have sense of direction.

With clear knowledge of theory X and Y manager are better position to managers are better position to manage direct reports. This is plausible.

However, the theory is flawed with McGregor breaking human behavior which is dynamism to statism, simply to two extreme end making X characteristic to be confusion state where leaders and employees are at longerhead while Y characteristic people are place loving state where leaders and workers understand each other and communicate in good terms. In real sense this is not so as pointed out by Matthew Stewart (2010 p.3) that “there is a simple and obvious obscurity in McGregor’s distinction between X and Y – a congenial flow perhaps, that sheds light on some of development that followed.”

Another giant contribution to human relation theory is Mary Parker Follet (3 September 1868- 18 December 1930). She pushes forward the Hawthorne researchers work. She advocates giving more work to worker and that conflict should be resolved using domination by compromise or by integration. In modern management this is refer to as win-lose, lose –lose and win –win respectivity. Cole and Phil Kelly (2004 pg 49) in citing her book Dynamic of Administration (1941) states “ she took forward the work of the Hawthorne researchers by concluding that human problems were not just important, but were central to the success of organization. In particular, she argued the case for giving greater, not less responsibility to people at work. She was aware of the importance of team work and the role of the Leader which she saw in holistic and shared terms”

Professor Chris Argriss is another human relation contribution who postulates the immaturity - maturity theory of motivation. He stated that hundreds is born into immaturity state and gradually grow through maturity to maturity state and each state has distinct characteristic as Argriss (1957) depicted below.

<b>Immaturity</b>	<b>Maturity</b>
Passivity	Activity
Dependency	Relative
Behave in few ways	Behave in many ways
Erratic, shallow, interest	Deeper interest
Short time perspective	Long term perspective
Subordinate position	Equal and superior position
Lack of self-awareness	Self-awareness and control

Table 3

The practicability of Argriss theory is enormous as management good knowledge of workers state and need will help in aligning individual goals and corporate goals of an organization. However, the extreme two end environment of business erected by Argriss does not favor relatively matured individual in such environment and this is a setback for Argriss.

Ouchi (1981) developed management style in japan called theory Z that focus on workers, tried to improve employee wellbeing and create permanent job for workers to be happy and increase productivity. This theory emanate particularly from theory x and y.

In summary, these located classical and human relation literatures have bearing in modern management. In practice we found mixture here and there within organization.

The greatest relevant of human relation theories is the recognition of people and interaction as necessary factor for running objective organization for profitability and stability.

More also, I have observed that from human relation theories that it reduces conflict between employees and management otherwise work environment could have been chaotic.

However, human relation theory seems to be manipulating the staffs by giving inducement and praise in other to secure higher productivity for the organization. This is tantamount to corruption and bribery.

### 3.4. Spread Sheet Overview of Classical and Human Relation

Below is a clear difference between classical and human relation approaches to management:

Variable	Classical Approach	Human Relation Approach
Aim & Drive	Demand of workers economically and functionally	Strong recognition of workers Emotion and behavioral differentiation of man at work
Structure	Structured, Impersonal, and mechanistic system	Recognized workers as Social being
Management styles	Highly autocratic and strict procedures and rules.	Democratic process
Emphasize	Discipline and rationality	Personal security and social demand
Worker Aim	Maximum remuneration and reward	Attainment of organizational goal
Concept about men	Economic being	Social being
School of thought	Scientific management, administrative management, and bureaucratic management	Hawthorne experiment, human relation movement and organizational behavior
Relation	Formal	Informal
Nature	Mechanistic	Organistic
Leadership Vision	Short term and transactional	Long term and transformational

Table 4

#### 4. Applications of Classical and Human Relations Theories Banks and Other Financial Institutions

The applicability of these theories to financial institutions in Nigeria is not in doubt as evidenced in my ongoing years of engagement with Bank. The presentation here is constructed on observations and experience with Nigerian Banking industry spanning two decades

##### 4.1. Classical Theory Approach

Practically, Banks totally imbibe classical theory approach in their day to day operations. The fundamental principles propounded by Henry Fayol (1949), Frederick Taylor and max weber (1979) are very relevant.

Now, it is on point that banks in Nigeria have their individual vision and mission statement within the framework of classical theorist requirement. Flowing from above, banks also assume level of logical and rational behavior and relationship within and outside the bank. These are clear classical position on how organization should be run. In this direction, banks have defined core values and DNAS which assume certain quality and behavior of member of staff.

Bankshave defined organization hierarchy of management structure with association formal relationship. This is a classical view of Taylor, Fayol and other classical theorists. More also, banks have well organizational structures which clearly define relationship within the organization : the Group M.D at the top reporting to Shareholder while others like M.D/CEO and Executive Directors reporting to him in formal setting. At the branch level, the Branch Manager is the CEO /MD of the branch reporting to Area Manager. Another beautiful feature of classical theorist is the existence of planning process and execution. It includes ways things are done. That is a laid down procedure as propounded by bureaucrats. These feature in banks' day to day activities such as:

Budget are prepared and approved at the beginning of each financial year. This is use for weekly, monthly and yearly performance measurement for staff, units, and branches as a bank. There is standard operating manual (SOM) that serves as a guide and direction for every activity in the bank. This is meant to guide formal and logical behaviors. We have SOM on recruitment, appraisal, promotion and discipline, and credit creation- to guide against fraudulent credit creation.

SOM on branch operations- stating how Branch should be run and SOM on Assets management to mention but few.

Credit and Marketing staff also operate clearly with the help of marketing plans and daily call memos. These are evidences of classical practices in bank. More also, there are evidence of task to staff tied to budget and staff are appraised base on this predetermined task. In Nigerian Banks, employees' appaisalssay Relationship Manager or Branch manager or Branch Business Head or Cluster Head are appraised using quantitative factor which is our concern here as below.

**SCORE CARD OF -----**

	<b>Target</b>	<b>Actual</b>	<b>% Achieved</b>
customer			
Service quality			
<b>People :</b> Effective utility of resources supervisory skills/ knowledge. Transfer and performance			
<b>Process</b> Atmupline			
No of operational risk control and compliance issue raised			
Percentage channel of transaction using cards and pos deployed.			
<b>Financial</b> Bonds and guaranty			
Dormancy rate			
Number of accounts opened			
Tracle volume			
<b>Other financial</b> Commission and fee			
Current account			
Grow revenue			
Non Performing loan			
Risk assets			
Tenor funds			

Table 5

Above all Henry Fayol 14 principle of management are all very alive in Bank management.

Uniquely, Classical theories tend not to tolerates failure of staff not meeting targets and this is capable of causing system pathologies like individual and group sub optimal behaviors such silo thinking, sunk cost barrier amplification and status quo management barriers On the whole the classical theory is totally in practice in Banks exception of corrected element by human relation theories.

*4.2. Human Relation Approach*

The major paradigm shift from classical thought is the emphasis on human being –People that labor and not the job itself. In Nigerian banks human relation practice is evident with the following;

1. There is a human resource department headed by group head –high ranking officer of the bank. This alone is an indication of the importance place on the people that make up the organization.
2. Qualitative approach to appraisal: bank recognize staff performance not only on quantitative factors as in scientific school of thought but also recognize various circumstance, experience, maturity level, sex and other qualitative factors. This is in line with Argris (1957) theory of immaturity to maturity. In Nigeria Banks qualitative factors considered during staff appraisal are as stated below:

<b>QUALITATIVE</b>					
<b>FACTORS</b>	<b>ISSUE TO SCORE</b>	<b>TARGET</b>	<b>SCORE</b>	<b>%Ach</b>	
CUSTOMERS	Customer understanding				
	Service delivery				
	Customer satisfaction				
	Behavior	Team work with peer			
		Communication			
Work management	Candor				
	Self-development				
	Work planning and organization				
	Accountability				
	Attitude and mindset	Professionalism			
Creativity					
Inspiring peers					
Contribution to success					
Strategy		Commitment to interest of the bank			
	Ability to build a productive culture				
	Understanding and focus on strategy				
	Effect of decision making on projected outcome				
	Business communication				

Table 6

The practice is a clear recognition that human being cannot operate at the same level in different environment even within the same environment. So, theory x and y is recognize by the banks, which account for status of unit heads, Branch managers and Control staff in the Bank's existence so as to drive staff performance at all management level.

The bank is also gender sensitive. Ladies in the bank are given special maternity leave beside annual leave. This is motivating for women in Nigerian Banks who had grown from being unmarried woman to married woman. This is the point of Argris (1949).

Banks recognizes the importance of communication and relationship as means of idea production as well as a means through which members of staff express their emotion to management. Town hall meeting with M.D, E.D and Regional Heads from time to time in Banks is an avenue to achieve this human relation goals as epitome by Elton Mayo. This create room for staff creativity within the bank.

As part of human relation practices of Nigerian banks, bonuses are paid to staff yearly and this increase our satisfaction and productivity. Promotions are equally based on performance. So far so good human relation practice is in practice in Nigerian Banks.

## 5. Recommendations and Conclusion

So far so good, both theories are in practice in Nigerian Banking Industry. One will wonder an organization world be without human relations. It will be dominated with autocratic Leaders and crisis with union leaders who will want the best for workers.

Mixture of both theories is in practice at all level of management. In as much as we need to meet set targets, consideration is also given to environment and circumstances. On the whole, blend of the two theories is in practice in Nigeria Bank and other financial Institutions. This is in agreement with world accepted management grid of concern for work or task and at the same time concern for people (workers) which is a bed rock of a transformational Leader (Blake R.; Mouton J.,1985)

In concluding this piece, it suffices to say that exploration into the classical and human relation reveals that both complement each other. While classical thought focus on the job and need to break down process to be done in a specific way, human relation is focus on the people and their relationship within the organization.

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