**Business Concepts and the Philosophy behind Them**

1. PLANNED OBSOLESCENCE:

Planned obsolescence is a business strategy in which the obsolescence (the process of becoming obsolete—that is, unfashionable or no longer usable) of a product is planned and built into it from its conception. This is done so that in future the consumer feels a need to purchase new products and services that the manufacturer brings out as replacements for the old ones.

Consumers sometimes see planned obsolescence as a sinister plot by manufacturers to fleece them. But Philip Kotler, a marketing guru, says: “Much so-called planned obsolescence is the working of the competitive and technological forces in a free society—forces that lead to ever-improving goods and services.”

A classic case of planned obsolescence was the nylon stocking. The inevitable “laddering” of stockings made consumers buy new ones and for years discouraged manufacturers from looking for a fiber that did not ladder. The garment industry in any case is not inclined to such innovation. Fashion of any sort is, by definition, deeply committed to built-in obsolescence. Last year’s skirts, for example, are designed to be replaced by this year’s new models.

2. THE PETER PRINCIPLE:

The Peter Principle was first introduced by L. Peter in a humoristic book (of the same title) describing the pitfalls of bureaucratic organization. The original principle states that *in a hierarchically structured administration, people tend to be promoted up to their "level of incompetence"*. The principle is based on the observation that in such an organization, new employees typically start in the lower ranks, but when they prove to be competent in the task to which they are assigned, they get promoted to a higher rank. This process of climbing up the hierarchical ladder can go on indefinitely, until the employee reaches a position where he or she is no longer competent. At that moment the process typically stops, since the established rules of bureaucracies make that it is very difficult to "demote" someone to a lower rank, even if that person would be much better fitted and happier in that lower position. The net result is that most of the higher levels of a bureaucracy will be filled by incompetent people, who got there because they were quite good at doing a different (and usually, but not always, easier) task than the one they are expected to do.

The evolutionary generalization of the principle is less pessimistic in its implications, since evolution lacks the bureaucratic inertia that pushes and maintains people in an unfit position. But what will certainly remain is that systems confronted by evolutionary problems will quickly tackle the easy ones, but tend to get stuck in the difficult ones. The better (more fit, smarter, more competent, more adaptive) a system is, the more quickly it will solve all the easy problems, but the more difficult the problem will be it finally gets stuck in. Getting stuck here does not mean "being unfit", it just means having reached the limit of one's competence, and thus having great difficulty advancing further. This explains why even the most complex and adaptive species (such as ourselves, humans) are always still "struggling for survival" in their niches as energetically as are the most primitive organisms such as bacteria. If ever a species would get control over all its evolutionary problems, then the "[Red Queen Principle](http://pespmc1.vub.ac.be/REDQUEEN.html)" would make sure that new, more complex problems would arise, so that the species would continue to balance on the border of its domain of incompetence. In conclusion, the generalized Peter Principle states that *in evolution systems tend to develop up to the limit of their adaptive competence*.

3. HAWTHORNE EFFECT:

An increase in worker productivity produced by the psychological stimulus of being singled out and made to feel important.

Individual behaviors may be altered by the study itself, rather than the effects the study is researching was demonstrated in a research project (1927 - 1932) of the Hawthorne plant of the Western Electric Company in Cicero, Illinois. This series of research, first led by Harvard Business School professor Elton Mayo along with associates F. J. Roethlisberger and William J. Dickson started out by examining the physical and environmental influences of the workplace (e.g. brightness of lights, humidity) and later, moved into the psychological aspects (e.g. breaks, group pressure, working hours, managerial leadership). The ideas that this team developed about the social dynamics of groups in the work setting had lasting influence — the collection of data, labor-management relations, and informal interaction among factory employees.

The major finding of the study was that almost regardless of the experimental manipulation employed, the production of the workers seemed to improve. One reasonable conclusion is that the workers were pleased to receive attention from the researchers who expressed an interest in them. The study was only expected to last one year, but because the researchers were set back each time they tried to relate the manipulated physical conditions to the worker's efficiency, the project extended out to five years.

Four general conclusions were drawn from the Hawthorne studies:

* **The aptitudes of individuals are imperfect predictors of job performance.** Although they give some indication of the physical and mental potential of the individual, the amount produced is strongly influenced by social factors.
* **Informal organization affects productivity. The Hawthorne researchers discovered a group life among the workers.** The studies also showed that the relations that supervisors develop with workers tend to influence the manner in which the workers carry out directives.
* **Work-group norms affect productivity.** The Hawthorne researchers were not the first to recognize that work groups tend to arrive at norms of what is a fair day's work; however, they provided the best systematic description and interpretation of this phenomenon.
* **The workplace is a social system.** The Hawthorne researchers came to view the workplace as a social system made up of interdependent parts.

For decades, the Hawthorne studies provided the rationale for human relations within the organization. Then two researchers (Franke, Kaul, 1978) used a new procedure called time-series analyses. Using the original variables and including in the Great Depression and the instance of a managerial discipline in which two insubordinate and mediocre workers were replaced by two different productive workers, with one who took the role of straw boss (see note below); they discovered that production was most affected by the replacement of the two workers due to their greater productivity and the effect of the disciplinary action on the other workers. The occurrence of the Depression also encouraged job productivity, perhaps through the increased importance of jobs and the fear of losing them. Rest periods and a group incentive plan also had a somewhat positive smaller effect on productivity. These variables accounted for almost all the variation in productivity during the experimental period. Early social sciences may have readily to embrace the original Hawthorne interpretations since it was looking for theories or work motivation that were more humane and democratic.

Along with [Frederick Taylor's](http://www.nwlink.com/~donclark/hrd/history/taylor.html) work, this study gave rise to the field known as “Industrial Psychology” as [social group influences](http://www.nwlink.com/~donclark/hrd/history/vygotsky.html) and interpersonal factors must also be considered when performing efficiency research such as time and motion studies.

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