

MANAGEMENT AND ORGANIZATION BEHAVIOUR UNIT I

MANAGEMENT

Definition & Significance – Evolution of Management Thought – Management Functions – Levels of Management – Managerial Roles and Skills – Social Responsibility of Management.

DEFINITION AND SIGNIFICANCE OF MANAGEMENT

Introduction

Take a close look at the society around you. You would find the existence of several organizations. To mention a few, the business organizations that produce goods or services, hospitals, religious and social institutions like charities, schools, colleges and universities. All these organizations exist to achieve pre-determined objectives. They affect our lives in many ways. Though there are vast differences in their functioning and approaches, they all strive to achieve certain objectives. It must also be noted that organizations cannot achieve the objectives effortlessly. They are achieved through systematic effort. Several activities have to be performed in a cohesive way. In the absence of systematic and cohesive performance of the activities to achieve the objectives, it is no wonder that the resources of organizations would be underutilized. As such it is the function of the management to facilitate the performance of activities such that the accomplishment of the objectives becomes possible.

Meaning of Management

Management is understood in different ways by different people. Economists regard it as a factor of production. Sociologists see it as a class or group of persons while practitioners of management treat it as a process. For our understanding, management may be viewed as what a manager does in a formal organization to achieve the objectives. In the words of **Mary Parker Follet** management is *“the art of getting things done through people”*. This definition throws light on the fact that managers achieve organizational goals by enabling others to perform rather than performing the tasks themselves.

Management encompasses a wide variety of activities that no one single definition can capture all the facets of management. That is why, it is often said that there are as many definitions of management as there are authors in the field. However, the definition given by **James A.F. Stoner** covers all the important facets of management.

According to him:

“Management is the process of planning, organizing, leading and controlling the efforts of organization members and of using all other organizational resources to achieve stated organizational goals”.

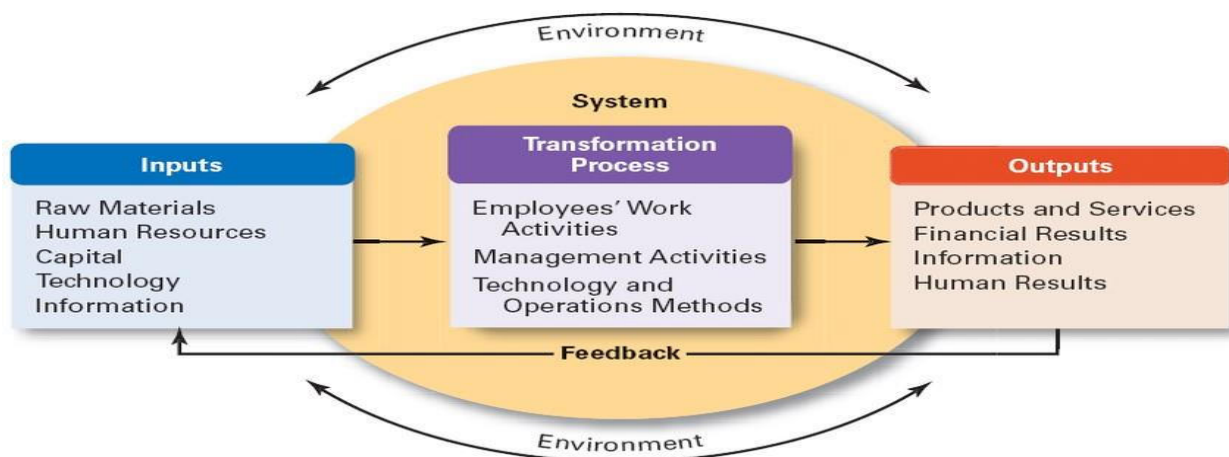
The definition suggests:

management is a continuous process;

- ✦ Several interrelated activities have to be performed by managers
- ✦ irrespective of their levels to achieve the desired goals;
- ✦ Managers use the resources of the organization, both physical as well as human, to achieve the goals;
- ✦ management aims at achieving the organisation's goals by ensuring effective use of resources in the best interests of the society.

It is evident that the emphasis is on achieving the objectives by using material, machinery, money and the services of men. These inputs are drawn from the environment in which the organization exists. Whether an organization is engaged in business or non-business, the various inputs are judiciously used to produce the outputs. The process involving the conversion of inputs into outputs is common to all organizations and is shown in figure 1

Figure 1 **INPUT – OUTPUT MODEL**



Depending on the nature of business or activity that a firm is engaged in, the output of the firm may be a physical product or service. Since a business organization is an economic entity, the justification for its existence lies in producing goods and services that satisfy the needs of the people. As could be seen in the figure, the organization draws several inputs from the environment, converts them into products or services and sends them back to the environment. Environment here means the larger system, i.e., the society in which the firm exists. Therefore, it goes without saying that how effectively the goods and services are produced is a matter of concern for any society, given the scarcity of resources. Effective management therefore plays a crucial role in this context.

Characteristics or Nature of management can be highlighted as:

Management is Goal-Oriented:

The success of any management activity is accessed by its achievement of the predetermined goals or objective. Management is a purposeful activity. It is a tool which helps use of human & physical resources to fulfil the pre-determined goals. For example, the goal of an enterprise

is maximum consumer satisfaction by producing quality goods and at reasonable prices. This can be achieved by employing efficient persons and making better use of scarce resources.

Management integrates Human, Physical and Financial Resources:

In an organization, human beings work with non-human resources like machines. Materials, financial assets, buildings etc. Management integrates human efforts to those resources. It brings harmony among the human, physical and financial resources.

Management is Continuous:

Management is an ongoing process. It involves continuous handling of problems and issues. It is concerned with identifying the problem and taking appropriate steps to solve it. For achieving this target various policies have to be framed but this is not the end. Marketing and Advertising is also to be done. For these policies have to be again framed. Hence this is an ongoing process.

Management is all Pervasive:

Management is required in all types of organizations whether it is political, social, cultural or business because it helps and directs various efforts towards a definite purpose. Thus clubs, hospitals, political parties, colleges, hospitals, business firms all require management. Whenever more than one person is engaged in working for a common goal, management is necessary. Whether it is a small business firm which may be engaged in trading or a large firm like Tata Iron & Steel, management is required everywhere irrespective of size or type of activity.

Management is a Group Activity:

Management is very much less concerned with individual 's efforts. It is more concerned with groups. It involves the use of group effort to achieve predetermined goal of management of ABC & Co. is good refers to a group of persons managing the enterprise **Organized Activities:**

Management is a process of organized activities. Groups of people cannot be involved in the performance of activities without organized activities. Management comes into existence where a group of people are involved in achieving a common objective. The organized activities may take a variety of forms ranging from a tightly structured organization to a loosely-knit organization.

Existence of Objectives:

The existence of objectives is a basic criterion of every human organization. The organizational objectives are the desired state of affairs which an organization attempts to realize. This realization of objectives is sought through the coordinated efforts of the people constituting an organization. **Decision-making:**

process involves decision making at all levels. Decision-making describes the process by which a course of action is selected as the way to deal with a specific problem. If there is only

one alternative, the question of decision making does not arise. The quality of alternatives which a manager selects determines the organization's performance, and the future of the organization.

Relationship among resources:

The essence of management is integration of various organizational resources. Resources include money, machine, materials, and people. Management is concerned with the proper utilization of human resources which, in turn, utilize other resources.

Working with and through people:

Management involves working with people and getting organizational objectives achieved through them. Working through people is interpreted in terms of assigning activities to subordinates.

Multidisciplinary:

Management is multidisciplinary because it includes knowledge/information from various disciplines- economics, statistics, maths, psychology, sociology, ecology, operations research, history, etc. Management integrates the ideas and concepts taken from these disciplines and presents newer concepts which can be put into practice for managing the organizations.

Management is dynamic:

Management has framed certain principles, which are flexible in nature and change with the changes in the environment in which an organization exists.

Relative, Not Absolute Principles:

Management principles are relative, not absolute, and they should be applied according to the need of the organization. A particular management principle has different strengths in different conditions. Therefore, principles should be applied according to the prevailing conditions.

Management: Science or Art:

Management likes other practices- whether medicine, music composition, or even accountancy- is an art. It is know-how. Yet managers can work better by using the organized knowledge about management. It is this knowledge that constitutes science. Thus, managing as practice is an art; the organized knowledge underlying the practice may be referred to as science.

Management as Profession:

Management has been regarded as a profession by many while many have suggested that it has not achieved the status of a profession. Schein concluded that by some criteria

management is indeed a profession, but by other criteria it is not. Today we can see many signs that management is working towards increased professionalism.

Management is Universal:

Management is a universal phenomenon. However, management principles are not universally applicable but are to be modified according to the needs of the situation.

The main objectives of management are:

1. Getting Maximum Results with Minimum Efforts –

The main objective of management is to secure maximum outputs with minimum efforts & resources. Management is basically concerned with thinking & utilizing human, material & financial resources in such a manner that would result in best combination. This combination results in reduction of various costs.

2. Increasing the Efficiency of factors of Production –

Through proper utilization of various factors of production, their efficiency can be increased to a great extent which can be obtained by reducing spoilage, wastages and breakage of all kinds, this in turn leads to saving of time, effort and money which is essential for the growth & prosperity of the enterprise.

3. Maximum Prosperity for Employer & Employees –

Management ensures smooth and coordinated functioning of the enterprise. This in turn helps in providing maximum benefits to the employee in the shape of good working condition, suitable wage system, incentive plans on the one hand and higher profits to the employer on the other hand.

4. Human betterment & Social Justice –

Management serves as a tool for the upliftment as well as betterment of the society. Through increased productivity & employment, management ensures better standards of living for the society. It provides justice through its uniform policies.

5. It helps in Achieving Group Goals –

It arranges the factors of production, assembles and organizes the resources, integrates the resources in effective manner to achieve goals. It directs group efforts towards achievement of predetermined goals. By defining objective of organization clearly there would be no wastage of time, money and effort. Management converts disorganized resources of men, machines, money etc. into useful enterprise. These resources are coordinated, directed and controlled in such a manner that enterprise work towards attainment of goals.

6. Optimum Utilization of Resources –

Management utilizes all the physical & human resources productively. This leads to efficacy in management. Management provides maximum utilization of scarce resources by selecting its best possible alternate use in industry from out of various uses. It makes use of experts, professional and these services leads to use of their skills, knowledge, and proper utilization and avoids wastage. If employees and machines are producing its maximum there is no under employment of any resources.

7. Reduces Costs –

It gets maximum results through minimum input by proper planning and by using minimum input & getting maximum output. Management uses physical, human and financial resources in such a manner which results in best combination. This helps in cost reduction.

8. Establishes Sound Organization –

No overlapping of efforts (smooth and coordinated functions). To establish sound organizational structure is one of the objectives of management which is in tune with objective of organization and for fulfilment of this, it establishes effective authority & responsibility relationship i.e., who is accountable to whom, who can give instructions to whom, who are superiors & who are subordinates. Management fills up various positions with right persons, having right skills, training and qualification. All jobs should be cleared to everyone.

9. Establishes Equilibrium –

It enables the organization to survive in changing environment. It keeps in touch with the changing environment. With the change is external environment, the initial co-ordination of organization must be changed. So, it adapts organization to changing demand of market / changing needs of societies. It is responsible for growth and survival of organization.

10. Essentials for Prosperity of Society –

Efficient management leads to better economical production which helps in turn to increase the welfare of people. Good management makes a difficult task easier by avoiding wastage of scarce resource. It improves standard of living. It increases the profit which is beneficial to business and society will get maximum output at minimum cost by creating employment opportunities which generate income in hands. Organization comes with new products and researches beneficial for society.

Importance of Management

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Levels of Management

Level of management refers to the categories or layers of managerial positions in an organization. The level of management determines the amount of authority and status of the person occupying the position at that level. These managerial positions divided into various categories according to their amount of authority and status, they are known as the level of management. **Managerial Hierarchy consists of-**

- ✦ **Top Level Management or senior management**
- ✦ **Middle Level Management**
- ✦ **Lower-Level Management** such as supervisors or team-leaders

Figure 2 Different level of management



Top-level management

- ✦ Require an extensive knowledge of management roles and skills.
- ✦ They have to be very aware of external factors such as markets.
- ✦ Their decisions are generally of a long-term nature
- ✦ Their decisions are made using analytic, directive, conceptual and/or behavioral/participative processes
- ✦ They are responsible for **strategic** decisions.
- ✦ They have to chalk out the plan and see that plan may be effective in the future.
- ✦ They are executive in nature.

These includes board of Directors, CEO 's they comprise small groups but are responsible for overall management they formulate plans, decide objectives & communicate to middle level management.

Middle Level of Management

The branch managers and departmental managers constitute middle level. They are responsible to the top management for the functioning of their department. They devote more time to organizational and directional functions. In small organization, there is only one layer

of middle level of management but in big enterprises, there may be senior and junior middle level management. Their role can be emphasized as –

- ✦ They execute the plans of the organization in accordance with the policies and directives of the top management.
- ✦ They make plans for the sub-units of the organization.
- ✦ They participate in employment & training of lower-level management.
- ✦ They interpret and explain policies from top level management to lower level.
- ✦ They are responsible for coordinating the activities within the division or department.
- ✦ It also sends important reports and other important data to top level management.
- ✦ They evaluate performance of junior managers.
- ✦ They are also responsible for inspiring lower-level managers towards better performance.

Lower Level of Management

Lower level is also known as supervisory / operative level of management. It consists of supervisors, foreman, section officers, superintendent etc. According to *R.C. Davis*, —Supervisory management refers to those executives whose work has to be largely with personal oversight and direction of operative employees. In other words, they are concerned with direction and controlling function of management. Their activities include –

- ✦ Assigning of jobs and tasks to various workers.
- ✦ They guide and instruct workers for day-to-day activities.
- ✦ They are responsible for the quality as well as quantity of production.
- ✦ They are also entrusted with the responsibility of maintaining good relation in the organization.
- ✦ They communicate workers problems, suggestions, and recommendatory appeals etc to the higher level and higher-level goals and objectives to the workers. They help to solve the grievances of the workers.
- ✦ They supervise & guide the sub-ordinates.
- ✦ They are responsible for providing training to the workers.
- ✦ They arrange necessary materials, machines, tools etc for getting the things done.
- ✦ They prepare periodical reports about the performance of the workers.
- ✦ They ensure discipline in the enterprise.
- ✦ They motivate workers.
- ✦ They are the image builders of the enterprise because they are in direct contact with the workers.

Evolution of Management Thought

Introduction

The origin of management can be traced back to the days when man started living in groups. One can argue that management took the form of leadership which was essential to coordinate the efforts of the group members in order to arrange the necessities of life. History

reveals that strong men organised the masses into groups according to their intelligence, physical and mental capabilities. According to Egyptian literature of 1300 B.C., the art of management was being practiced in different forms by different people. The literature clearly indicates the recognition of the importance of organisation and administration in the bureaucratic set up. Similar records exist for ancient China. According to L.S. Hsu, Confucius's parables include unselfish and capable public officers.

In Greece, the existence of the Athenian commonwealth, with its councils, courts, administrators and board of general indicates the nature of management. Similarly, in Rome, the existence of Roman magistrates, with their functional areas of authority and degree of importance, indicates a scalar relationship characteristic of organisation. It is believed that the secret of the success of the Roman Empire lay in the ability of Romans to organise. Through the use of the scalar principle and the delegation of authority, the city of Rome was expanded to an efficient empire.

Table 1 Summary of Management Trends

Taylor, F. W.	Scientific management This approach expounds that maximum efficiency is obtained by breaking down tasks into each component movement, so finding the best and most efficient way of doing each. This was the forerunner of 'work study', or time and motion'. In Taylor's model, the relationship between manager and employees is one of master servant or parent-child.
Mayo, E (1927-32)	Hawthorne studies Perhaps one of the most quoted approaches in respect of people management is Elton Mayo's studies at the Hawthorne Works of Western Electric in Chicago. His findings showed that productivity of workers improved when working conditions were discussed between employees and management whether or not the conditions were actually improved. His work contributed a lot to motivational theory. His work (1949) concluded that the difference was the result of feeling part of a team and led to the new idea that workers should be considered to be part of a social organism rather than individual cogs in a large wheel.
McGregor D.	Theory X and Theory Y
(1930s)	This theory suggested two different styles of management, based on the underlying assumptions of employee motivation. Theory X requires a carrot and stick' model of motivation; Theory Y places problems of human resources in the lap of management; -people will exercise self-direction and self-control in the achievement of organizational objectives, if they are committed to those objectives. Theory Y suggests that authority and control are not appropriate for all purposes and under all circumstances.

Herzberg, F. (1960s)	Job enrichment Herzberg differentiated between motivational and hygiene factors, the latter being such things as salary and working conditions. In his later work (1968) he suggested that 'in attempting to enrich an employee's job, management often succeed in reducing the man's personal contribution, rather than giving him an opportunity for growth in his accustomed job'. He called this 'horizontal loading', Which he suggested, merely enlarges the meaninglessness of the job.
Maslow, A (1960s)	Hierarchy of needs Maslow proposed that there is a series of needs to be satisfied for all individuals. As each need is satisfied, the satisfaction itself ceases to be important. The implications for management are an awareness of these needs and action to satisfy them.
Jaques, E (1950s)	Clarity of roles While Maslow, Herzberg and McGregor led the field in management and motivational theory during the 1960s and 1970s, research undertaken in London at The Tavistock Institute was gaining interest. Elliot Jaques (1976) proposed that the key for management of people was to have clearly defined and greed and roles and responsibilities. He suggested that lack of clear boundaries caused confusion which led to frustration, insecurity and a need to avoid accountability.
Drucker, P. F. (1945)	Management practice Drucker has written on virtually every aspect of organizational management and change. In his Practice of Management (1954) he says that the function, which distinguishes the managers above all others, is an educational one. The managers unique contribution should be to give others vision and the ability to perform.' He also proposed 'management by objectives', 'risk-taking decisions', strategic thinking' and 'building an integrated team'.
Boston Consulting Group (1970s)	Management by objectives Term such as 'learning curve', 'growth share matrix', 'stars', 'dogs', 'cash-cows', 'Question-marks' and the 'Boston Box' will be familiar to users of this approach. Centred again in the 'scientific management' school' the use of 'decision trees' was prevalent, focusing mainly on investment strategies. Decision-making strategies with change programmes are often led by this approach.
Pascale and	Japanese management
Althos (1980s)	Use of the 'Seven 5' framework as a performance measurement tool and for comparison between US and Japanese management styles. Pascal felt that early managerial theory was significant for what it left out-for example, total absence of attention to building a corporate team. Or to the recruitment and selection of staff, or to training or socialization within the working teams. He suggested that 'field identity' value should be acknowledged.

Kanter, R (1980s)	Change management Kanter's views focus on the flatter hierarchy, the post-entrepreneurial organization and flexibility of an organization to respond to change. She feels that the first step in change mastery 'understands how individuals can exert leverage in an organization'. She refers to 'corporate entrepreneurs' who test limits and create new possibilities by directing innovation. She also refers to 'business athletes' who know how to compete in a way that enhances rather than undercuts cooperation'. Integrative teamwork is an important component in this approach, as is developing a broader understanding of 'what happens as different levels of the organization' (kanter, 1984).
Peters and Waterman (1982)	Search for excellence In this joint publication, Peters and Waterman (1987) suggest that 'leadership is patient, usually boring coalition building'. The key of this approach, however, is built on the 'Seven S (see Pascale and Athos) model. In companies, which operate with 'super ordinate goals and strong cultures', they found that 'people way down the line knows what they are supposed to do in most situations because the handful of guiding values is crystal clear'. Another key component of the excellent company is that 'their systems reinforce degrees of winning rather than degrees of losing ... targets and quotas are set to allow that to happen'.
Peters, T. (1990s)	Thriving on Chaos (1988); Liberation Management (1992) In Thriving on Choose, Peters suggests that the most successful organizations are the impatient ones who will 'reorganize on a dime'. Organizations adopting this approach will follow the guide that 'if you are not reorganizing, pretty substantially {once every six to twelve months, you're probably out of step with the times' In Liberation Management Peters stresses the need for more rapid and flexible management responses to the demands of the marketplace with a focus on capturing and retaining the loyalty of customers-going beyond' satisfied customers' to 'committed" customers'.
Waterman (1990s)	In his book The Renewal Factor (1987), Waterman says that' one of the most difficult challenges in management are developing a sense of value and vision'. He also gives 14 guidelines for strengthening teamwork. In his later book on The Frontiers of excellence (1994) he suggests that a well-run total quality program can be of benefit to middle managers and employees as well as to customers.
Harvey-Jones, J (1990s)	Managing to survive (1993)
	Harvey Jones feels that the most important personal skill in this decade is that of managing radical change. His view is that no one actually' manages' change, they release and guide it', He also states that organizations do not change until the people in those organizations have - and people do not change their ideas and values quickly.

Handy C. (1990s)	Understanding organization (1976) Handy's 1976 book outlined differences between a 'power culture', a 'role culture', a 'task culture' and a 'person culture' in organizations. His later books, including Gods of Management, The Age of Unreason and The Empty Raincoat have expounded his ideas. He purposed the model of the 'shamrock organization'
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Theories of management

Classical Theory

The classical theory signifies the beginning of the systematic study of management organisation. It is often called the traditional theory. It can be traced historically to the 19th century prototype industrial and military organisations. Several writers contributed to the classical thought in the early years of the 20th century. They include Taylor, Fayol, Weber, Luther Gulick, Urwick, Mooney and Reiley and may others.

The classical theory incorporates three viewpoints: **(1) Taylor's Scientific Management (2) Fayol's Administrative Management; and (3) Weber's Ideal Bureaucracy (an organisation based on rules and regulations, formal relations, specialization, etc.).** All the three concentrated on the structure of organisation for greater efficiency. Several other trailblazers have also contributed to the classical theory. For instance, Mooney and Reiley published 'Onward Industry' in 1931 in which they attempted to find organisational universals. Subsequently, notable contributions came from Gullick, Oliver Sheldon, Urwick and many others. All these theorists were concerned with the structure of organisations and that is why their approach is also sometimes labelled as 'structural theory of organisation'. Salient features of classical approach are as follows:

1. The classical theory laid emphasis on division of labour and specialization, structure, scalar and functional processes and span of control. Thus, they concentrated on the anatomy of formal organisation.
2. The classical theorists emphasis organisation structure for co-ordination of various activities. They ignored the role of human element.
3. The classical theory ignored the impact of external environment on the working of the organisation. Thus, it treated organisations as closed systems.
4. The efficiency of the organisation can be increased by making each individual efficient.
5. The integration of the organisation is achieved through the authority and control of the central mechanism. Thus, it is based on centralization of authority.
6. There is no conflict between the individuals and the organisation. In case of any conflict, the interests of the organisation should prevail.
7. The people at work could be motivated by the economic rewards as they were supposed to be 'rational economic persons'.

Scientific Management Approach

The impetus for the scientific management approach came from the first industrial revolution. Because it brought about such an extraordinary mechanization of industry, this revolution necessitated the development of new management principles and practices. The main contributors to scientific management were Frederick W. Taylor, Henry L. Gantt, Frank Gilbreth, Lillian Gilbreth and Harrington Emerson.

F.W. Taylor (1865-1915) was the first person who insisted on the introduction of scientific methods in management. He launched a new movement during the last decade of 19th century which is known as 'Scientific Management'. That is why, Taylor is regarded as the father of scientific management. Taylor was an American engineer who responded to the challenges of management around the turn of the century. During that period, productivity was very low, labour became extremely dissatisfied and industries had to face frequent strikes and lockouts. Taylor's contribution was a system based on science whereby lower labour cost could be achieved simultaneously with higher wages. He suggested the change in the mental attitudes of the workers and the management to bring harmony in the industry.

Scientific management means application of scientific methods to the problems of management. Taylor advocated scientific task setting based on time and motion study, standardization of materials, tools and working conditions, scientific selection and training of workers and so on. It is to be noted that Taylor's thinking was confined to management at the shop level. However, he demonstrated the possibility and significance of the scientific analysis of the various aspects of management. To sum up, he laid emphasis on the following principles:

1. Science, not rule of thumb.
2. Harmony in group action, rather than discord.
3. Maximum output in place of restricted output.
4. Scientific selection, training and placement of the workers.
5. Almost equal division of work and responsibility between workers and managers.

Principles of Scientific Management

1. Development of Science for each part of men's job (replacement of rule of thumb)

- a. This principle suggests that work assigned to any employee should be observed, analysed with respect to each and every element and part and time involved in it.
- b. This means replacement of odd rule of thumb by the use of method of enquiry, investigation, data collection, analysis and framing of rules.
- c. Under scientific management, decisions are made on the basis of facts and by the application of scientific decisions.

2. Scientific Selection, Training & Development of Workers

- a. There should be scientifically designed procedure for the selection of workers.
- b. Physical, mental & other requirement should be specified for each and every job.
- c. Workers should be selected & trained to make them fit for the job.
- d. The management has to provide opportunities for development of workers having better capabilities.
- e. According to Taylor efforts should be made to develop each employee to his greatest level and efficiency & prosperity.

3. Co-operation between Management & workers or Harmony not discord

- a. Taylor believed in co-operation and not individualism.
- b. It is only through co-operation that the goals of the enterprise can be achieved efficiently.
- c. There should be no conflict between managers & workers.
- d. Taylor believed that interest of employer & employees should be fully harmonized so as to secure mutually understanding relations between them.

4. Division of Responsibility

- a. This principle determines the concrete nature of roles to be played by different level of managers & workers.
- b. The management should assume the responsibility of planning the work whereas workers should be concerned with execution of task.
- c. Thus planning is to be separated from execution.

5. Mental Revolution

- a. The workers and managers should have a complete change of outlook towards their mutual relation and work effort.
- b. It requires that management should create suitable working condition and solve all problems scientifically.
- c. Similarly workers should attend their jobs with utmost attention, devotion and carefulness. They should not waste the resources of enterprise.
- d. Handsome remuneration should be provided to workers to boost up their moral.
- e. It will create a sense of belongingness among worker.
- f. They will be disciplined, loyal and sincere in fulfilling the task assigned to them.
- g. There will be more production and economic growth at a faster rate.

6. Maximum Prosperity for Employer & Employees

- a. The aim of scientific management is to see maximum prosperity for employer and employees.
- b. It is important only when there is opportunity for each worker to attain his highest efficiency.
- c. Maximum output & optimum utilization of resources will bring higher profits for the employer & better wages for the workers.
- d. There should be maximum output in place of restricted output.
- e. Both managers and workers should be paid handsomely.

Taylor suggested that management should try to find the best methods of doing various jobs and introduce standardized materials, tools and equipment so that wastages are reduced. The management should select right types of people and give them adequate training so as to increase the quantity and quality of production. It must create congenial working conditions for optimum efficiency of the workers. It should perform the decision-making function and should always try to give maximum cooperation to the workers to ensure that work is done according to the scientific techniques.

The workers should also revise their attitude towards the management. They should not be workshirkers. They should be disciplined, loyal and sincere in fulfilling the tasks assigned to them. They should not indulge in wastage of resources. Both the management and the workers should trust each other and cooperate in achieving maximum production.

Thus, Taylor stood for creating a mental revolution on the part of management and workers. It is to be noted that Taylor's thinking was confined to management at the shop level. However, he demonstrated the possibility and significance of the scientific analysis of the various aspects of management. To put the philosophy of scientific management into practice, Taylor and his associates suggested the following techniques:

1. Scientific task setting to determine a fair day's work.
2. Work study to simplify work and increase efficiency. This involves methods study, time study and motion study.
3. Standardization of materials, tools equipment, costing system, etc.
4. Scientific selection and training of workers.
5. Differential piece-wage plan to reward the highly efficient workers.
6. Specialization in planning and operations through 'functional foremanship'. Foremen in the planning department include: route clerk, instruction card clerk, time and cost clerk and shop disciplinarian and those in the operations department include: gang boss, speed boss, repair boss and inspector.
7. Elimination of wastes and rationalization of system of control.

Criticism of Scientific Management

Although it is accepted that the scientific management enables the management to put resources to its best possible use and manner, yet it has not been spared of severe criticism.

Workers Viewpoint

1. **Unemployment** – Workers feel that management reduces employment opportunities from them through replacement of men by machines and by increasing human productivity less workers are needed to do work leading to chucking out from their jobs.
2. **Exploitation** – Workers feel they are exploited as they are not given due share in increasing profits which is due to their increased productivity. Wages do not rise in proportion as rise in production. Wage payment creates uncertainty & insecurity (beyond a standard output, there is no increase in wage rate).
3. **Monotony** – Due to excessive specialization the workers are not able to take initiative on their own. Their status is reduced to being mere cogs in wheel. Jobs become dull. Workers loose interest in jobs and derive little pleasure from work.
4. **Weakening of Trade Union** – To everything is fixed & predetermined by management. So it leaves no room for trade unions to bargain as everything is standardized, standard output, standard working conditions, standard time etc. This further weakens trade unions, creates a rift between efficient & in efficient workers according to their wages.
5. **Over speeding** – the scientific management lays standard output, time so they have to rush up and finish the work in time. These have adverse effect on health of workers. The workers speed up to that standard output, so scientific management drives the workers to rush towards output and finish work in standard time.

Employer's Viewpoint

1. **Expensive** – Scientific management is a costly system and a huge investment is required in establishment of planning dept., standardization, work study, training of workers. It may be beyond reach of small firms. Heavy food investment leads to increase in overhead costs.
2. **Time Consuming** – Scientific management requires mental revision and complete reorganizing of organization. A lot of time is required for work, study, standardization & specialization. During this overhauling of organization, the work suffers.

Management Process or Administrative Management Approach

The advocates of this school perceive management as a process involving certain functions such as planning, organising, directing and controlling. That is why, it is also called the '**functional**' approach. **Henri Fayol is regarded as the father of this school.** Henri Fayol defined management in terms of certain functions and then laid down fourteen principles of management which according to him have universal applicability.

Principles of Management (Contribution of Henry Fayol)

Henry Fayol was born in 1841 at Constantinople in France. He graduated as a mining engineer in 1860 from the National School of Mining. After his graduation, he joined a French Coal Mining Company as an Engineer.

After a couple of years, he was promoted as manager. He was appointed as General Manager of his company in 1888. At that time, the company suffered heavy losses and was nearly bankrupt. Henry Fayol succeeded in converting his company from near bankruptcy to a strong financial position and a record of profits and dividends over a long period.

Concept of Management: Henry Fayol is considered the father of modern theory of general and industrial management. He divided general and industrial management into six groups:

1. **Technical activities:** Production, manufacture, adaptation.
2. **Commercial activities:** Buying, selling and exchange.
3. **Financial activities:** Search for and optimum use of capital.
4. **Security activities:** Protection of property and persons.
5. **Accounting activities:** Stock-taking, balance sheet, cost, and statistics.
6. **Managerial activities:** Planning, organisation, command, co- ordination and control.

These six functions had to be performed to operate successfully any kind of business. He, however, pointed out that the last function i.e., ability to manage, was the most important for upper levels of managers.

The process of management as an ongoing managerial cycle involving planning, organising, directing, co-ordination, and controlling, is actually based on the analysis of general management by Fayol. Hence, it is said that Fayol established the pattern of management thought and practice. Even today, management process has general recognition.

Fayol's Principles of Management: The principles of management are given below:

1. **Division of work:** Division of work or specialization alone can give maximum productivity and efficiency. Both technical and managerial activities can be performed in the best manner only through division of labour and specialization.
2. **Authority and Responsibility:** The right to give order is called authority. The obligation to accomplish is called responsibility. Authority and Responsibility are the two sides of the management coin. They exist together. They are complementary and mutually interdependent.
3. **Discipline:** The objectives, rules and regulations, the policies and procedures must be honoured by each member of an organisation. There must be clear and fair agreement on the rules and objectives, on the policies and procedures. There must be penalties (punishment)

for nonobedience or indiscipline. No organisation can work smoothly without discipline - preferably voluntary discipline.

4. **Unity of Command:** In order to avoid any possible confusion and conflict, each member of an organisation must receive orders and instructions only from one superior (boss).

5. **Unity of Direction:** All members of an organisation must work together to accomplish common objectives.

6. **Emphasis on Subordination of Personal Interest to General or Common Interest:** This is also called principle of co-operation. Each shall work for all and all for each. General or common interest must be supreme in any joint enterprise.

7. **Remuneration:** Fair pay with non-financial rewards can act as the best incentive or motivator for good performance. Exploitation of employees in any manner must be eliminated. Sound scheme of remuneration includes adequate financial and non-financial incentives.

8. **Centralization:** There must be a good balance between centralization and decentralization of authority and power. Extreme centralization and decentralization must be avoided.

9. **Scalar Chain:** The unity of command brings about a chain or hierarchy of command linking all members of the organisation from the top to the bottom. Scalar denotes steps.

10. **Order:** Fayol suggested that there is a place for everything. Order or system alone can create a sound organisation and efficient management.

11. **Equity:** An organisation consists of a group of people involved in joint effort. Hence, equity (i.e., justice) must be there. Without equity, we cannot have sustained and adequate joint collaboration.

12. **Stability of Tenure:** A person needs time to adjust himself with the new work and demonstrate efficiency in due course. Hence, employees and managers must have job security. Security of income and employment is a pre-requisite of sound organisation and management.

13. **Esprit of Co-operation:** Esprit de corps is the foundation of a sound organisation. Union is strength. But unity demands co-operation. Pride, loyalty and sense of belonging are responsible for good performance.

14. **Initiative:** Creative thinking and capacity to take initiative can give us sound managerial planning and execution of predetermined plans.

Functional Approach

Though the proponents of management process approach have made significant contribution to the development of thought, their work suffers from the following limitations:

1. There is no single classification of managerial functions acceptable to all the functional theorists. There is also lack of unanimity about the various terms such as management and administration, commanding and directing, etc.
2. The functionalists considered their principles to be universal in nature. But many of the principles have failed to deliver the desired results in certain situations.
3. The functional theorists did not consider the external environment of business.
4. Fayol overemphasized the intellectual side of management. He felt that management should be formally taught, but he did not elaborate the nature and contents of management education.

Bureaucracy

Max Weber (1864-1920), a German sociologist contributed his views on bureaucracy to the management thought. His primary contribution includes his theory of authority structure and his description of organisations based on the nature of authority relations within them.

Essentially, it was Weber's contention that there are three types of legitimate authority which are as follows:

1. ***Rational-legal authority:*** Obedience is owed to a legally established position or rank within the hierarchy of a business, military unit, government, and so on.
2. ***Traditional authority:*** People obey a person because he belongs to certain class or occupies a position traditionally recognized as possessing authority, such as a real family.
3. ***Charismatic authority:*** Obedience is based on the follower's belief that a person has some special power or appeal.

Weber's theory 'bureaucracy' recognizes rational-legal authority as the most important type in organisations. Under traditional authority, leaders are not chosen for their competence, a charismatic authority is too emotional and irrational. A bureaucratic organisation which is based on rational-legal authority display the following features:

1. ***Division of Work:*** There is a high degree of division of work at both the operative and administrative levels. This leads to specialization of work.
2. ***Hierarchy of Positions:*** There is a hierarchy of authority in the organisation. Each lower position is under the control of a higher one. Thus, there is unity of command. The bureaucratic structure is hierarchical in nature. It is like a pyramid in which quantity of authority increases as one moves up the ladder in the organisation.
3. ***Rules and Regulations:*** The rules, regulations and procedures are clearly laid down by the top administration. Their benefits are as under:
 - (a) They standardize operations and decisions.
 - (b) They serve as receptacles of past learning.

(c) They protect incumbents and ensure equality of treatment.

4. **Impersonal Conduct:** There is impersonality of relationships among the organisational members. The decisions are entirely guided by rules and regulations and are totally impersonal. There is no room for emotions and sentiments in this type of structure.

5. **Staffing:** The personnel are employed by a contractual relationship between the employee and employer. The tenure of service is governed by the rules and regulations of the organisation. The employees get a salary every month which is based on the job they handle and also the length of service.

6. **Technical Competence:** The bureaucrats are neither elected nor inherited, but they are appointed through selection and the basis of selection is their technical competence. Promotions in bureaucracies are also based on technical qualifications and performance.

7. **Official Records:** The administration of a bureaucratic organisation is supported by an efficient system of record-keeping. The decisions and activities of the organisation are formally recorded and preserved safely for future reference. This is made possible by an extensive filing system. The filing system makes the organisation independent of individuals. The official records serve as the memory of the organisation.

Criticism of Bureaucracy

It is not free of flaws. It may lead to many undesirable consequences such as:

1. The rules may be followed in letter and not in spirit. Thus, instead of providing guidelines, the rules may become source of inefficiency. The rules may be misused or misinterpreted by the persons concerned with the implementation of rules. Redtapism and technicism may follow as a result.
2. Bureaucracy does not consider informal organisation and inter-personal difficulties.
3. Bureaucracy discourages innovation because every employee is supposed to act as per rules and regulations or to the secondary goals.
4. Goal displacement may take place in a bureaucratic organisation. The bureaucrats may give priority to rules and regulations or to the secondary goals.
5. The bureaucratic structure is tall consisting of several layers of executives. Thus, communication from the top level to the lowest level will take a very long time.

Appraisal of Classical Theory

The fundamental objections against the classical theory are discussed below:

1. Narrow View of Organisation: The value of classical theory is limited by its narrow concentration on the anatomy of formal organisation. In order to achieve rationality, the classical writers ignored the human relations aspect. The interplay of individual personality, informal groups and inter organisational conflicts in the formal organisation were neglected. It is said that the focus of classical theory is on 'organisation without people'.

2.Assumption of Closed System: Classical theorists viewed organisation as a closed system, i.e., having no interaction with environment. This assumption is totally unrealistic. A modern organisation is an open system which has continuous interaction with the environment through the exchange of inputs and outputs and various types of information.

3. Assumptions about Human Behaviour: The human being was treated like any other factor of production. They were supposed to obey their superiors. The classical writers ignored the social, psychological and motivational aspects of human behaviour.

4. Economic Rewards as Main Motivators: The assumption that people at work can be motivated solely through economic rewards is also wrong. Several researches in human behaviour have contradicted this assumption. Non-monetary factors like better status and job enrichment can also motivate the workers.

5. Lack of Empirical Verification: The classical principles are mostly based on the personal experiences and limited observations of the practitioners. They are not based on empirical research. They lack precision and comprehensive framework for analysis. Moreover, it is not clear whether these principles are action recommendations or simply definitions.

6. Lack of Universality of Principles: Classical theorists claimed that their principles have universal application. This suggests that the same principles can be applied in: (i) different organisations, (ii) different management levels in the same organisation, and (iii) different functions of the same organisation. The empirical researches, however, suggest that none of the principles has such characteristics. Moreover, there are many of the principles which contradict with other principles. For example, principle of specialization is quite in conflict with the principle of unity of command.

7. Excessive Emphasis on Rules and Regulations: Weber's 'ideal' bureaucracy, a major constituent of classical theory, suggested strict adherence to rules and regulations. The scope for individual initiative is thus limited. The result is redtapism in the organisation. Observation of rules and regulations becomes the main objective while the real objectives for which these rules and regulations are formed are forgotten.

Neo-classical Theory

Human Relations Approach

The classical writers including Weber, Taylor and Fayol neglected the human relations aspect. The neo-classicists focussed on the human aspect of industry. They modified the classical theory by emphasizing the fact that organisation is a social system and the human factor is the most important element within it. They conducted some experiments (known as Hawthorne Experiments) and investigated informal groupings, informal relationships, patterns of communication, patterns of informal leadership, etc. This led to the development of human relations approach. Elton Mayo is generally recognized as the father of the Human Relations School. Other prominent contributors to this schools include Roethlisberger, Dickson, Dewey, Lewin, etc.

The human relations approach is concerned with recognition of the importance of human element in organisations. It revealed the importance of social and psychological factors in determining workers' productivity and satisfaction. It was instrumental in creating a new image of man and the work place the neo-classical or human relations approach put stress on inter-personal relations and informal groups at the work-place.

The human relationists argued that achievement of organisational objectives is impossible without the willing cooperation of people and such cooperation cannot be automatically secured or ordered.

It has to be consciously achieved. The neo-classical approach advocated people-oriented organisation structure which will integrate both informal and formal organisations.

The basic tenets of neo-classical theory or human relations approach are as under:

1. The business organisation is a social system.
2. The behaviour of an individual is dominated by the informal group of which he is a member.
3. An individual employee cannot be motivated by economic incentives alone. His social and psychological needs must be satisfied to improve the level of motivation.
4. In an organisation, it is ultimately cooperative attitude and not the more command which yields result.
5. Management must aim at developing social and leadership skills in addition to technical skills. It must take interest in the welfare of workers.
6. Morale and productivity go hand in hand in an organisation.

Hawthorne Studies

In 1927, a group of researchers led by George Elton Mayo and Fritz J. Roethlisberger at the Harvard Business School were invited to join in the studies at the Hawthorne Works of Western

Electric Company, Chicago. The experiment lasted upto 1932. Earlier, from 1924 to 1927, the National Research Council made a study in collaboration with the Western Electric Company to determine the effect of illumination and other conditions upon workers and their productivity.

1. ***Illumination Experiment:*** This experiment was conducted to establish relationship between output and illumination. The output tended to increase every time as the intensity of light was improved. But the output again showed an upward trend when the illumination was brought down gradually from the normal level. Thus, it was found that there is no consistent relationship between output of workers and illumination in the factory. There were some other factors which influenced the productivity of workers when the intensity of light was increased or decreased.

2. **Relay Assembly Room Experiment:** In this experiment, a small homogeneous work-group of girls was constituted. Several new elements were introduced in the work atmosphere of this group. These included shorter working hours, rest pauses, improved physical conditions, friendly and informal supervision, free social interaction among group members, etc. Productivity and morale increased considerably during the period of the experiment. Morale and productivity were maintained even if improvements in working conditions were withdrawn. The researchers concluded that socio-psychological factors such as feeling of being important, recognition, attention, participation, cohesive workgroup, and non-directive supervision held the key for higher productivity.

3. **Bank Wiring Observation Room Experiment:** This 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. There were no significant changes in the two because of the maintenance of 'normal conditions. However, existence of informal cliques in the group and informal production norms were observed by the researchers.

The Bank Wiring Experiment led to the following observations:

- (a) Each individual was restricting output.
- (b) The group had its own "unofficial" standards of performance.
- (c) Individual output remained fairly constant over a period of time.
- (d) Departmental records were distorted due to differences between actual and reported output or between standard and reported working time.

4. **Mass Interview Programme:** 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 interviewers asked questions considered important by managers and researchers. Later, this approach was replaced by an indirect technique where the interviewer simply listened to what the employees had to say. The findings confirmed the importance of social factors at work in the total work environment.

Contributions of Human Relations Approach or Hawthorne Studies

The human relationists proposed the following points as a result of their findings of the Hawthorne experiments:

- 1. **Social System:** The organisation in general is a social system composed of numerous interacting parts. The social system defines individual roles and establishes norms that may differ from those of the formal organisation.
- 2. **Social Environment:** The social environment on the job affects the workers and is also affected by them. Management is not the only variable. Social and psychological factors exercise a great influence on the behaviour of workers. Therefore, every manager should adopt a sound human approach to all organisational problems.

3. **Informal Organisation:** The informal organisation does also exist within the frame work of formal organisation and it affects and is affected by the formal organisation.
4. **Group Dynamics:** At the workplace, the workers often do not act or react as individuals but as members of groups. The group determines the norms of behaviour for the group members and thus exercises a powerful influence on the attitudes and performance of individual workers. The management should deal with workers as members of work group rather than as individuals.
5. **Informal Leader:** The informal leader sets and enforces group norms. He helps the workers to function as a social group and the formal leader is rendered ineffective unless he conforms to the norms of the group.
6. **Communication:** Two-way communication is necessary because it carries necessary information downward for the proper functioning of the organisation and transmits upward the feelings and sentiments of people who work in the organisation. It will help in securing workers' cooperation and participation in the decision-making process. Workers tend to be more productive when they are given the opportunity to express their feelings, opinions and grievances. This also give them psychological satisfaction.
7. **Non-economic Rewards:** Money is only one of the motivators, but not the sole motivator of human behaviour. The social and psychological needs of the workers are very strong. So noneconomic rewards such as praise, status, interpersonal relations, etc. play an important role in motivating the employees. Such rewards must be integrated with the wages and fringe benefits of the employees.
8. **Conflicts:** There may arise conflicts between the organisational goals and group goals. Conflicts will harm the interest of workers if they are not handled properly. Conflicts can be resolved through improvement of human relations in the organisation.

Criticism of Human Relations Approach

The human relations approach has been criticized on the following grounds:

1. **Lack of Scientific Validity:** The human relationists drew conclusions from Hawthorne studies. These conclusions are based on clinical insight rather than on scientific evidence.
2. **Over-emphasis on Group:** The human relations approach over-emphasises the group and group decision-making.
3. **Over-stretching of Human Relations:** It is assumed that all organisational problems are amenable to solutions through human relations.
4. **Limited Focus on Work:** The human relations approach lacks adequate focus on work.
5. **Over-stress on Socio-psychological Factors:** The human relations approach undermines the role of economic incentives in motivation and gives excessive stress on social and psychological factors.

6. *Conflict between Organisational and Individual Goals:* It view conflict between the goal of the organisation and those of individuals as destructive.

Behavioural Science Approach

Under behavioural science approach, the knowledge drawn from behavioural science, namely, psychology, sociology and anthropology, is applied to explain and predict human behaviour. It focuses on human behaviour in organisations and seeks to promote verifiable propositions for scientific understanding of human behaviour in organisations. It lays emphasis on the study of motivation, leadership, communication, group dynamics, participative management, etc.

The essential characteristics of behavioural science approach are as under:

1. Data must be objectively collected and analysed.
2. Findings must be presented so that the distinction between cause and effect, as opposed to chance occurrences, is clear.
3. Facts must be systematically related to one another within a systematic framework. Data collection alone does not constitute a science.
4. The findings of a study must always be open to further examination and question.

The distinguishing feature of the behavioural sciences approach is the methodology employed in developing the research in the management discipline. The crux of the methodology lies in the collection and analysis of the relevant data. It is in this sense that this approach differs from the human relations approach. Further, the behavioural scientists made the following propositions:

1. An organisation is a socio-technical system.
2. Individuals differ with regard to attitudes, perceptions and value systems. As a result, they behave differently to different stimuli under different conditions.
3. People working in the organisation have their needs and goals which may differ from the organisational goals. Attempts should be made to achieve fusion between organisational goals and human needs.
4. A wide range of factors influence inter-personal and group behaviour of people in organisations.

The behaviour school has drawn heavily on the work of Maslow. His development of need hierarchy to explain human behaviour and the dynamics of motivation process is an important contribution. Douglas McGregor built on Maslow's work in explaining his 'Theory X' and 'Theory Y'. Frederick Herzberg developed a two-factor theory of motivation. He made a distinction between the factors which either cause or prevent job dissatisfaction (hygienic factors), and those factors which actually lead to motivation (motivational factors).

In the area of leadership, Robert Blak and Jane Mouton developed and popularized the 'Managerial Grid'. Rensis Likert has identified and extensively researched four Management Systems ranging from System 1: Exploitive-Authoritative to System 4: Group Participative. Each system characterizes and organisational climate by employing several key dimensions of effectiveness such as communication, motivation, leadership and others.

To sum up, the behavioural sciences approach gives emphasis on increasing productivity through motivation and leadership. The central core of this approach lies in the following aspects of human behaviour: motivation, leadership, communication, participative management and group dynamics. The behavioural sciences have provided managers with a systematic understanding of one of the most critical factors in the process of management-the human element. Insights evolving from that understanding have been used to design work situations that encourage increased productivity. It has enabled organisations to formulate programmes to more efficiently train workers and managers, and it has effects in numerous other areas of practical significance.

Appraisal of Behavioural Science Approach

1. The study of human behaviour is of great significance in management. Since an individual is a product of social system, his behaviour is not determined by organisational forces alone, but many forces like perception, attitudes, habits, and socio-cultural environment also shape his behaviour. Therefore, in understanding human behaviour in the organisation, all these factors must be taken into account.
2. The behavioural approach suggests how the knowledge of human behaviour can be used in making people more effective in the organisation.
3. Behaviourists have enriched management theory through their contributions in the areas of group dynamics, motivation communication and leadership. However, they have failed in developing an integrated theory of management. Although, study of human behaviour in organisations is extremely important yet management cannot be confined only to this area.
4. There are other variable such as technology and environment which have an important bearing on the effectiveness of an organisation.
5. The behavioural science, refined as they might be, have not achieved the precision of the physical sciences.
6. Often the complexities of the human factor and the organisational setting make exact predictions impossible. It is not uncommon for programmes based on sound behavioural principles to have unexpected results.
7. It should also be noted that the finding of behavioural science research is tentative and require further investigation. They should not be treated as applicable to all situations.
8. Behavioural guidelines can be helpful and profitable, but are not complete, valid and applicable to all situations.

Quantitative Approach

This approach is also called 'Mathematical', 'Operations Research' or 'Management Science' approach. The basic feature of the quantitative management thought is the use of mixed teams of scientists from several disciplines. This school used scientific tools for providing a quantitative base for managerial decisions. The techniques commonly used for managerial decision-making include Linear Programming, Critical Path Method (CPM), Programme Evaluation Review Technique (PERT), Games Theory, Queuing Theory and Break-Even Analysis.

The quantitative approach uses mathematical formulae for finding solutions to the problems that were previously unsolved. The abiding belief of the quantitative approach is that if management is a logical process, it may be expressed in terms of mathematical symbols and relationships. The basic approach is the construction of a quantitative model because it is through this device that the problem is expressed in its basic relationships and in terms of selected objectives.

The construction of the model expresses the effectiveness of the system under study as a function of a set of variables at least one of which is subject control. The general form of operations research model is $E = f(x_1, y_1)$, where E represents the effectiveness of the system (profit, cost and the like) x_1 the variables of the system which are subjected to control and y_1 those which are not subject to control.

The quantitative approach to management has its root in the scientific management movement. Since Taylor advocated a logical sequence of problem formulation, fact finding, modelling, a tentative solution, testing, etc., his scientific approach could be classified as an early form of quantitative approach to management. A natural extension of the scientific management is the operations research.

The approach was updated so as to include development of mathematical models to represent a system under study. It may be noted that the development of models required the skills of many disciplines such as engineering, mathematics, economic, statistics, physical science, behavioural sciences and cost accountancy. The mathematical formulation enabled the managers to discover significant relationships that they could control.

Another important development along with the growth in the number of quantitative techniques was the introduction of high-speed digital computers. Starting in about 1970, the quantitative approach to management turned away from emphasis on narrow operations research techniques to the broader perspective of decision techniques and models building. It also incorporated computerised information systems and operations management. The latest emphasis of the quantitative approach marked a move towards a more broad-based management.

Systems Approach

In the 1960s, a new approach to management appeared which attempted to unify the earlier schools of thought. This approach is commonly referred to as 'Systems Approach'. Basically,

it took up where the functional process management school let off to try to unify management theory. “A system viewpoint may provide the impetus to unify management theory. By definition, it could treat the various approaches, such as the process, quantitative and behavioural ones, as subsystems in an overall theory of management. Thus, the systems approach may succeed where the process approach has failed to lead management out of the theory jungle”.

The systems approach is based on the generalization that an organisation is a system and its components are inter-related and inter-dependent. “A system is composed of related and dependent elements which, when in interactions, form a unitary whole. It is simply an assemblage or combination of things or parts, forming a complex whole. Its important feature is that it is composed of hierarchy of sub-systems. The world as a whole can be considered to be a system in which various national economies are sub-system. In turn, each national economy is composed of its various industries, each industry is composed of firms, and of course, a firm can be considered a system composed of sub-systems such as production, marketing, finance, accounting and so on”. Thus, each system may comprise several sub-systems and in turn, each sub-system be further composed of sub-systems.

An organisation as a system has the following characteristics:

1. A system is goal-oriented.
2. A system consists of several sub-systems which are interdependent and inter-related.
3. A system is engaged in processing or transformation of inputs into outputs.
4. An organisation is an open and dynamic system. It has continuous interface with the external environment as it gets inputs from the environment and also supplies its output to the environment. It is sensitive to its environment such as government policies, competition in the market, technological advancement, tastes of people, etc.
5. A system has a boundary which separates it from other systems.

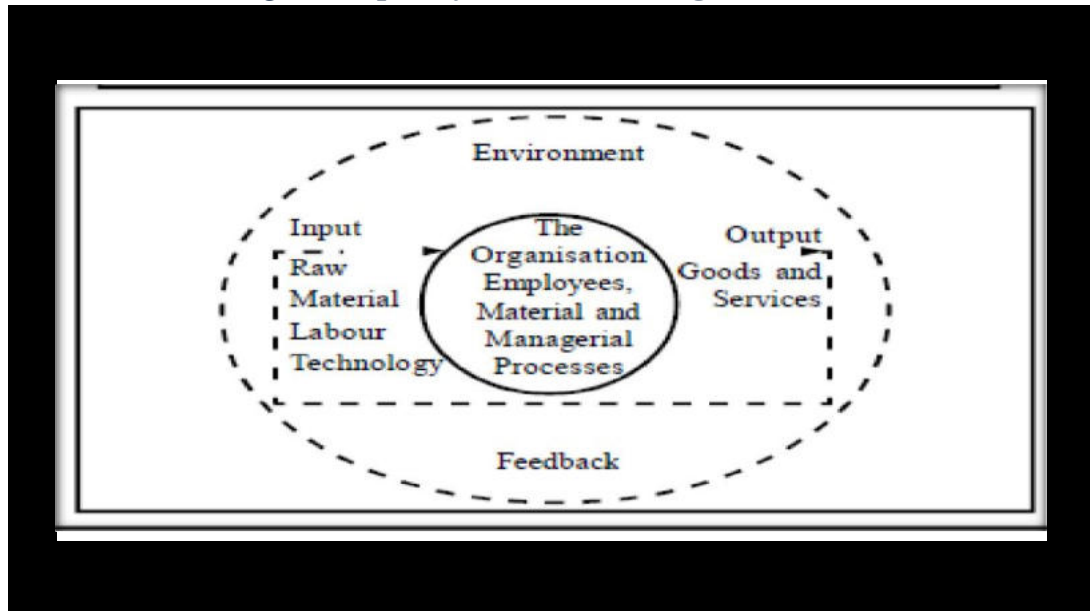
Open System Concept

A system may be closed or open. A closed system is self-dependent and does not have any interaction with the external environment. Physical and mechanical systems are closed systems. A closed system concentrates completely on internal relationships, i.e., interaction between subsystems only. Because of lack of interaction with environment, it is unable to monitor changes occurring in the external environment. On the other hand, an open system has active interface with the environment through the input-output process as shown in Figure 1. It can respond to the changes in the environment through the feedback mechanism. That is why modern authors consider organisation as an open system.

An open system obtains inputs, such as raw materials, layout, capital, technology and information, from the environment. Operations are performed upon the inputs and combined with the managerial process to produce desirable outputs which are supplied to the environment (i.e., customers). Through a feedback process, the environment's evaluation of

the output becomes part of the inputs for further organisational activity. If the environment is satisfied with the output, business operations continue. If it is not, changes are initiated within the business systems so that requirements of the customers are fully met. This is how an open system responds to the forces of change in the environment.

Figure 3 Open System View of Organisation



Features of Systems Approach Notes

The systems approach is far more superior to classical and neo-classical approach because of the following features:

1. **Interdependent Sub-systems:** An organisation is a system consisting of several sub-systems. For example, in a business enterprise, production, sales and other departments and subsystems. All these sub-systems are functionally interacting and interdependent. They are used together into an organic whole through goals, authority flows, resources flows and so on.
2. **Whole Organisation:** The system approach provides a unified focus to organisational efforts. It gives managers a way of looking at the organisation as a whole that is greater than the sum of its parts. The stress is laid on integration of various sub-systems of the organisation to ensure overall effectiveness of the system.
3. **Synergy:** The output of a system is always more than the combined output of its parts. This is called the law of synergy. The parts of system become more productive when they interact with each other than when they act in isolation.
4. **Multi-disciplinary:** Modern theory of management is enriched by contributions from various disciplines like psychology, sociology, economics, anthropology, mathematics, operations research and so on.

Appraisal of Systems Approach

The system approach is an attempt to design an overall theory of management. Interdependency and inter-relationships between various sub-systems of the organisation is adequately emphasized. A pressure for change in one sub-system generally has a direct or indirect influence on the other sub-systems also. Thus, the systems approach acknowledges environmental influences which were ignored by the classical theory.

The systems approach represents a balanced thinking on organisation and management. It stresses that managers should avoid analysing problems in isolation and rather develop the ability for integrated thinking. It recognizes the interaction and interdependence among the different variables of the environment. It provides clues to the complex behaviour of an organisation. It warns against narrow fragmented and piecemeal approach to problems by stressing interrelationships.

The systems approach is criticized as being too abstract and vague. It cannot easily be applied to practical problems. It does not offer specific tools and techniques for the practising manager. Moreover, this approach does not recognize differences in systems. It fails to specify the nature of interactions and interdependencies between an organisation and its external environment.

Contingency Approach

A review of the earlier schools of management helps us to place the current approach to management in perspective. The performance results of the management process school's universalist assumptions were generally disappointing. The behavioural approach to management was incomplete. Certain quantitative techniques worked in some situations and not in others. The quantitative people could not solve behavioural problems and behavioural people could not overcome operations problems adaptable to quantitative solutions. Many authors believe that systems-based theory could solve this dilemma. But this approach is also as yet incomplete. The latest approach to management which integrates the various approaches to management is known as 'contingency' or 'situational' approach.

The contingency approach is not new. Pigors and Myers propagated this approach in the area of personnel management as early as in 1950. However, the work of Joan Woodward in the 1950s marked the beginning of the contingency approach to organisation and management. Other contributors include Tom Burns, G.W. Stalker, Paul Lawrence, Jay Lorsch, and James Thompson.

They analysed the relationship between the structure of the organisation and the environment. Thus, contingency approach incorporates external environment and attempts to bridge the theory-practice gap. It does so in the systems framework. In other words, contingency approach regards organisation as an open and dynamic system which has continuous interaction with environment.

The contingency theory stresses that there is no one best style of leadership which will suit every situation. The effectiveness of a particular leadership style will vary from situation to situation. For instance, participative leadership may be more effective in an organisation employing professional personnel in a high technology operation in an atmosphere of nonmaterialistic orientation and free expression. On the other hand, authoritarian leadership would be more effective in an organisation which employs unskilled personnel on routine tasks in social values oriented towards materialism and obedience to authority.

Evaluation of Contingency Approach

Contingency approach guides the managers to be adaptive to environmental variables. In other words, the managers should develop situational sensitivity and practical selectivity. Contingency approach suggests the managers to condone environmental contingencies while choosing their style and techniques.

Contingency approach is an improvement over systems approach. It not only examines the relationships of sub-systems of the organisation, but also the relationship between the organisation and its environment.

Operational Approach

Koontz, O'Donnell and Weinrich have advocated the operational approach to management. This approach recognizes that there is a central core of knowledge about managing which exists in management such as line and staff, patterns of departmentation, span of management, managerial appraisal and various managerial control techniques.

Operational approach to management regards management as a universally applicable body of knowledge that can be brought to bear at all levels of managing and in all types of enterprises.

At the same time, the approach recognizes that the actual problems managers face and the environments in which they operate may vary between enterprises and levels. It also recognizes that application of science by perceptive practitioner must take this into account in designing practical problem solutions. The operational approach to management is based largely on the following fundamental beliefs that:

1. Management is an operational process initially best dissected by analysing the management functions.
2. If the knowledge of management is to be presented effectively, clear concepts are necessary.
3. Experience with managing in a variety of situations can furnish grounds for distillation of basic truths-theory and principles-which have a clarifying and predictive value in understanding and improving practice.
4. Principles of management can become the focal points for useful research both to ascertain their validity and to improve their applicability.

5. Managing is an art (like medicine and engineering). It should rely on underlying science concepts, theory and principles and techniques.
6. While the total culture and the physical and biological universe variously affect the manager's environment, as they do in every other field of science and art, management science and theory need not encompass all knowledge in order to serve as a useful foundation of management practice. **Management Functions**

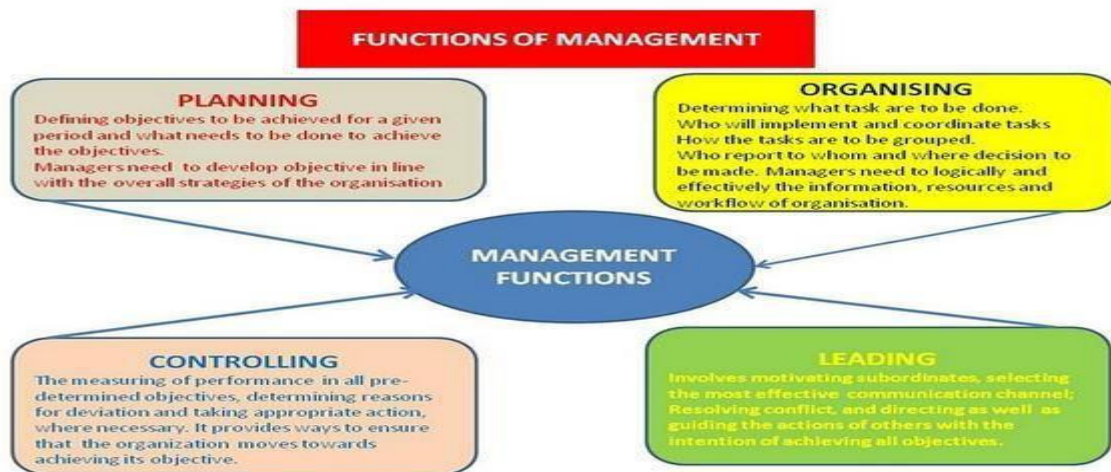
Managerial Functions: Various management scholars studied different organizations at different times; they identified the functions of management in their own ways. Henry Fayol, the father of functional or administrative management remarked: —To manage is to forecast and plan, to organize, to command, to coordinate and to control. Thus, Fayol classified management functions into five categories as follows:

- (i) **to forecast and plan,**
- (ii) **to organize,**
- (iii) **to command or to give orders,**
- (iv) **to co-ordinate, and**
- (v) **to control**

Luther Gullick offered a list of administrative functions under the catchword PODSCORB. Each alphabet of this keyword —**PODSCORB** stands for the following activities: P for Planning, O for Organization, D for Directing, S for Staffing, Co for Coordinating, R for Reporting, and B for Budgeting.

According to Koontz and „O“ Donnell, —The most useful method of classifying managerial activities is to group them around the functions of planning, organizing, staffing, directing, and controlling. — They think that coordination is not a separate function but is the essence of management. Thus, for the sake of analysis of their management process, we can classify the management functions into the following categories:

Figure 4 **Management Functions**



1. Planning

It is the basic function of management. It deals with chalking out a future course of action & deciding in advance the most appropriate course of actions for achievement of pre-determined goals. According to KOONTZ, —Planning is deciding in advance – what to do, when to do & how to do. It bridges the gap from where we are & where we want to bell. A plan is a future course of actions. It is an exercise in problem solving & decision making. Planning is determination of courses of action to achieve desired goals. Thus, planning is a systematic thinking about ways & means for accomplishment of pre-determined goals. Planning is necessary to ensure proper utilization of human & non-human resources. It is all pervasive, it is an intellectual activity and it also helps in avoiding confusion, uncertainties, risks, wastages etc. Budgeting Planning involves the following steps.

- (i) Determination of objectives;**
- (ii) Forecasting;**
- (iii) Formulation of policies and programmes;**
- (iv) Preparation of schedules**

Planning is a process of seeking answer to some of the following particular questions:

- (i) What is to be done?**
- (ii) Why it is to be done?**
- (iii) How the work will be done?**
- (iv) Who will do the work?**
- (v) When the work will be done?**
- (vi) Where the work will be done?**

Planning pervades at all the levels of organization. But the scope of planning is not the same at each level of organization. Higher the level of organization, the broader the scope of planning. Planning may be long term and short term.

2.Organizing

It is the process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals. According to Henry Fayol, —To organize a business is to provide it with everything useful or its functioning i.e., raw material, tools, capital and personnel. To organize a business involves determining & providing human and non-human resources to the organizational structure. Organizing as a process involves:

- 1. Identification of activities.**
- 2. Classification of grouping of activities.**
- 3. Assignment of duties.**
- 4. Delegation of authority and creation of responsibility.**
- 5. Coordinating authority and responsibility relationships.**

3.Staffing

It is the function of manning the organization structure and keeping it manned. Staffing has assumed greater importance in the recent years due to advancement of technology, increase in size of business, complexity of human behavior etc. The main purpose of staffing is to put right man on right job i.e., square pegs in square holes and round pegs in round holes. According to Kootz & O 'Donell, —Managerial function of staffing involves manning the organization structure through proper and effective selection; appraisal & development of personnel to fill the roles designed the structure. Staffing involves:

- 1. Manpower Planning (estimating man power in terms of searching, choose the person and giving the right place).**
- 2. Recruitment, selection & placement.**
- 3. Training & development.**
- 4. Remuneration.**
- 5. Performance appraisal.**
- 6. Promotions & transfer.**

4. Directing

It is that part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes. It is considered life-spark of the enterprise which sets it in motion the action of people because planning, organizing and

staffing are the mere preparations for doing the work. Direction is that inert-personnel aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals. Direction has following elements:

1. Supervision

2. Motivation

3. Leadership

4. Communication

Supervision- implies overseeing the work of subordinates by their superiors. It is the act of watching & directing work & workers.

Motivation- means inspiring, stimulating or encouraging the sub-ordinates with zeal to work. Positive, negative, monetary, non-monetary incentives may be used for this purpose.

Leadership- may be defined as a process by which manager guides and influences the work of subordinates in desired direction.

Communications- is the process of passing information, experience, opinion etc from one person to another. It is a bridge of understanding.

5. Controlling

It implies measurement of accomplishment against the standards and correction of deviation if any to ensure achievement of organizational goals. The purpose of controlling is to ensure that everything occurs in conformities with the standards. An efficient system of control helps to predict deviations before they actually occur. According to *Theo Haimann*, —Controlling is the process of checking whether or not proper progress is being made towards the objectives and goals and acting, if necessary, to correct any deviation. According to Koontz & O'Donell —Controlling is the measurement & correction of performance activities of subordinates in order to make sure that the enterprise objectives and plans desired to obtain them as being accomplished. Therefore, controlling has following steps:

a. Establishment of standard performance.

b. Measurement of actual performance.

c. Comparison of actual performance with the standards and finding out deviation if any. d. Corrective action.

Managerial Roles and Skills

Role of Managers

Managers are the primary force in an organization's growth and expansion. Larger organizations are particularly complex due to their size, process, people and nature of business. However, organizations need to be a cohesive whole encompassing every employee

and their talent, directing them towards achieving the set business goals. This is an extremely challenging endeavour, and requires highly effective managers having evolved people management and communication skills.

The Top Management

The top-level executives direct the organization to achieve its objectives and are instrumental in creating the vision and mission of the organization. They are the strategic think-tank of the organization.

Senior Management

The General Manager is responsible for all aspects of a company. He is accountable for managing the P&L (Profit & Loss) statement of the company. General managers usually report to the company board or top executives and take directions from them to direct the business.

The Functional Manager is responsible for a single organizational unit or department within a company or organization. He in turn is assisted by a supervisor or groups of managers within his unit/department. He is responsible for the department's profitability and success.

Line and Staff Managers

Line Managers are directly responsible for managing a single employee or a group of employees. They are also directly accountable for the service or product line of the company. For example, a line manager at Toyota is responsible for the manufacturing, stocking, marketing, and profitability of the Corolla product line.

Staff Managers often oversee other employees or subordinates in an organization and generally head revenue consuming or support departments to provide the line managers with information and advice.

Project Managers

Every organization has multiple projects running simultaneously through its life cycle. A project manager is primarily accountable for leading a project from its inception to completion. He plans and organizes the resources required to complete the project. He will also define the project goals and objectives and decide how and at what intervals the project deliverables will be completed.

The Changing Roles of Management and Managers

Every organization has three primary interpersonal roles that are concerned with interpersonal relationships. The manager in the figurehead role represents the organization in all matters of formality. The top-level manager represents the company legally and socially to the outside world that the organization interacts with.

Mintzberg's Set of Ten Roles

Professor Henry Mintzberg, a great management researcher, after studying managers for several weeks concluded that, to meet the many demands of performing their functions, managers assume multiple roles.

He propounded that the role is an organized set of behaviours. He identified the following ten roles common to the work of all managers. These roles have been split into three groups as illustrated in the following figure.

Interpersonal Role

- ☐ **Figurehead** – Has social, ceremonial and legal responsibilities.
- ☐ **Leader** – Provides leadership and direction.
- ☐ **Liaison** – Networks and communicates with internal and external contacts.

Informational Role

- ☐ **Monitor** – Seeks out information related to your organization and industry, and monitors internal teams in terms of both their productivity and well-being.
- ☐ **Disseminator** – Communicates potentially useful information internally.
- ☐ **Spokesperson** – Represents and speaks for the organization and transmits information about the organization and its goals to the people outside it.

Decisional Role

- ☐ **Entrepreneur** – Creates and controls change within the organization - solving problems, generating new ideas, and implementing them.
- ☐ **Disturbance Handler** – Resolves and manages unexpected roadblocks.
- ☐ **Resource Allocator** – Allocates funds, assigning staff and other organizational resources.
- ☐ **Negotiator** – Involved in direct important negotiations within the team, department, or organization

Managerial Skills

Henri Fayol, a famous management theorist also called as the Father of Modern Management, identified three basic managerial skills - technical skill, human skill and conceptual skill.

Technical Skill

- ☐ Knowledge and skills used to perform specific tasks. Accountants, engineers, surgeons all have their specialized technical skills necessary for their respective professions. Managers, especially at the lower and middle levels, need technical skills for effective task performance.
- ☐ Technical skills are important especially for first line managers, who spend much of their time training subordinates and supervising their work-related problems

Human Skill

□ Ability to work with, understand, and motivate other people as individuals or in groups. According to Management theorist Mintzberg, the top (and middle) managers spend their time: 59 percent in meetings, 6 percent on the phone, and 3 percent on tours.

□ Ability to work with others and get co-operation from people in the work group. For example, knowing what to do and being able to communicate ideas and beliefs to others and understanding what thoughts others are trying to convey to the manager. **Conceptual Skill**

- ✦ Ability to visualize the enterprise as a whole, to envision all the functions involved in a given situation or circumstance, to understand how its parts depend on one another, and anticipate how a change in any of its parts will affect the whole.
- ✦ Creativity, broad knowledge and ability to conceive abstract ideas. For example, the managing director of a telecom company visualizes the importance of better service for its clients which ultimately helps attract a vast number of clients and an unexpected increase in its subscriber base and profits.

Other Managerial Skills

Besides the skills discussed above, there are two other skills that a manager should possess, namely diagnostic skill and analytical skill.

Diagnostic Skill: Diagnose a problem in the organization by studying its symptoms. For example, a particular division may be suffering from high turnover. With the help of diagnostic skill, the manager may find out that the division's supervisor has poor human skill in dealing with employees. This problem might then be solved by transferring or training the supervisor.

Analytical Skill: Ability to identify the vital or basic elements in a given situation, evaluate their interdependence, and decide which ones should receive the most attention. This skill enables the manager to determine possible strategies and to select the most appropriate one for the situation.

For example, when adding a new product to the existing product line, a manager may analyze the advantages and risks in doing so and make a recommendation to the board of directors, who make the final decision.

Social Responsibility of Management or Social Responsibility of Business (SRB) or Corporate Social responsibility (CSR).

The term SRB/CSR has been defined in more than one way.

- ✦ Narrow or classical definitions
- ✦ Neo-classical definitions, and
- ✦ Modern eclectic definitions

Narrow or classical definitions: - Classical definitions state SRB/CSR is limited to the shareholders only. Noble laureate Milton Friedman has stated that. There is one and only one

social responsibility of business i.e., to use its resources in activities designed to increase its profit 's so long as it stays within the rules of the game.

Neo- Classical definitions: The neo-classical definitions of SRB/CSR state that the responsibility of business goes beyond making profit for shareholders. But to all the stakeholders (customers, workforce, suppliers, competitors, local community, government etc.)

According to H.R. Bowen, Social responsibility of business means, “to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society “

The neo-classical definitions state that SRB/CSR means the obligation of business organizations to make decisions and take actions that will contribute to the welfare and interests of all its stakeholders as well as the public at large.

Modern Eclectic Definitions: - The modern concept states the business has responsibility towards the various living stakeholders as well as towards the generations to come. Therefore, the modern eclectic concept of social responsibility includes the responsibility of business towards all its stakeholders and natural environment for sustainable economic development.

According to Lord Holmes and Richard Watts. —CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the work force and their families as well as the local community and society at large. SRB/CSR is the obligation of business not only to its all stakeholders and society at large but also the commitment of business to contribute to sustainable economic development and to protect the natural environment.

Responsibility towards Itself:

- ✦ To operate the business efficiently and effectively
- ✦ To ensure the production and distribution of goods and services at a profit. This is necessary for its survival, growth and socially responsible behavior.
- ✦ To make policies that ensures achievement of economic and social objectives of the business simultaneously.
- ✦ To maintain wealth- producing resources intact by making profits to offset risk of business activities.
- ✦ To innovate and expand business by producing new products/ services, by entering into new markets, by using new raw materials etc.
- ✦ To make every effort to remain competitive at all times.
- ✦ To make every effort to perform all the activities fool proof. Every defect or fault should be corrected without being told or pointed out by others.
- ✦ To ensure protection of natural environment for sustainable economic development for future growth and development.

Responsibility towards Shareholders/Owners

- ✦ To ensure payment of fair and consistent return on their investment.
- ✦ To make proper use of their funds within their authority.
- ✦ To ensure safety and growth of their investments.
- ✦ To make full and proper disclosure of all the facts within the framework of law and regulations
- ✦ To hold meetings from time to time and give proper notice of them to all the shareholders.
- ✦ To conduct all the meeting as per the law
- ✦ To send copies of annual reports and other documents as required any the law.
- ✦ To ensure compliance of code of corporate governance framed by the SEBI/ Ministry of corporate affairs.

Responsibility towards Customers

- ✦ To ensure supply of goods/ services of right quality, at right time, at right place and right price.
- ✦ To ensure supply of goods/ services to meet the needs of different classes/ categories of customers.
- ✦ To enhance product safety.
- ✦ To reduce polluting potential of products.
- ✦ To improve packaging and labelling through eco- friendly measures
- ✦ To innovate and produce energy efficient products
- ✦ To adopt fair and ethical practices and not indulge in adulteration, hoarding and black marketing, profiteering practices.

Responsibility towards Employees

- ✦ To employ all the employees at the right job ✦ To pay fair wages/salaries, bonus etc.
- ✦ To ensure healthy and safe working conditions/ work environment
- ✦ To provide adequate benefits such as housing, medical facilities, insurance cover, retirement benefits etc.
- ✦ To provide reasonable job security.
- ✦ To provide opportunities of training, promotions. career development and job satisfaction ✦ To provide day care facilities for working parents.
- ✦ To ensure equal opportunity to all without any discrimination of cost, creed, sex etc.
- ✦ To ensure compliance of work place ethics.

Responsibility towards Suppliers

- ✦ To ensure timely payment of all the bills due.
- ✦ To bargain for a win- win situation for both
- ✦ To make every effort to ensure long-term sound business relations.
- ✦ To ensure proper performance of terms of contract.

- ✦ To refrain from taking undue advantages of legal loop-holes in the supply contract.
- ✦ To ensure adequate secrecy of contract terms.
- ✦ To provide opportunities to new suppliers.
- ✦ To inform about the market trends and other facts to suppliers

Responsibility towards Competitors

- ✦ To play fair game in competition for encouraging healthy competition
- ✦ Not to indulge in monopolistic and restrictive practices that restrains the free and fair competition.
- ✦ Avoid misleading advertisements, false or unreasonable product guarantee, tricky pricing that create the barriers to healthy competition.
- ✦ Not to indulge in brand assassination activities
- ✦ Not to mislead or misrepresent the customers about competitors.
- ✦ To ensure free entry of competitors for the healthy growth of trade and economy.

Responsibility towards Government

- ✦ To comply with the laws and regulations of the land
- ✦ To pay the taxes and duties honestly within the time
- ✦ To actively contribute to the economic development of the country.
- ✦ To contribute to the implementation of socio- economic plans and programmes or the government such as family welfare, poverty alleviation etc.
- ✦ To respond positively to the government appeals and instructions.
- ✦ To refrain from sacking undue favors from government officials and deny bribes and other corrupt practices.
- ✦ To donate funds and provide other helps in the times of national calamity.

Responsibility towards Environment

- ✦ To help develop local infrastructure like foot ways, roads, water supply, parks and sanitation facilities, educational institutions, hospitals etc.
- ✦ To provide employment opportunities to local people.
- ✦ To impart job-oriented education and training to unemployed persons.
- ✦ To contribute to the upliftment of weaker sections of the community.
- ✦ To support minority owned businesses.
- ✦ To encourage local trade
- ✦ To make efforts to recycle the products to save environment
- ✦ To refrain from all kinds of anti-social, unfair and unethical activities.

UNIT II

FUNCTIONS OF MANAGEMENT

Nature & Purpose of Planning – Types of Plans – Steps in Planning- Decision Making – Definition & Types- Decision Making Conditions & Styles – Decision Making Process –

Organizing & Organizations Structure – Definitions – Organizing Concepts – Work Specialization – Chain of Command – Line & Staff Authority – Delegation of Authority – Span of Control – Centralization & Decentralization – Organization Structure.

PLANNING

Introduction

The necessity for planning arises because of the fact that business organisations have to operate, survive and progress in a highly dynamic economy where change is the rule, not the exception. The change may be sudden and extensive, or it may be slow and almost imperceptible. Some of the important forces of change may be: changes in technology, changes in population and income distribution, changes in the tastes of consumers, changes in competition, changes in government policies etc. These changes often give rise to innumerable problems and throw countless challenges. Most of these changes are thrust on managers thus, managers are forced to adjust their activities in order to take full advantage of favourable developments or to minimise the adverse effects of unfavourable ones. Successful managers try to visualise the problems before they turn into emergencies. As pointed out by Terry, “successful managers deal with foreseen problems, and unsuccessful managers struggle with unforeseen problems. The difference lies in planning.” Managers charged with the responsibility of achieving definite targets, do not wait for future. They make the future. They introduce original action by removing present difficulties, anticipating future problems, changing the goals to suit the internal and external changes, experiment with creative ideas and take the initiative, attempting to shape the future and create a more desirable environment.

Meaning and Definition of Planning

It is the basic function of management. Planning is the process of bridging the gap between where we are and where we want to be in the future. In other words, planning is —looking ahead, relating today ‘s events with tomorrow ‘s possibilities.

According to KOONTZ, —Planning is deciding in advance – what to do, when to do & how to do. It bridges the gap from where we are & where we want to be.

A plan is a future course of actions. It is an exercise in problem solving & decision making. Planning is determination of courses of action to achieve desired goals. Thus, planning is a systematic thinking about ways & means for accomplishment of pre-determined goals. Planning is necessary to ensure proper utilization of human & non-human resources. It is all pervasive, it is an intellectual activity and it also helps in avoiding confusion, uncertainties, risks, wastages etc. Planning is a process of seeking answer to some of the following particular questions:

(vii) What is to be done?

(viii) Why it is to be done?

(ix) How the work will be done?

(x) **Who will do the work?**

(xi) **When the work will be done?**

(xii) **Where the work will be done?**

Planning pervades at all the levels of organization. But the scope of planning is not the same at each level of organization. Higher the level of organization, broaden the scope of planning. Planning may be long term and short term.

A plan is a forecast for accomplishment. It is a predetermined course of action. It is today's projection for tomorrow's activity. In other words, to plan is to produce a scheme for future action, to bring about specified results at a specified cost, in a specified period of time.

Management thinkers have defined the term, basically, in two ways:

1. ***Based on futurity:*** "Planning is a trap laid down to capture the future" (*Allen*).

"Planning is deciding in advance what is to be done in future" (*Koontz*).

"Planning is informed anticipation of future" (*Haimann*).

"Planning is 'anticipatory' decision-making" (*R.L. Ackoff*).

2. ***As a thinking function:***

"Planning is a thinking process, an organised foresight, a vision based on fact and experience that is required for intelligent action" (*Alford and Beatty*)

It is deciding in the present, what is to be done in future. It is the process of thinking before doing. A plan is a specific, documented intention consisting of an objective and an action statement. The objective portion is the end, and the action statement represents the means to that end. Stated another way, objectives give management targets to shoot at, whereas action statements provide the arrows for hitting the targets. Properly conceived plans tell what, where and how something is to be done.

Nature and Characteristics of Planning

Planning has a number of characteristics:

1. ***Planning is goal-oriented:*** All plans arise from objectives. Objectives provide the basic guidelines for planning activities. Planning has no meaning unless it contributes in some positive manner to the achievement of predetermined goals.
2. ***Planning is a primary function:*** Planning is the foundation of management. It is a parent exercise in management process. It is a preface to business activities.
3. ***Planning is all-pervasive:*** Planning is a function of all managers. It is needed and practised at all managerial levels. Planning is inherent in everything a manager does. Managers have to plan before launching a new business.

4. ***Planning is a mental exercise:*** Planning is a mental process involving imagination, foresight and sound judgment. Planning compels managers to abandon guesswork and wishful thinking.
5. ***Planning is a continuous process:*** Planning is continuous. It is a never-ending activity. Once plans for a specific period are prepared, they are translated into action.
6. ***Planning involves choice:*** Planning essentially involves choice among various alternative courses of action.
7. ***Planning is forward looking:*** Planning means looking ahead and preparing for the future. It means peeping into the future, analysing it and preparing for it.
8. ***Planning is flexible:*** Planning is based on a forecast of future events. Since future is uncertain, plans should be reasonably flexible.
9. ***Planning is an integrated process:*** Plans are structured in a logical way wherein every lowerlevel plan serves as a means to accomplish higher level plans. They are highly interdependent and mutually supportive.
10. ***Planning includes efficiency and effectiveness dimensions:*** Plans aim at deploying resources economically and efficiently. They also try to accomplish what has been actually targeted. The effectiveness of plans is usually dependent on how much it can contribute to the predetermined objectives.

Scope and Significance of Planning

In a complex business situation, planning helps managers meet the challenges posed by the environment, while at the same time minimizing the risks associated with them. Planning is a prerequisite not only for achieving success but also for surviving in a complex and competitive world. Planning is very important in all types of organizations. It forces organizations to look ahead and decide their future course of action so as to improve their profitability. Organizations that plan in advance are more likely to succeed than those which fail to plan for the future. Planning is the first step in the management process. It ensures that the employees of an organization carry out their work in a systematic and methodical manner. It also helps coordinate and control various tasks and makes sure that resources are used optimally.

1. **Focuses Attention on Objectives**
2. **Offsets Uncertainty and Risk**
3. **Provides Sense of Direction**
4. **Provides Guidelines for Decision-making**
5. **Increases Organizational Effectiveness**
6. **Provides Efficiency in Operations**

7. Ensures Better Coordination

8. Facilitates Control

9. Encourages Innovation and Creativity

10. Facilitates Delegation

Types of Plans

Three major types of plans can help managers achieve their organisation's goals: strategic, tactical, and operational. Operational plans lead to the achievement of tactical plans, which in turn lead to the attainment of strategic plans. In addition to these three types of plans, managers should also develop a contingency plan in case their original plans fail.

1. Operational plans: The specific results expected from departments, work groups, and individuals are the operational goals. These goals are precise and measurable. Thus, an operational plan is one that a manager uses to accomplish his or her job responsibilities. Supervisors, team leaders, and facilitators develop operational plans to support tactical plans. Operational plans can be a single-use plan or an ongoing plan.

(a) *Single-use plans:* These plans apply to activities that do not recur or repeat. A onetime occurrence, such as a special sales program, is a single-use plan because it deals with the who, what, where, how, and how much of an activity.

(b) *Continuing or ongoing plans:* These are usually made once and retain their value over a period of years while undergoing periodic revisions and updates.

(i) **A policy:** Because it provides a broad guideline for managers to follow when dealing with important areas of decision making. Policies are general statements that explain how a manager should attempt to handle routine management responsibilities. Typical human resources policies, for an instance, address such matters as employee hiring, terminations, performance appraisals, pay increases, and discipline.

(ii) **A procedure:** Because it explains how activities or tasks are to be carried out. Most organisations have procedures for purchasing supplies and equipment, for example. This procedure usually begins with a supervisor completing a purchasing requisition. The requisition is then sent to the next level of management for approval. The approved requisition is forwarded to the purchasing department. Depending on the amount of the request, the purchasing department may place an order, or they may need to secure quotations and/or bids for several vendors before placing the order. By defining the steps to be taken and the order in which they are to be done, procedures provide a standardized way of responding to a repetitive problem.

(iii) **A rule:** Because it tells an employee what he or she can and cannot do. Rules are “do” and

“don’t” statements put into place to promote the safety of employees and the uniform treatment and behavior of employees. For example, rules about tardiness and absenteeism permit supervisors to make discipline decisions rapidly and with a high degree of fairness.

2. ***Tactical plans:*** A tactical plan is concerned with what the lower-level units within each division must do, how they must do it, and who is in charge at each level. Tactics are the means needed to activate a strategy and make it work.

Tactical plans are concerned with shorter time frames and narrower scopes than are strategic plans. These plans usually span one year or less because they are considered short-term goals. Long-term goals, on the other hand, can take several years or more to accomplish. Normally, it is the middle manager’s responsibility to take the broad strategic plan and identify specific tactical actions.

3. ***Strategic plans:*** A strategic plan is an outline of steps designed with the goals of the entire organisation as a whole in mind, rather than with the goals of specific divisions or departments.

Strategic planning begins with an organisation’s mission.

Strategic plans look ahead over the next two, three, five, or even more years to move the organisation from where it currently is to where it wants to be. Requiring multilevel involvement, these plans demand harmony among all levels of management within the organisation. Top-level management develops the directional objectives for the entire organisation, while lower levels of management develop compatible objectives and plans to achieve them. Top management’s strategic plan for the entire organisation becomes the framework and sets dimensions for the lowerlevel planning.

4. ***Contingency plans:*** Intelligent and successful management depends upon a constant pursuit of adaptation, flexibility, and mastery of changing conditions. Strong management requires a

“keeping all options open” approach at all times - that’s where contingency planning comes in. Contingency planning involves identifying alternative courses of action that can be implemented if and when the original plan proves inadequate because of changing circumstances.

Keep in mind that events beyond a manager’s control may cause even the most carefully prepared alternative future scenarios to go awry. Unexpected problems and events frequently occur. When they do, managers may need to change their plans. Anticipating change during the planning process is best in case things don’t go as expected. Management can then develop alternatives to the existing plan and ready them for use when and if circumstances make these alternatives appropriate.

Steps in the Planning Process

Planning is a vital managerial function. It is intellectually demanding. It requires a lot of time and effort on the part of planners. They must adopt a systematic approach so as to avoid pitfalls, errors and costly mistakes which may upset the whole business later on. Such a systematic approach may consist of the following steps:

Figure 5 Steps in the Planning Process



1. ***Establishing objectives:*** The first step in the planning process is to identify the goals of the organisation. The internal as well as external conditions affecting the organisation must be thoroughly examined before setting objectives. The objectives so derived must clearly indicate what is to be achieved, where action should take place, who is to perform it, how it is to be undertaken and when is it to be accomplished. In other words, managers must provide clear guidelines for organisational efforts, so that activities can be kept on the right track.
2. ***Developing premises:*** After setting objectives, it is necessary to outline planning premises. Premises are assumptions about the environment in which plans are made and implemented. Thus, assumptions about the likely impact of important environmental factors such as market demand for goods, cost of raw materials, technology to be used, population growth, government policy, etc. on the future plans are made. The demand for fuel efficient vehicles in the late 1980s has compelled virtually all automobile manufacturers in India to go in search of collaborative agreements with foreign manufacturers from Japan, Germany, USA, etc. Plans should be formulated by the management, keeping the constraints imposed by internal as well as external conditions in mind.
3. ***Evaluating alternatives and selection:*** After establishing the objectives and planning premises, the alternative courses of action have to be considered. Liberalisation of imports

and the use of high technology in recent times has encouraged manufacturers to produce colour television sets, electronic sets, electronic equipments, videos, computers, fuel-efficient vehicles, etc. Thus, changes in government policy, technology, competition, etc. pose several alternatives before manufacturers, from time to time, regarding the product they should manufacture. Such alternatives have to be carefully evaluated against factors like costs, associated risks involved, benefits likely to arise, availability of spare capacity, be examined thoroughly before a choice is made.

4. ***Formulating derivative plans:*** After selecting the best course of action, the management has to formulate the secondary plans to support the basic plan. The plans derived for various departments, units, activities, etc., in a detailed manner are known as 'derivative plans. For example, the basic production plan requires a number of things such as availability of plant and machinery, training of employees, provision of adequate finance, etc. To ensure the success of a basic plan, the derivative plans must indicate the time schedule and sequence of performing various tasks.

5. ***Securing cooperation and participation:*** The successful implementation of a plan depends, to a large extent, on the whole-hearted cooperation of the employees. In view of this, management should involve operations people in the planning activities. Suggestions, complaints and criticisms from operating personnel help management rectify the defects in plans and set things right in the beginning itself. Involvement of subordinates in planning has the unique advantage of getting a practical view of those closer to the scene of operations. According to Koontz, 'plans have to be set in an atmosphere of close participation and a high degree of concurrence'. Participation enables employees to give their best to plans. They are also motivated to carry out the plan to the best of their ability.

6. ***Providing for follow-up:*** Plans have to be reviewed continually to ensure their relevance and effectiveness. In the course of implementing plans, certain facts may come to light that were not even thought of earlier. In the light of these changed conditions, plans have to be revised. Without such a regular follow-up, plans may become out-of-date and useless.

Moreover, such a step ensures the implementation plans along right lines. Management can notice shortcomings in time and initiate suitable remedial steps. A continuous evaluation of plans also helps to develop sound plans in future, avoiding mistakes that have surfaced while implementing the previous plans.

Advantages of Planning

1. Planning facilitates management by objectives.

- a. Planning begins with determination of objectives.
- b. It highlights the purposes for which various activities are to be undertaken.
- c. In fact, it makes objectives clearer and more specific.

- d. Planning helps in focusing the attention of employees on the objectives or goals of enterprise.
- e. Without planning an organization has no guide.
- f. Planning compels manager to prepare a Blue-print of the courses of action to be followed for accomplishment of objectives.
- g. Therefore, planning brings order and rationality into the organization.

2. Planning minimizes uncertainties.

- a. Business is full of uncertainties.
- b. There are risks of various types due to uncertainties.
- c. Planning helps in reducing uncertainties of future as it involves anticipation of future events.
- d. Although future cannot be predicted with cent percent accuracy but planning helps management to anticipate future and prepare for risks by necessary provisions to meet unexpected turn of events. e. Therefore with the help of planning, uncertainties can be forecasted which helps in preparing standbys as a result, uncertainties are minimized to a great extent.

3. Planning facilitates co-ordination.

- a. Planning revolves around organizational goals.
- b. All activities are directed towards common goals.
- c. There is an integrated effort throughout the enterprise in various departments and groups.
- d. It avoids duplication of efforts. In other words, it leads to better co-ordination.
- e. It helps in finding out problems of work performance and aims at rectifying the same.

4. Planning improves employee's moral.

- a. Planning creates an atmosphere of order and discipline in organization.
- b. Employees know in advance what is expected of them and therefore conformity can be achieved easily.
- c. This encourages employees to show their best and also earn reward for the same.
- d. Planning creates a healthy attitude towards work environment which helps in boosting employee's moral and efficiency.

5. Planning helps in achieving economies.

- a. Effective planning secures economy since it leads to orderly allocation of resources to various operations.

- b. It also facilitates optimum utilization of resources which brings economy in operations.
- c. It also avoids wastage of resources by selecting most appropriate use that will contribute to the objective of enterprise. For example, raw materials can be purchased in bulk and transportation cost can be minimized. At the same time, it ensures regular supply for the production department, that is, overall efficiency.

6. Planning facilitates controlling.

- a. Planning facilitates existence of certain planned goals and standard of performance.
- b. It provides basis of controlling.
- c. We cannot think of an effective system of controlling without existence of well thought out plans.
- d. Planning provides pre-determined goals against which actual performance is compared.
- e. In fact, planning and controlling are the two sides of a same coin. If planning is root, controlling is the fruit.

7. Planning provides competitive edge.

- a. Planning provides competitive edge to the enterprise over the others which do not have effective planning. This is because of the fact that planning may involve changing in work methods, quality, quantity designs, extension of work, redefining of goals, etc.
- b. With the help of forecasting not only the enterprise secures its future but at the same time it is able to estimate the future motives of its competitor which helps in facing future challenges.
- c. Therefore, planning leads to best utilization of possible resources, improves quality of production and thus the competitive strength of the enterprise is improved.

8. Planning encourages innovations.

- a. In the process of planning, managers have the opportunities of suggesting ways and means of improving performance.
- b. Planning is basically a decision-making function which involves creative thinking and imagination that ultimately leads to innovation of methods and operations for growth and prosperity of the enterprise.

Disadvantage of Planning

Internal Limitations

There are several limitations of planning. Some of them are inherit in the process of planning like rigidity and other arise due to shortcoming of the techniques of planning and in the planners themselves.

1. Rigidity

- a. Planning has tendency to make administration inflexible.
- b. Planning implies prior determination of policies, procedures and programmes and a strict adherence to them in all circumstances.
- c. There is no scope for individual freedom.
- d. The development of employees is highly doubted because of which management might have faced lot of difficulties in future.
- e. Planning therefore introduces inelasticity and discourages individual initiative and experimentation.

2. Misdirected Planning

- a. Planning may be used to serve individual interests rather than the interest of the enterprise.
- b. Attempts can be made to influence setting of objectives, formulation of plans and programmes to suit one's own requirement rather than that of whole organization.
- c. Machinery of planning can never be freed of bias. Every planner has his own likes, dislikes, preferences, attitudes and interests which is reflected in planning.

3. Time consuming

- a. Planning is a time-consuming process because it involves collection of information, its analysis and interpretation thereof. This entire process takes a lot of time specially where there are a number of alternatives available.
- b. Therefore planning is not suitable during emergency or crisis when quick decisions are required.

4. Probability in planning

- a. Planning is based on forecasts which are mere estimates about future.
- b. These estimates may prove to be inexact due to the uncertainty of future.
- c. Any change in the anticipated situation may render plans ineffective.
- d. Plans do not always reflect real situations in spite of the sophisticated techniques of forecasting because future is unpredictable.
- e. Thus, excessive reliance on plans may prove to be fatal.

5. False sense of security

- a. Elaborate planning may create a false sense of security to the effect that everything is taken for granted.
- b. Managers assume that as long as they work as per plans, it is satisfactory.
- c. Therefore they fail to take up timely actions and an opportunity is lost.

d. Employees are more concerned about fulfilment of plan performance rather than any kind of change.

6. Expensive

a. Collection, analysis and evaluation of different information, facts and alternatives involves a lot of expense in terms of time, effort and money

b. According to Koontz and O'Donell, 'Expenses on planning should never exceed the estimated benefits from planning.'

External Limitations of Planning

1. Political Climate- Change of government from Congress to some other political party, etc.

2. Labour Union- Strikes, lockouts, agitations.

3. Technological changes- Modern techniques and equipments, computerization.

4. Policies of competitors- Eg. Policies of Coca Cola and Pepsi.

5. Natural Calamities- Earthquakes and floods.

6. Changes in demand and prices- Change in fashion, change in tastes, change in income level, demand falls, price falls, etc.

DECISION MAKING

Introduction

Meaning and Definition

Individuals in organisations make decisions. That is, they make choices from among two or more alternatives. Decision-making is almost universally defined as choosing between alternatives. Decision-making is a critical activity in the lives of managers. The decisions a manager faces can range from very simple, routine matters for which the manager has an established decision rule (programmed decisions) to new and complex decisions that require creative solutions (nonprogrammed decisions).

The word "decision" is derived from the Latin words "de ciso" which means, "cutting away" or to come to a conclusion. A decision is the selection of a course of action.

According to Felex M Lopez, "a decision represents a judgement; a final resolution of a conflict of needs, means or goals; and a commitment to action made in the face of uncertainty, complexity or even irrationality."

According to Philip Marvin, "decision-making may be viewed as the process by which individuals select a course of action from among alternatives to produce a desired result. It is a process made up of four continuous interrelated phases: explorative, speculative, evaluative and selective."

Thus, decision-making is the process by which the decision-maker tries to jump over the obstacles placed between his current position and the desired future position. Decision-making occurs as a reaction to a problem. A discrepancy exists between some current state of affairs and some desired state, requiring consideration of alternative courses of action. Moreover, every decision requires interpretations and evaluation of information. Data is typically received from multiple sources and it needs to be screened, processed, and interpreted. What data is relevant to the decision will depend on the perception of the decision-maker.

Types of Decision Making

Decision making may be classified under various categories based on the scope, importance and the impact. Decisions have been classified by various authorities in various ways.

Some of the types of decision making are: -

1. Programmed Decisions 2. Non-Programmed Decisions 3. Operational Decisions 4. Organizational Decisions 5. Personal Decisions 6. Routine Decisions 7. Strategic Decisions 8. Policy Decisions 9. Operating Decisions 10. Organisational Decisions 11. Personal Decisions 12. Individual Decisions 13. Group Decisions 14. Major Decisions 15. Minor Decisions and a Few Others.

1. Programmed and Non-Programmed Decisions:

Programmed decisions are repetitive in nature. Such decisions deal with simple, common, frequently occurring problems that have established procedures. These decisions are taken based on the existing policy, rule or procedure of the organization. For example: making purchase orders, sanctioning of different types of leave, increments in salary, etc. Managers in dealing with such issues of routine nature, follow the established procedures.

Non-programmed decisions are not routine in nature. They are related to exceptional situations for which there are no established procedure. For example- Issues relating to declining market share, increasing competition, etc. fall in this category. These problems have to be handled in a different way. Many of the decisions that managers at top levels make are non-programmed decisions.

2. Operational and Strategic Decisions:

Operational or tactical decisions relate to the present issues or problems. The main purpose is to achieve high degree of efficiency. Better working conditions, effective supervision, prudent use of existing resources, better maintenance of the equipment, etc. fall in this category.

While, expanding the scale of operations, entering new markets, changing the product mix, shifting the manufacturing facility, striking alliances with other companies, etc. are strategic in nature.

Usually, routine decisions are taken by managers at the lower levels, while strategic decisions are taken by top level managers. The focus in the operational decisions is on the short-run or immediate present, while it is on the long-run in the case of strategic decisions.

3. Organizational and Personal Decisions:

Decisions taken by managers in the ordinary course of business in their capacity as managers are organizational decisions. For example: decisions regarding introducing a new incentive system, transferring an employee, reallocation or redeployment of employees etc. are taken by managers to achieve certain objectives.

On the other hand, managers do take some decisions which are purely personal in nature. However, their impact may affect the organization also. For example: the manager's decision to quit the organization, though personal in nature, may create some problems for the organization.

4. Individual and Group Decisions:

Individual decisions are taken where the problem is of routine nature, whereas important and strategic decisions which have a bearing on many aspects of the organization are generally taken by a group. Group decision making is preferred these days because it contributes for better coordination among the people concerned with the implementation of the decision.

5. Routine and Strategic Decisions:

Tactical or routine decisions are made repetitively following certain established rules, procedures and policies. They neither require collection of new data nor conferring with people. Thus, they can be taken without much deliberation. They may be complicated but are always one-dimensional. They do not require any special effort by the manager.

Such decisions are generally taken by the managers at the middle and lower management level. Strategic or basic decisions, on the other hand, are more important and so they are taken generally by the top management and middle management. The higher the level of a manager, the more strategic decisions he is required to take.

The strategic decisions relate to policy matters and so require a thorough fact finding and analysis of the possible alternatives. Finding the correct problem in such decisions assumes great importance. The managers are more serious about such decisions as they influence decisionmaking at the lower levels.

6. Policy and Operating Decisions:

Policy decisions are of vital importance and are taken by the top management. They affect the entire enterprise. But operating decisions are taken by the lower management in order to put into action the policy decisions. For instance, the bonus issue is a policy matter which is to be decided by the top management, and calculation of bonus is an operating decision which is taken at the lower levels to execute the policy decision.

7. Organisational and Personal Decisions:

Organisational decisions are those which a manager takes in his official capacity. Such decisions can be delegated. But personal decisions, which relate to the manager as an individual and not as a member of the organisation, cannot be delegated.

8. Major Decision:

Major decision relates to the purchase of fixed assets with more value. The purchase of land and building is an example of major decision. This decision is taken by the top management.

9. Minor Decision:

Minor decision relates to the purchase of current assets with less value. Purchase of pencil, pen, ink, etc., are some of the examples of minor decision. This decision is taken by lower-level management people.

10. Operative Decision:

A decision which relates to day-to-day operation of an organisation is known as operative decision. This type of decision is taken by middle level management people normally. The reason is that they are working at supervisory level and have a good knowledge of the operations. The time of payment of overtime wages is fixed by middle level management people. It is an example of operative decision.

Conditions that Influence Decision Making

Managers make problem-solving decisions under three different conditions: **certainty, risk, and uncertainty**. All managers make decisions under each condition, but risk and uncertainty are common to the more complex and unstructured problems faced by top managers.

Certainty

Decisions are made under the condition of certainty when the manager has perfect knowledge of all the information needed to make a decision. This condition is ideal for problem solving. The challenge is simply to study the alternatives and choose the best solution.

When problems tend to arise on a regular basis, a manager may address them through standard or prepared responses called programmed decisions. These solutions are already available from past experiences and are appropriate for the problem at hand. A good example is the decision to reorder inventory automatically when stock falls below a determined level. Today, an increasing number of programmed decisions are being assisted or handled by computers using decision-support software.

Structured problems are familiar, straightforward, and clear with respect to the information needed to resolve them. A manager can often anticipate these problems and plan to prevent or solve them. For example, personnel problems are common in regard to pay raises, promotions, vacation requests, and committee assignments, as examples. Proactive managers can plan processes for handling these complaints effectively before they even occur.

Risk

In a risk environment, the manager lacks complete information. This condition is more difficult. A manager may understand the problem and the alternatives, but has no guarantee how each solution will work. Risk is a fairly common decision condition for managers.

When new and unfamiliar problems arise, nonprogrammed decisions are specifically tailored to the situations at hand. The information requirements for defining and resolving nonroutine problems are typically high. Although computer support may assist in information processing, the decision will most likely involve human judgment. Most problems faced by higher-level managers demand nonprogrammed decisions. This fact explains why the demands on a manager's conceptual skills increase as he or she moves into higher levels of managerial responsibility.

A **crisis problem** is an unexpected problem that can lead to disaster if it's not resolved quickly and appropriately. No organization can avoid crises, and the public is well aware of the immensity of corporate crises in the modern world. The Chernobyl nuclear plant explosion in the former Soviet Union and the *Exxon Valdez* spill of years past are a couple of sensational examples. Managers in more progressive organizations now anticipate that crises, unfortunately, will occur. These managers are installing early-warning crisis information systems and developing crisis management plans to deal with these situations in the best possible ways.

Uncertainty

When information is so poor that managers can't even assign probabilities to the likely outcomes of alternatives, the manager is making a decision in an uncertain environment. This condition is the most difficult for a manager. Decision making under conditions of uncertainty is like being a pioneer entering unexplored territory. Uncertainty forces managers to rely heavily on creativity in solving problems: It requires unique and often totally innovative alternatives to existing processes. Groups are frequently used for problem solving in such situations. In all cases, the responses to uncertainty depend greatly on intuition, educated guesses, and hunches — all of which leave considerable room for error.

These unstructured problems involve ambiguities and information deficiencies and often occur as new or unexpected situations. These problems are most often unanticipated and are addressed reactively as they occur. Unstructured problems require novel solutions. Proactive managers are sometimes able to get a jump on unstructured problems by realizing that a situation is susceptible to problems and then making contingency plans. For example, at the Vanguard Group, executives are tireless in their preparations for a variety of events that could disrupt their mutual fund business. Their biggest fear is an investor panic that overloads their customer service system during a major plunge in the bond or stock markets. In anticipation of this occurrence, the firm has trained accountants, lawyers, and fund managers to staff the telephones if needed.

Four decision-making styles

Each decision-making style is characterized by either a task or social focus and a high or low tolerance for ambiguity. Styles with a high tolerance for ambiguity can work with unknown variables as they come to a conclusion. Those with a low tolerance for ambiguity want as much clarity as possible in all the circumstances and information that lead to their decisions.

Decision-making styles also vary in a social or task-driven focus. Social-driven decisions consider the behavior of others involved in the outcome. Those who are task-driven make decisions based on how to best achieve a goal.

Directive

The directive decision-making style uses quick, decisive thinking to come to a solution. A directive decision-maker has a low tolerance for unclear or ambiguous ideas. They are focused on the task and will use their own knowledge and judgment to come to a conclusion with selective input from other individuals.

Directive decision-makers excel at verbal communication. They are rational and logical in their decision making. When the team or organization needs a fast decision, a directive-style decisionmaker can effectively make a choice. Their style is valuable for making short-term decisions.

Analytical

Analytical decision-makers carefully analyze data to come up with a solution. They are careful and adaptable thinkers. They will invest time to glean information to form a conclusion. These decision-makers are task-oriented, but have a high tolerance for ambiguity.

Analytical decision-makers take time to compile data and evidence before they come to a conclusion. When they do make a decision, they have looked at all the details and formed what they believe is the best possible solution.

Conceptual

Those who make decisions with a conceptual style are big picture thinkers who are willing to take risks. They evaluate different options and possibilities with a high tolerance to ambiguity. They are social-oriented and take time to consider big ideas and creative solutions.

Conceptual decision-makers look forward to what could happen if the decision is made. Their conclusions come from visualizing different opportunities and outcomes for the future. They are strong in making long-term decisions.

Behavioral

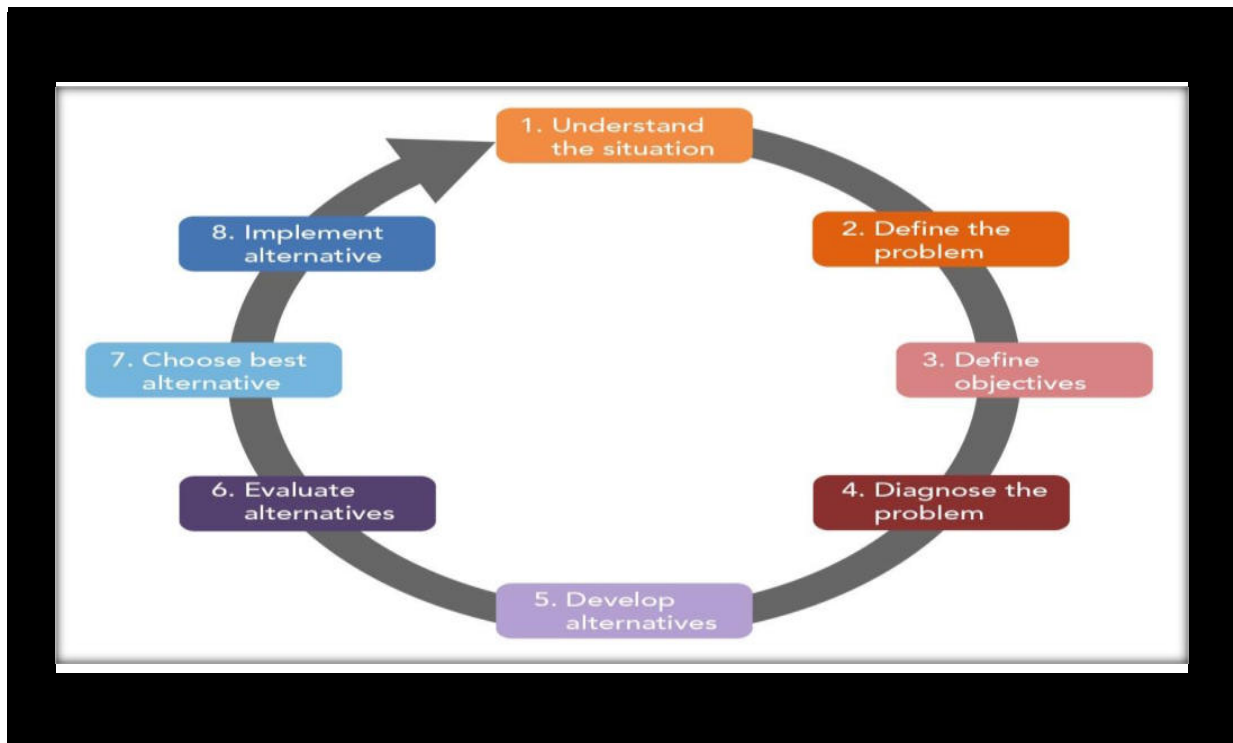
A behavioral style of decision-making focuses on relationships more than the task. It evaluates the feelings of others as part of their decision-making process. Behavior decision-makers have a low tolerance for ambiguity and a social focus as they evaluate solutions.

These decision-makers rely on information from others to guide what they choose. They are persuasive communicators who value decisions based on a team consensus. Their decisions are often based on how the choice will impact relationships.

DECISION MAKING PROCESS

Managers have to make decisions, whether they are simple or extremely complex. Making a good decision is a difficult exercise. It is the product of deliberation, evaluation and thought. To make good decisions, managers should invariably follow a sequential set of steps. Decision-making is a process involving a series of steps as shown in the Figure 6 below.

Figure 6 Decision-making process



First Step: The first step is recognition of the problem.

The manager must become aware that a problem exists and that it is important enough for managerial action. Identification of the real problem is important; otherwise, the manager may be reacting to symptoms and firefighting rather than dealing with the root cause of the problem. In order to monitor the problem situation (decision-making environment), managers may have to look into management reports, check progress against budgets, compare the results against industry competitors, and assess factors contributing to employee efficiency or inefficiency, etc. They have to use judgement and experience in order to identify the exact nature of the problem. In other words, the manager must determine what is to be accomplished by the decision.

Second Step: The second step in the decision-making process is gathering information relevant to the problem.

A successful manager must have the ability to weed out the wheat from the chaff before deciding on a specific course of action. Once aware of a problem, he must state the real problem. He must try to solve the problem, not the symptoms. The manager must pull together sufficient information about why the problem occurred. This involves conducting a thorough diagnosis of the situation and going on a fact-finding mission.

Third Step: The third step is listing and evaluating alternative courses of action.

Developing alternative solutions (to the problem) guarantees adequate focus and attention on the problem. It helps managers to fully test the soundness of every proposal before it is finally translated into action. During this step, a thorough "what if" analysis should also be conducted to determine the various factors that could influence the outcome. It is important to generate a wide range of options and creative solutions in order to be able to move on to the next step. Therefore, managers should encourage people to develop different solutions for the same problem. The ability to develop alternatives is as important as making a right decision among alternatives. The development of alternatives is a creative, innovative activity. It calls for divergent thinking; it calls for "systems thinking". In other words, managers should try to seek solutions outside the present realm of their knowledge; they are forced to look into all the relevant factors before coming up with a novel solution.

Fourth Step: Next, the manager selects the alternative that best meets the decision objective.

If the problem has been diagnosed correctly and sufficient alternatives have been identified, this step is much easier. Peter Drucker has offered the following four criteria for making the right choice among available alternatives:

1. The manager has to weigh the risks of each course of action against the expected gains.
2. The alternative that will give the greatest output for the least inputs in terms of material and human resources is obviously the best one to be selected.
3. If the situation has great urgency, the best alternative is one that dramatizes the decision and serves notice on the organisation that something important is happening. On the other hand, if consistent effort is needed, a slow start that gathers momentum may be preferable.
4. Physical, financial and human resources impose a limitation on the choice of selection. Of these, the most important resources whose limitations have to be considered are the human beings who will carry out the decision.

There are pros and cons of both the options. Outsourcing can be cost effective and time saving whereas it might be difficult to control. On the other hand, developing an in-house panel will require a lot of investment but it will be easier for the higher-level managers to monitor their performance. Managers need to weigh each pros and cons and then decide on an alternative. Here, the long-term benefit should also be considered. If the need is urgent, it is better to outsource as the other option will take time to materialise.

Final Step: Finally, the solution is implemented.

The manager must seek feedback regarding the effectiveness of the implanted solutions. Feedback allows managers to become aware of the recent problems associated with the solution. It permits managers to monitor the effects of their acts to gauge their success. They can evaluate their own decision-making abilities. Consistent monitoring and periodic feedback is an essential part of the follow-up process.

ORGANIZING

Introduction

Organising as a function of management involves division of work among people whose efforts must be co-ordinated to achieve specific objectives and to implement pre-determined strategies. Organisation is the foundation upon which the whole structure of management is built. It is the backbone of management. After the objectives of an enterprise are determined and the plan is prepared, the next step in the management process is to organise the activities of the enterprise to execute the plan and to attain the objectives of the enterprise. The term organisation is given a variety of interpretations. In any case, there are two broad ways in which the term is used.

In the first sense, organisation is understood as a dynamic process and a managerial activity which is necessary for bringing people together and tying them together in the pursuit of common objectives.

When used in the other sense, organisation refers to the structure of relationships among positions and jobs which is built up for the realisation of common objectives.

Organising – The Process

Organisation is the process of establishing relationship among the members of the enterprise. The relationships are created in terms of authority and responsibility. To organise is to harmonise, coordinate or arrange in a logical and orderly manner. Each member in the organisation is assigned a specific responsibility or duty to perform and is granted the corresponding authority to perform his duty.

The managerial function of organising consists in making a rational division of work into groups of activities and tying together the positions representing grouping of activities so as to achieve a rational, well-coordinated and orderly structure for the accomplishment of work.

According to Louis A Allen, "Organising involves identification and grouping the activities to be performed and dividing them among the individuals and creating authority and responsibility relationships among them for the accomplishment of organisational objectives."

The various steps involved in this process are:

1. Determination of Objectives:

It is the first step in building up an organisation. Organisation is always related to certain objectives. Therefore, it is essential for the management to identify the objectives before starting any activity. Organisation structure is built on the basis of the objectives of the enterprise. That means, the structure of the organisation can be determined by the management only after knowing the objectives to be accomplished through the organisation. This step helps the management not only in framing the organisation structure but also in achieving the enterprise objectives with minimum cost and efforts. Determination of objectives will consist in deciding as to why the proposed organisation is to be set up and, therefore, what will be the nature of the work to be accomplished through the organisation.

2. Enumeration of Objectives:

If the members of the group are to pool their efforts effectively, there must be proper division of the major activities. The first step in organising group effort is the division of the total job into essential activities. Each job should be properly classified and grouped. This will enable the people to know what is expected of them as members of the group and will help in avoiding duplication of efforts. For example, the work of an industrial concern may be divided into the following major functions – production, financing, personnel, sales, purchase, etc.

3. Classification of Activities:

The next step will be to classify activities according to similarities and common purposes and functions and taking the human and material resources into account. Then, closely related and similar activities are grouped into divisions and departments and the departmental activities are further divided into sections.

4. Assignment of Duties:

Here, specific job assignments are made to different subordinates for ensuring a certainty of work performance. Each individual should be given a specific job to do according to his ability and made responsible for that. He should also be given the adequate authority to do the job assigned to him. In the words of Kimball and Kimball, "Organisation embraces the duties of designating the departments and the personnel that are to carry on the work, defining their functions and specifying the relations that are to exist between department and individuals."

5. Delegation of Authority:

Since so many individuals work in the same organisation, it is the responsibility of management to lay down structure of relationship in the organisation. Authority without responsibility is a dangerous thing and similarly responsibility without authority is an empty vessel. Everybody should clearly know to whom he is accountable; corresponding to the responsibility authority is delegated to the subordinates for enabling them to show work performance. This will help in the smooth working of the enterprise by facilitating delegation of responsibility and authority.

Organisational Design

Organisation design may be defined as a formal, guided process for integrating the people, information and technology of an organisation. Organisation design involves the creation of roles, processes, and formal reporting relationships in an organisation. One can distinguish between two phases in an organisation design process: strategic grouping, which establishes the overall structure of the organisation, (its main sub-units and their relationships), and operational design, which defines the more detailed roles and processes.

It is used to match the form of the organisation as closely as possible to the purpose(s) the organisation seeks to achieve. Through the design process, organisations act to improve the probability that the collective efforts of members will be successful. Thus, it may say to be a process for improving the probability that an organisation will be successful.

Hierarchical Systems

Western organisations have been highly influenced by the command-and-control structure of ancient military organisations, especially those of USA and by the turn of the century introduction of Scientific Management. Most organisations today are designed as a bureaucracy in whom authority and responsibility are arranged in a hierarchy. Within the hierarchy, the laws, policies, and procedures are uniformly and impersonally applied to exert control over member behaviours. Activity is organised within departments in which people perform specialized functions such as manufacturing, sales, or accounting. People who perform similar tasks are clustered together.

The same basic organisational form is assumed to be appropriate for any organisation, be it a government, school, business, church, or fraternity. It is familiar, predictable, and rational. It is what comes immediately to mind when we discover that ...we really have to get organised. As rational as the functional hierarchy may be, there are distinct disadvantages to blindly applying the same form of organisation to all purposeful groups. To state a few,

1. different groups wish to achieve different outcomes.
2. different groups have different members, and that each group possesses a different culture.

These differences in desired outcomes, and in culture, should alert the managers to the danger of assuming there is any single best way of organising. To be complete, however, also observe that different groups will likely choose different methods through which they will achieve their purpose. Service groups will choose different methods than manufacturing groups, and both will choose different methods than groups whose purpose is primarily social. One structure cannot possibly fit all.

Organising on Purpose

The purpose for which a group exists should be the foundation for everything its members do – including the choice of an appropriate way to organise. The idea is to create a way of organising that best suit the purpose to be accomplished, regardless of the way in which other, dissimilar groups are organised.

Only when there are close similarities in desired outcomes, culture, and methods should the basic form of one organisation be applied to another. And even then, only with careful fine tuning. The danger is that the patterns of activity that help one group to be successful may be dysfunctional for another group, and actually inhibit group effectiveness. To optimize effectiveness, the form of organisation must be matched to the purpose it seeks to achieve.

The Design Process

Organisation design begins with the creation of a strategy – a set of decision guidelines by which members will choose appropriate actions. The strategy is derived from clear, concise statements of purpose, and vision, and from the organisation's basic philosophy. Strategy unifies the intent of the organisation and focuses members toward actions designed to accomplish desired outcomes. The strategy encourages actions that support the purpose and discourages those that do not.

Creating a strategy is planning, not organising. To organise we must connect people with each other in meaningful and purposeful ways. Further, we must connect people with the information and technology necessary for them to be successful. Organisation structure defines the formal relationships among people and specifies both their roles and their responsibilities.

Administrative systems govern the organisation through guidelines, procedures and policies. Information and technology define the process(es) through which members achieve outcomes. Each element must support each of the others and together they must support the organisation's purpose.

Exercising Choice Notes

Organisations are an invention of man. They are contrived social systems through which groups seek to exert influence or achieve a stated purpose. People choose to organise when they recognize that by acting alone, they are limited in their ability to achieve. We sense that by acting in concert we may overcome our individual limitations.

When we organise, we seek to direct, or pattern, the activities of a group of people toward a common outcome. How this pattern is designed and implemented greatly influences effectiveness. Patterns of activity that are complementary and interdependent are more likely to result in the achievement of intended outcomes. In contrast, activity patterns that are unrelated and independent are more likely to produce unpredictable, and often unintended results.

The process of organisation design matches people, information, and technology to the purpose, vision, and strategy of the organisation. Structure is designed to enhance communication and information flow among people. Systems are designed to encourage individual responsibility and decision making. Technology is used to enhance human capabilities to accomplish meaningful work. The end product is an integrated system of people and resources, tailored to the specific direction of the organisation.

Importance of Organizing Function

1. **Specialization** - Organizational structure is a network of relationships in which the work is divided into units and departments. This division of work is helping in bringing specialization in various activities of concern.
2. **Well defined jobs** - Organizational structure helps in putting right men on right job which can be done by selecting people for various departments according to their qualifications, skill and experience. This is helping in defining the jobs properly which clarifies the role of every person.
3. **Clarifies authority** - Organizational structure helps in clarifying the role positions to every manager (status quo). This can be done by clarifying the powers to every manager and the way he has to exercise those powers should be clarified so that misuse of powers does not take place. Well defined jobs and responsibilities attached helps in bringing efficiency into managers working. This helps in increasing productivity.
4. **Co-ordination** - Organization is a means of creating co- ordination among different departments of the enterprise. It creates clear cut relationships among positions and ensures mutual co-operation among individuals. Harmony of work is brought by higher level managers exercising their authority over interconnected activities of lower-level manager.

Authority responsibility relationships can be fruitful only when there is a formal relationship between the two. For smooth running of an organization, the co- ordination between authority- responsibilities is very important. There should be co- ordination between different relationships. Clarity should be made for having an ultimate responsibility attached to every authority. There is a saying, —Authority without responsibility leads to ineffective behaviour and responsibility without authority makes person ineffective. “Therefore, co- ordination of authority- responsibility is very important.

5. **Effective administration** – The organization structure is helpful in defining the jobs positions. The roles to be performed by different managers are clarified. Specialization is achieved through division of work. This all leads to efficient and effective administration.
6. **Growth and diversification** - A company’s growth is totally dependent on how efficiently and smoothly a concern works. Efficiency can be brought about by clarifying the role positions to the managers, co-ordination between authority and responsibility and concentrating on specialization. In addition to this, a company can diversify if its potential grows. This is possible only when the organization structure is well- defined. This is possible through a set of formal structure.
7. **Sense of security** - Organizational structure clarifies the job positions. The roles assigned to every manager are clear. Co- ordination is possible. Therefore, clarity of powers helps automatically in increasing mental satisfaction and thereby a sense of security in a concern. This is very important for job- satisfaction.

8. **Scope for new changes** - Where the roles and activities to be performed are clear and every person gets independence in his working, this provides enough space to a manager to develop his talents and flourish his knowledge. A manager gets ready for taking independent decisions which can be a road or path to adoption of new techniques of production. This scope for bringing new changes into the running of an enterprise is possible only through a set of organizational structure.

Principles of Organizing Function

The organizing process can be done efficiently if the managers have certain guidelines so that they can take decisions and can act. To organize in an effective manner, the following principles of organization can be used by a manager.

1. Principle of Specialization

According to the principle, the whole work of a concern should be divided amongst the subordinates on the basis of qualifications, abilities and skills. It is through division of work specialization can be achieved which results in effective organization.

2. Principle of Functional Definition

According to this principle, all the functions in a concern should be completely and clearly defined to the managers and subordinates. This can be done by clearly defining the duties, responsibilities, authority and relationships of people towards each other. Clarifications in authority- responsibility relationships

help in achieving co- ordination and thereby organization can take place effectively. For example, the primary functions of production, marketing and finance and the authority responsibility relationships in these departments should be clearly defined to every person attached to that department. Clarification in the authority-responsibility relationship helps in efficient organization.

3. Principles of Span of Control/Supervision

According to this principle, span of control is a span of supervision which depicts the number of employees that can be handled and controlled effectively by a single manager. According to this principle, a manager should be able to handle what number of employees under him should be decided. This decision can be taken by choosing either from wide or narrow span. There are two types of spans of control: -

a. **Wide span of control-** It is one in which a manager can supervise and control effectively a large group of persons at one time. The features of this span are: -

- ★ Less overhead cost of supervision

- ✦ Prompt response from the employees
- ✦ Better communication
- ✦ Better supervision
- ✦ Better co-ordination
- ✦ Suitable for repetitive jobs

According to this span, one manager can effectively and efficiently handle a large number of subordinates at one time.

b. **Narrow span of control-** According to this span, the work and authority is divided amongst many subordinates and a manager doesn't supervise and control a very big group of people under him. The manager according to a narrow span supervises a selected number of employees at one time. The features are: -

- ✦ Work which requires tight control and supervision, for example, handicrafts, ivory work, etc. which requires craftsmanship, there narrow span is more helpful.
- ✦ Co-ordination is difficult to be achieved.
- ✦ Communication gaps can come.
- ✦ Messages can be distorted.
- ✦ Specialization work can be achieved.

Factors influencing Span of Control

Managerial abilities- In the concerns where managers are capable, qualified and experienced, wide span of control is always helpful.

Competence of subordinates- Where the subordinates are capable and competent and their understanding levels are proper, the subordinates tend to very frequently visit the superiors for solving their problems. In such cases, the manager can handle large number of employees. Hence wide span is suitable.

Nature of work- If the work is of repetitive nature, wide span of supervision is more helpful. On the other hand, if work requires mental skill or craftsmanship, tight control and supervision is required in which narrow span is more helpful.

Delegation of authority- When the work is delegated to lower levels in an efficient and proper way, confusions are less and congeniality of the environment can be maintained. In such cases, wide span of control is suitable and the supervisors can manage and control large number of sub-ordinates at one time.

Degree of decentralization- Decentralization is done in order to achieve specialization in which authority is shared by many people and managers at different levels. In such cases, a tall structure is helpful. There are certain concerns where decentralization is done in very effective way which results in direct and personal communication between superiors and subordinates and there the superiors can manage large number of subordinates very easily. In such cases, wide span again helps.

4. Principle of Scalar Chain

Scalar chain is a chain of command or authority which flows from top to bottom. With a chain of authority available, wastages of resources are minimized, communication is affected, overlapping of work is avoided and easy organization takes place. A scalar chain of command facilitates work flow in an organization which helps in achievement of effective results. As the authority flows from top to bottom, it clarifies the authority positions to managers at all level and that facilitates effective organization.

5. Principle of Unity of Command

It implies one subordinate-one superior relationship. Every subordinate is answerable and accountable to one boss at one time. This helps in avoiding communication gaps and feedback and response is prompt. Unity of command also helps in effective combination of resources, that is, physical, financial resources which helps in easy co- ordination and, therefore, effective organization.

ORGANIZATIONS STRUCTURE

An organisation structure shows the authority and responsibility relationships between the various positions in the organisation by showing who reports to whom. Organisation involves establishing an appropriate structure for the goal seeking activities. It is an established pattern of relationship among the components of the organisation.

March and Simon have stated that- "Organisation structure consists simply of those aspects of pattern of behaviour in the organisation that are relatively stable and change only slowly."

The structure of an organisation is generally shown on an organisation chart. It shows the authority and responsibility relationships between various positions in the organisation while designing the organisation structure, due attention should be given to the principles of sound organisation.

Significance of Organisation Structure

1. Properly designed organisation can help improve teamwork and productivity by providing a framework within which the people can work together most effectively.
2. Organisation structure determines the location of decision-making in the organisation.
3. Sound organisation structure stimulates creative thinking and initiative among organisational members by providing well defined patterns of authority.
4. A sound organisation structure facilitates growth of enterprise by increasing its capacity to handle increased level of authority.
5. Organisation structure provides the pattern of communication and coordination.

6. The organisation structure helps a member to know what his role is and how it relates to other roles.

DELEGATION OF AUTHORITY

A manager alone cannot perform all the tasks assigned to him. In order to meet the targets, the manager should delegate authority. Delegation of Authority means division of authority and powers downwards to the subordinate. Delegation is about entrusting someone else to do parts of your job. Delegation of authority can be defined as subdivision and sub-allocation of powers to the subordinates in order to achieve effective results.

Elements of Delegation

1. **Authority** - in context of a business organization, authority can be defined as the power and right of a person to use and allocate the resources efficiently, to take decisions and to give orders so as to achieve the organizational objectives. Authority must be well- defined. All people who have the authority should know what is the scope of their authority is and they shouldn't mis- utilize it. Authority is the right to give commands, orders and get the things done. The top-level management has greatest authority. Authority always flows from top to bottom. It explains how a superior gets work done from his subordinate by clearly explaining what is expected of him and how he should go about it. Authority should be accompanied with an equal amount of responsibility. Delegating the authority to someone else doesn't imply escaping from accountability. Accountability still rest with the person having the utmost authority.
2. **Responsibility** - is the duty of the person to complete the task assigned to him. A person who is given the responsibility should ensure that he accomplishes the tasks assigned to him. If the tasks for which he was held responsible are not completed, then he should not give explanations or excuses. Responsibility without adequate authority leads to discontent and dissatisfaction among the person. Responsibility flows from bottom to top. The middle level and lower-level management holds more responsibility. The person held responsible for a job is answerable for it. If he performs the tasks assigned as expected, he is bound for praises. While if he doesn't accomplish tasks assigned as expected, then also he is answerable for that.
3. **Accountability** - means giving explanations for any variance in the actual performance from the expectations set. Accountability cannot be delegated. For example, if 'A' is given a task with sufficient authority, and 'A' delegates this task to B and asks him to ensure that task is done well, responsibility rest with 'B', but accountability still rest with 'A'. The top-level management is most accountable. Being accountable means being innovative as the person will think beyond his scope of job. Accountability, in short, means being answerable for the end result. Accountability can 't be escaped. It arises from responsibility.

The steps perform by the manager in Delegation of Authority.

For achieving delegation, a manager has to work in a system and has to perform following steps:

1. Assignment of tasks and duties
2. Granting of authority
3. Creating responsibility and accountability

Delegation of authority is the base of superior-subordinate relationship, it involves following steps: -

1. Assignment of Duties

The delegator first tries to define the task and duties to the subordinate. He also has to define the result expected from the subordinates. Clarity of duty as well as result expected has to be the first step in delegation.

2. Granting of authority

Subdivision of authority takes place when a superior divide and shares his authority with the subordinate. It is for this reason; every subordinate should be given enough independence to carry the task given to him by his superiors. The managers at all levels delegate authority and power which is attached to their job positions. The subdivision of powers is very important to get effective results.

3. Creating Responsibility and Accountability

The delegation process does not end once powers are granted to the subordinates. They at the same time have to be obligatory towards the duties assigned to them. Responsibility is said to be the factor or obligation of an individual to carry out his duties in best of his ability as per the directions of superior. Responsibility is very important. Therefore, it is that which gives effectiveness to authority. At the same time, responsibility is absolute and cannot be shifted. Accountability, on the others hand, is the obligation of the individual to carry out his duties as per the standards of performance. Therefore, it is said that authority is delegated, responsibility is created and accountability is imposed. Accountability arises out of responsibility and responsibility arises out of authority. Therefore, it becomes important that with every authority position an equal and opposite responsibility should be attached.

Importance of Delegation

Delegation of authority is a process in which the authority and powers are divided and shared amongst the subordinates. When the work of a manager gets beyond his capacity, there should be some system of sharing the work. This is how delegation of authority becomes an important tool in organization function. Through delegation, a manager, in fact, is multiplying

himself by dividing/multiplying his work with the subordinates. The importance of delegation can be justified by –

1. **Through delegation, a manager is able to divide the work and allocate it to the subordinates.** This helps in reducing his work load so that he can work on important areas such as - planning, business analysis etc.
2. **With the reduction of load on superior,** he can concentrate his energy on important and critical issues of concern. This way he is able to bring effectiveness in his work as well in the work unit. This effectivity helps a manager to prove his ability and skills in the best manner.
3. **Delegation of authority is the ground on which the superior-subordinate relationship stands.** An organization functions as the authority flows from top level to bottom. This in fact shows that through delegation, the superior- subordinate relationship become meaningful. The flow of authority is from top to bottom which is a way of achieving results.
4. **Delegation of authority in a way gives enough room and space to the subordinates to flourish their abilities and skill.** Through delegating powers, the subordinates get a feeling of importance. They get motivated to work and this motivation provides appropriate results to a concern. Job satisfaction is an important criterion to bring stability and soundness in the relationship between superior and subordinates. Delegation also helps in breaking the monotony of the subordinates so that they can be more creative and efficient. Delegation of authority is not only helpful to the subordinates but it also helps the managers to develop their talents and skills. Since the manager get enough time through delegation to concentrate on important issues, their decision-making gets strong and, in a way, they can flourish the talents which are required in a manager. Through granting powers and getting the work done, helps the manager to attain communication skills, supervision and guidance, effective motivation and the leadership traits are flourished. Therefore, it is only through delegation, a manager can be tested on his traits.
5. **Delegation of authority is help to both superior and subordinates.** This, in a way, gives stability to a concern 's working. With effective results, a concern can think of creating more departments and divisions flow working. This will require creation of more managers which can be fulfilled by shifting the experienced, skilled managers to these positions. This helps in both virtual as well as horizontal growth which is very important for a concern 's stability.

Determining the Kind of Organisation Structure

According to Peter F Drucker-"Organisation is not an end in itself, but a means to the end of business performance and business results. Organisation structure is an indispensable means; and the wrong structure will seriously impair business performance and may even destroy it.

Organisation structure must be designed so as to make possible to attainment of the objectives of the business for five, ten, fifteen years hence". Peter Drucker has pointed out three specific

ways to find out what kind of structure is needed to attain the objectives of a specific business:

1. **Activities Analysis:** The purpose of 'activities analysis' is to discover the primary activity of the proposed organisation, for it is around this that other activities will be built. It may be pointed out that in every organisation; one or two functional areas of business dominate. For example, designing is an important activity of the readymade garments' manufacturer. After the activities have been identified and classified into functional areas, they should be listed in the order of importance.

2. **Decision Analysis:** At this stage, the manager finds out what kinds of decisions will need to be made to carry on the work of the organisation. What is even more important, he has to see where or at what level these decisions will have to be made and how each manager should be involved in them. This type of analysis is particularly important for deciding upon the number of levels or layers in the organisation structure.

3. **Relations Analysis:** Relations Analysis will include an examination of the various types of relationships that develop within the organisation. These relationships are vertical, lateral and diagonal. Where a superior-subordinate relationship is envisaged, it will be a vertical relationship. In case of an expert or specialist advising a manager at the same level, the relationship will be lateral. Where a specialist exercises authority over a person in subordinate position in another department in the same organisation it will be an instance of diagonal relationship.

Principles of Organisational Structure

The following are the main principles that a manager has to keep in mind while formulating an organisational structure.

1. **Consideration of unity of objectives:** The objective of the undertaking influences the organisation structure. There must be unity of objective so that all efforts can be concentrated on the set goals.

2. **Specialisation:** Effective organisation must include specialisation. Precise division of work facilitates specialisation.

3. **Co-ordination:** Organisation involves division of work among people whose efforts must be co-ordinated to achieve common goals. Co-ordination is the orderly arrangement of group effort to provide unity of action in the pursuit of common purpose.

4. **Clear unbroken line of Authority:** It points out the scalar principle or the chain of command. The line of authority flows from the highest executive to the lowest managerial level and the chain of command should not be broken.

5. **Responsibility:** Authority should be equal to responsibility i.e.; each manager should have enough authority to accomplish the task.

6. **Efficiency:** The organisation structure should enable the enterprise to attain objectives with the lowest possible cost.
7. **Delegation:** Decisions should be made at the lowest competent level. Authority and responsibility should be delegated as far down in the organisation as possible.
8. **Unity of Command:** Each person should be accountable to a single superior. If an individual has to report to only one supervisor there is a sense of personal responsibility to one person for results.
9. **Span of Management:** No superior at a higher level should have more than six immediate subordinates. The average human brain can effectively direct three to six brains (i.e., subordinates).
10. **Communication:** A good communication sub-system is essential for smooth flow of information and understanding and for effective business performance.
11. **Flexibility:** The organisation is expected to provide built in devices to facilitate growth and expansion without dislocation. It should not be rigid or inelastic.

Formal and Informal Organisation

The formal organisation refers to the structure of jobs and positions with clearly defined functions and relationships as prescribed by the top management. This type of organisation is built by the management to realise objectives of an enterprise and is bound by rules, systems and procedures.

Everybody is assigned a certain responsibility for the performance of the given task and given the required amount of authority for carrying it out. Informal organisation, which does not appear on the organisation chart, supplements the formal organisation in achieving organisational goals effectively and efficiently. The working of informal groups and leaders is not as simple as it may appear to be. Therefore, it is obligatory for every manager to study thoroughly the working pattern of informal relationships in the organisation and to use them for achieving organisational objectives.

1. **Formal Organisation:** Chester I Bernard defines formal organisation as -"a system of consciously coordinated activities or forces of two or more persons. It refers to the structure of well-defined jobs, each bearing a definite measure of authority, responsibility and accountability." The essence of formal organisation is conscious common purpose and comes into being when persons:

- (a) Are able to communicate with each other
- (b) Are willing to act, and (c) Share a purpose.

The formal organisation is built around four key pillars. They are:

- (a) Division of labour
- (b) Scalar and functional processes

- (c) Structure, and
- (d) Span of control

Thus, a formal organisation is one resulting from planning where the pattern of structure has already been determined by the top management.

Characteristic of Formal Organisation

- (a) Formal organisation structure is laid down by the top management to achieve organisational goals.
- (b) Formal organisation prescribes the relationships amongst the people working in the organisation.
- (c) The organisation structure is consciously designed to enable the people of the organisation to work together for accomplishing the common objectives of the enterprise.
- (d) Organisation structure concentrates on the jobs to be performed and not the individuals who are to perform jobs.
- (e) In a formal organisation, individuals are fitted into jobs and positions and work as per the managerial decisions. Thus, the formal relations in the organisation arise from the pattern of responsibilities that are created by the management.
- (f) A formal organisation is bound by rules, regulations and procedures.
- (g) In a formal organisation, the position, authority, responsibility and accountability of each level are clearly defined.
- (h) Organisation structure is based on division of labour and specialisation to achieve efficiency in operations.
- (i) A formal organisation is deliberately impersonal. The organisation does not take into consideration the sentiments of organisational members.
- (j) The authority and responsibility relationships created by the organisation structure are to be honoured by everyone.
- (k) In a formal organisation, coordination proceeds according to the prescribed pattern.

Advantages of Formal Organisation

- (a) The formal organisation structure concentrates on the jobs to be performed. It, therefore, makes everybody responsible for a given task.
- (b) A formal organisation is bound by rules, regulations and procedures. It thus ensures law and order in the organisation.
- (c) The organisation structure enables the people of the organisation to work together for accomplishing the common objectives of the enterprise.

Disadvantages or Criticisms of Formal Organisation

- (a) The formal organisation does not take into consideration the sentiments of organisational members.
- (b) The formal organisation does not consider the goals of the individuals. It is designed to achieve the goals of the organisation only.
- (c) The formal organisation is bound by rigid rules, regulations and procedures. This makes the achievement of goals difficult.

2. *Informal Organisation:* Informal organisation refers to the relationship between people in the organisation based on personal attitudes, emotions, prejudices, likes, dislikes etc. an informal organisation is an organisation which is not established by any formal authority, but arises from the personal and social relations of the people.

These relations are not developed according to procedures and regulations laid down in the formal organisation structure; generally large formal groups give rise to small informal or social groups. These groups may be based on same taste, language, culture or some other factor. These groups are not pre-planned, but they develop automatically within the organisation according to its environment.

Characteristics of Informal Organisation

- (a) Informal organisation is not established by any formal authority. It is unplanned and arises spontaneously.
- (b) Informal organisations reflect human relationships. It arises from the personal and social relations amongst the people working in the organisation.
- (c) Formation of informal organisations is a natural process. It is not based on rules, regulations and procedures.
- (d) The inter-relations amongst the people in an informal organisation cannot be shown in an organisation chart.
- (e) In the case of informal organisation, the people cut across formal channels of communications and communicate amongst themselves.
- (f) The membership of informal organisations is voluntary. It arises spontaneously and not by deliberate or conscious efforts.
- (g) Membership of informal groups can be overlapping as a person may be member of a number of informal groups.
- (h) Informal organisations are based on common taste, problem, language, religion, culture, etc. It is influenced by the personal attitudes, emotions, whims, likes and dislikes etc. of the people in the organisation.

Benefits of Informal Organisation

- (a) It blends with the formal organisation to make it more effective.
- (b) Many things which cannot be achieved through formal organisation can be achieved through informal organisation.
- (c) The presence of informal organisation in an enterprise makes the managers plan and act more carefully.
- (d) Informal organisation acts as a means by which the workers achieve a sense of security and belonging. It provides social satisfaction to group members.
- (e) An informal organisation has a powerful influence on productivity and job satisfaction.
- (f) The informal leader lightens the burden of the formal manager and tries to fill in the gaps in the manager's ability.
- (g) Informal organisation helps the group members to attain specific personal objectives.
- (h) Informal organisation is the best means of employee communication. It is very fast.
- (i) Informal organisation gives psychological satisfaction to the members. It acts as a safety valve for the emotional problems and frustrations of the workers of the organisation because they get a platform to express their feelings.
- (j) It serves as an agency for social control of human behaviour.

CENTRALIZATION AND DECENTRALIZATION

Centralization is said to be a process where the concentration of decision making is in a few hands. All the important decision and actions at the lower level, all subjects and actions at the lower level are subject to the approval of top management. According to Allen, —Centralization is the systematic and consistent reservation of authority at central points in the organization. The implication of centralization can be: -

1. Reservation of decision-making power at top level.
2. Reservation of operating authority with the middle level managers.
3. Reservation of operation at lower level at the directions of the top level.

Under centralization, the important and key decisions are taken by the top management and the other levels are into implementations as per the directions of top level. For example, in a business concern, the father & son being the owners decide about the important matters and all the rest of functions like product, finance, marketing, personnel, are carried out by the department heads and they have to act as per instruction and orders of the two people. Therefore, in this case, decision making power remain in the hands of father & son.

On the other hand, **Decentralization** is a systematic delegation of authority at all levels of management and in all of the organization. In a decentralization concern, authority is retained by the top management for taking major decisions and framing policies concerning the whole

concern. Rest of the authority may be delegated to the middle level and lower level of management.

The degree of **centralization and decentralization** will depend upon the amount of authority delegated to the lowest level. According to Allen, —Decentralization refers to the systematic effort to delegate to the lowest level of authority except that which can be controlled and exercised at central points. Decentralization is not the same as delegation. In fact, decentralization is all extension of delegation. Decentralization pattern is wider in scope and the authorities are diffused to the lowest most level of management. Delegation of authority is a complete process and takes place from one person to another. While decentralization is complete only when fullest possible delegation has taken place. For example, the general manager of a company is responsible for receiving the leave application for the whole of the concern. The general manager delegates this work to the personnel manager who is now responsible for receiving the leave applicants. In this situation delegation of authority has taken place. On the other hand, on the request of the personnel manager, if the general manager delegates this power to all the departmental heads at all level, in this situation decentralization has taken place. There is a saying that —Everything that increases the role of subordinates is decentralization and that decreases the role is centralization. Decentralization is wider in scope and the subordinate's responsibility increases in this case. On the other hand, in delegation the managers remain answerable even for the acts of subordinates to their superiors.

Implications of Decentralization

1. There is less burden on the Chief Executive as in the case of centralization.
2. In decentralization, the subordinates get a chance to decide and act independently which develops skills and capabilities. This way the organization is able to process reserve of talents in it.
3. In decentralization, diversification and horizontal can be easily implanted.
4. In decentralization, concern diversification of activities can place effectively since there is more scope for creating new departments. Therefore, diversification growth is of a degree.
5. In decentralization structure, operations can be coordinated at divisional level which is not possible in the centralization set up.
6. In the case of decentralization structure, there is greater motivation and morale of the employees since they get more independence to act and decide.
7. In a decentralization structure, co-ordination to some extent is difficult to maintain as there are lot many department divisions and authority is delegated to maximum possible extent, i.e., to the bottom most level delegation reaches. Centralization and decentralization are the categories by which the pattern of authority relationships became clear. The degree of centralization and decentralization can be affected by many factors like nature of operation,

volume of profits, number of departments, size of a concern, etc. The larger the size of a concern, a decentralization set up is suitable in it.

Forms of Organisation or Organization Structure

Organisation requires the creation of structural relationship among different departments and the individuals working there for the accomplishment of desired goals. Organisation structure is primarily concerned with the allocation of tasks and delegation of authority. The establishment of formal relationships among the individuals working in the organisation is very important to make clear the lines of authority in the organisation and to coordinate the efforts of different individuals in an efficient manner. According to the different practices of distributing authority and responsibility among the members of the enterprise, several types of organisation structure have been evolved. They are:

1. Line organisation
2. Line and staff organisation
3. Functional organisation
4. Committee organisation

Line Organisation

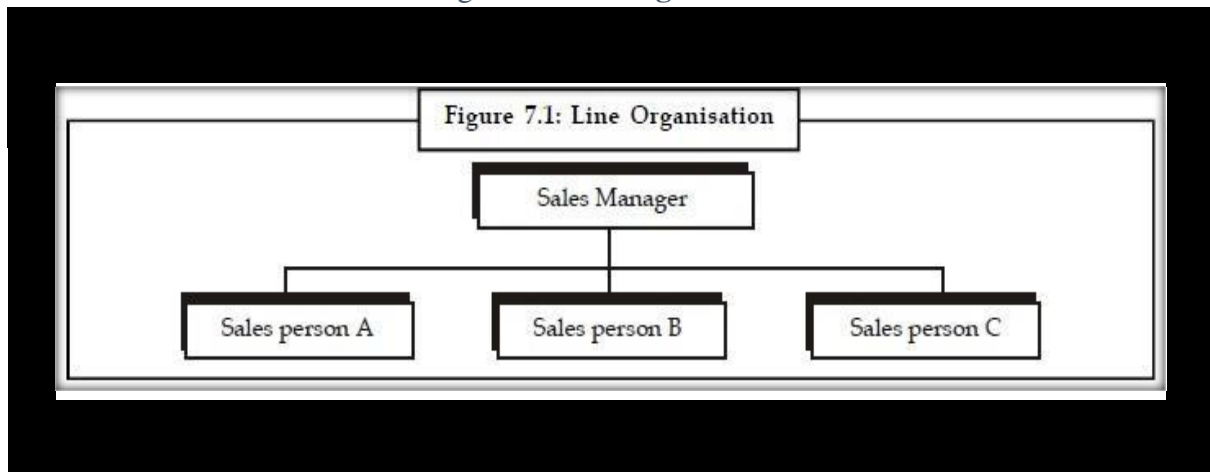
This is the simplest and the earliest form of organisation. It is also known as "Military", "traditional", "Scalar" or "Hierarchical" form of organisation. The line organisation represents the structure in a direct vertical relationship through which authority flows. Under this, the line of authority flows vertically downward from top to bottom throughout the organisation. The quantum of authority is highest at the top and reduces at each successive level down the hierarchy. All major decisions and orders are made by the executives at the top and are handed down to their immediate subordinates who in turn break up the orders into specific instructions for the purpose of their execution by another set of subordinates. A direct relationship of authority and responsibility is thus established between the superior and subordinate. The superior exercises a direct authority over his subordinates who become entirely responsible for their performance to their commanding superior. Thus, in the line organisation, the line of authority consists of an uninterrupted series of authority steps and forms a hierarchical arrangement. The line of authority not only becomes the avenue of command to operating personnel, but also provides the channel of communication, coordination and accountability in the organisation.

Prof. Florence enunciates three principles which are necessary to realise the advantages of this system and the non-observance of which would involve inefficiency.

1. Commands should be given to subordinates through the immediate superior; there should be no skipping of links in the chain of command.
2. There should be only one chain. That is, command should be received from only one immediate superior.

3. The number of subordinates whose work is directly commanded by the superior should be limited.

Figure 7 Line Organisation



Advantages or Merits of Line Organisation

1. It is the easiest to establish and simplest to explain to the employers.
2. It fixes responsibility for the performance of tasks in a definite manner upon certain individuals.
3. There is clear-cut identification of authority and responsibility relationship. Employees are fully aware of the boundaries of their job.
4. It is most economical and effective.
5. It makes for unity of control thus conforming to the scalar principle of organisation.
6. It ensures excellent discipline in the enterprise because every individual knows to whom he is responsible. The subordinates are also aware of the necessity of satisfying their superior in their own interests.
7. It facilitates prompt decision-making because there is definite authority at every level.
8. As all the activities relating to one department or division are managed by one executive, there can be effective coordination of activities.
9. This system is flexible or elastic, in the sense that, as each executive has sole responsibility in his own position and sphere of work, he can easily adjust the organisation to changing conditions.
10. Under this system, responsibility and authority are clearly defined. Every member of the organisation knows his exact position, to whom he is responsible and who are

responsible to him. Because of the clear fixation of responsibility, no person can escape from his liability.

Disadvantages or Demerits of Line Organisation

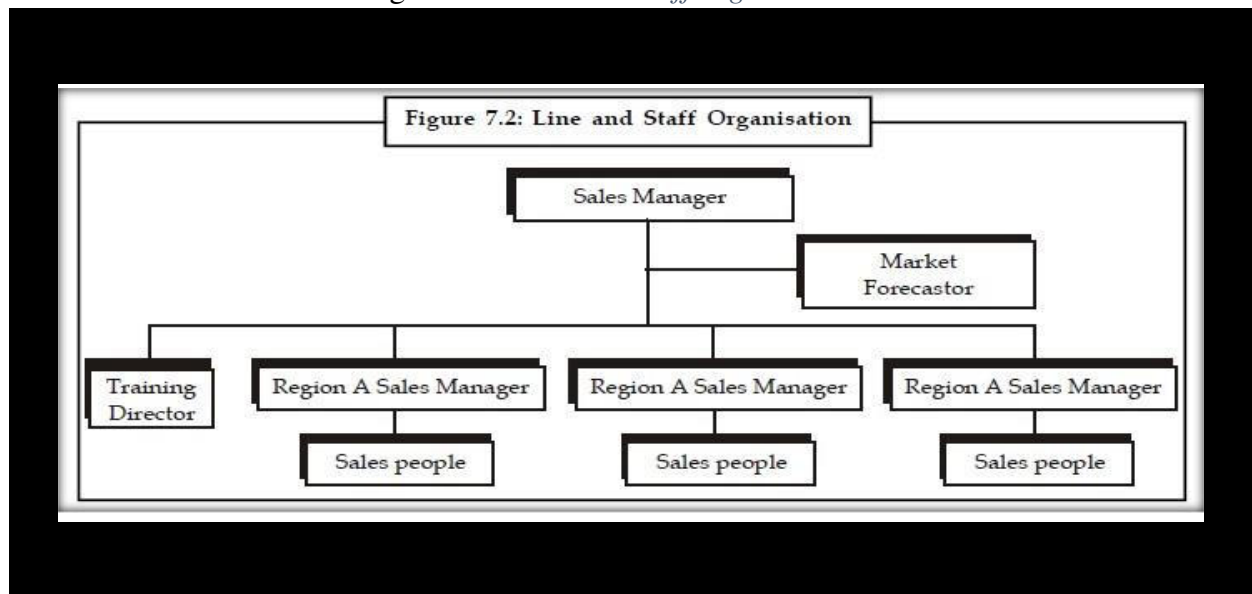
1. With growth, the line organisation makes the superiors too overloaded with work. Since all work is done according to the wishes of one person alone, the efficiency of the whole department will come to depend upon the qualities of management displayed by the head of that department. If therefore, something happens to an efficient manager, the future of the department and of the concern as a whole would be in jeopardy.
2. Being an autocratic system, it may be operated on an arbitrary, opinionated and dictatorial basis.
3. Under this system, the subordinates should follow the orders of their superior without expression their opinion on the orders. That means there is limited communication.
4. There may be a good deal of nepotism and favouritism. This may result in efficient people being left behind and inefficient people getting the higher and better posts.
5. The line organisation suffers from lack of specialised skill of experts. Modern business is so complex that it is extremely difficult for one person to carry in his head all the necessary details about his work in this department.
6. Line organisation is not suitable to big organisations because it does not provide specialists in the structure. Many jobs require specialised knowledge to perform them.
7. If superiors take a wrong decision, it would be carried out without anybody having the courage to point out its deficiencies.
8. The organisation is rigid and inflexible.
9. There is concentration of authority at the top. If the top executives are not capable, the enterprise will not be successful.

Line and Staff Organisation

In line and staff organisation, the line authority remains the same as it does in the line organisation. Authority flows from top to bottom. The main difference is that specialists are attached to line managers to advise them on important matters. These specialists stand ready with their speciality to serve line managers as and when their services are called for, to collect information and to give help which will enable the line officials to carry out their activities better. The staff officers do not have any power of command in the organisation as they are employed to provide expert advice to the line officers. The combination of line organisation with this expert staff constitutes the type of organisation known as line and staff organisation. The 'line' maintains discipline and stability; the 'staff' provides expert information. The line gets out the production, the staffs carry on the research, planning, scheduling, establishing of standards and recording of performance. The authority by which the staff performs these

functions is delegated by the line and the performance must be acceptable to the line before action is taken.

Figure 8 *the line and staff organisation*



Types of Staff Notes

The staff position established as a measure of support for the line managers may take the following forms:

1. **Personal Staff:** Here the staff official is attached as a personal assistant or adviser to the line manager. For example, Assistant to managing director.
2. **Specialised Staff:** Such staff acts as the fountainhead of expertise in specialised areas like R&D, personnel, accounting etc. For example, R&D Staff.
3. **General Staff:** This category of staff consists of a set of experts in different areas who are meant to advise and assist the top management on matters called for expertise. For example: Financial advisor, technical advisor etc.

Features of Line and Staff Organisation

1. Under this system, there are line officers who have authority and command over the subordinates and are accountable for the tasks entrusted to them. The staff officers are specialists who offer expert advice to the line officers to perform their tasks efficiently.
2. Under this system, the staff officers prepare the plans and give advice to the line officers and the line officers execute the plan with the help of workers.
3. The line and staff organisation is based on the principle of specialisation.

Advantages or Merits of Line and Staff Organisation

1. It brings expert knowledge to bear upon management and operating problems. Thus, the line managers get the benefit of specialised knowledge of staff specialists at various levels.

2. The expert advice and guidance given by the staff officers to the line officers benefit the entire organisation.
3. As the staff officers look after the detailed analysis of each important managerial activity, it relieves the line managers of the botheration of concentrating on specialised functions.
4. Staff specialists help the line managers in taking better decisions by providing expert advice. Therefore, there will be sound managerial decisions under this system.
5. It makes possible the principle of undivided responsibility and authority, and at the same time permits staff specialisation. Thus, the organisation takes advantage of functional organisation while maintaining the unity of command.
6. It is based upon planned specialisation.
7. Line and staff organisation has greater flexibility, in the sense that new specialised activities can be added to the line activities without disturbing the line procedure.

Disadvantages or Demerits of Line and Staff Organisation

1. Unless the duties and responsibilities of the staff members are clearly indicated by charts and manuals, there may be considerable confusion throughout the organisation as to the functions and positions of staff members with relation to the line supervisors.
2. There is generally a conflict between the line and staff executives. The line managers feel that staff specialists do not always give right type of advice, and staff officials generally complain that their advice is not properly attended to.
3. Line managers sometimes may resent the activities of staff members, feeling that prestige and influence of line managers suffer from the presence of the specialists.
4. The staff experts may be ineffective because they do not get the authority to implement their recommendations.
5. This type of organisation requires the appointment of large number of staff officers or experts in addition to the line officers. As a result, this system becomes quite expensive.
6. Although expert information and advice are available, they reach the workers through the officers and thus run the risk of misunderstanding and misinterpretation.
7. Since staff managers are not accountable for the results, they may not be performing their duties well.
8. Line managers deal with problems in a more practical manner. But staff officials who are specialists in their fields tend to be more theoretical. This may hamper coordination in the organisation.

Functional Organisation

The difficulty of the line organisation in securing suitable chief executive was overcome by F.W. Taylor who formulated the Functional type of organisation. As the name implies, the

whole task of management and direction of subordinates should be divided according to the type of work involved. As far as the workman was concerned, instead of coming in contact with the management at one point only, he was to receive his daily orders and help directly from eight different bosses; four of these were located in the planning room and four in the shop. The four specialists or bosses in the planning room are:

1. **Route Clerk:** To lay down the sequence of operations and instruct the workers concerned about it.
2. **Instruction Card Clerk:** To prepare detailed instructions regarding different aspects of work.
3. **Time and Cost Clerk:** To send all information relating to their pay to the workers and to secure proper returns of work from them.
4. **Shop Disciplinarian:** To deal with cases of breach of discipline and absenteeism.

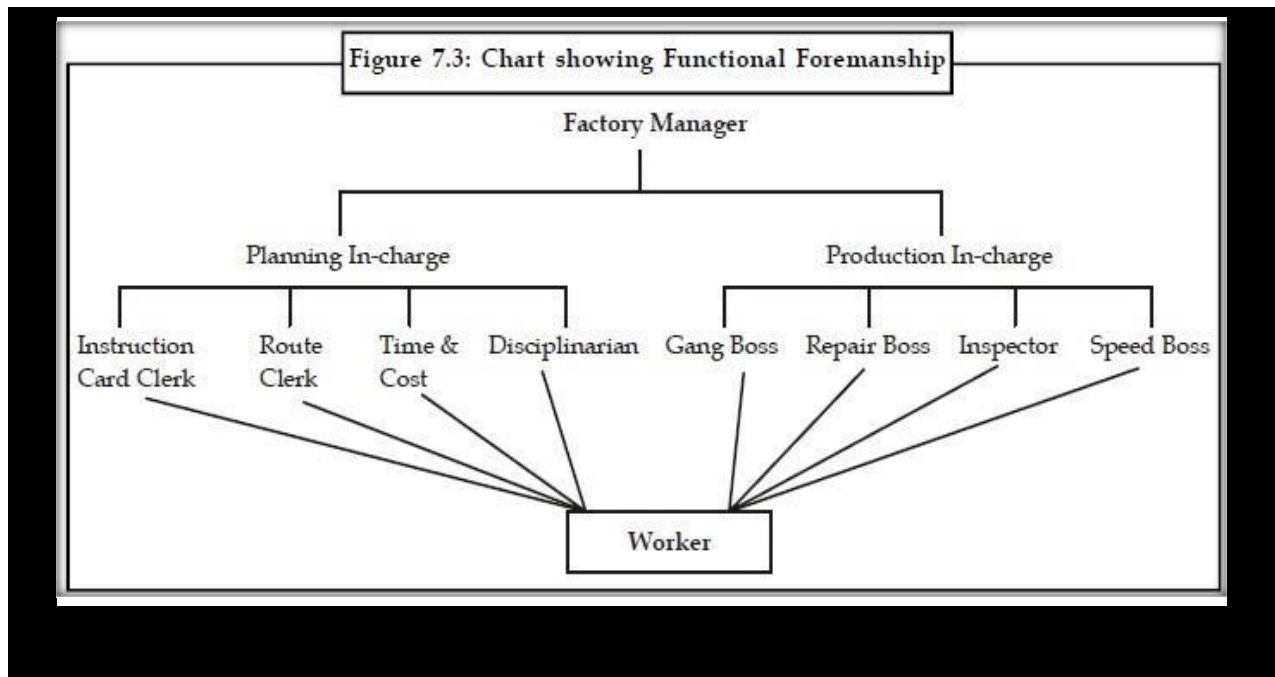
The four specialists or bosses at the shop level are:

1. **Gang Boss:** To assemble and set up tools and machines and to teach the workers to make all their personal motions in the quickest and best way.
2. **Speed Boss:** To ensure that machines are run at their best speeds and proper tools are used by the workers.
3. **Repair Boss:** To ensure that each worker keeps his machine in good order and maintains cleanliness around him and his machines.
4. **Inspector:** To show to the worker how to do the work.

It was F.W. Taylor who evolved functional organisation for planning and controlling manufacturing operations on the basis of specialisation. But in practice, functionalisation is restricted to the top of the organisation as recommended by Taylor.

Figure 9 Functional Organisation





Features of Functional Organisation

The features of functional organisation are as follows:

1. The work of the enterprise is divided into different functional departments and the different functional departments are placed under different specialists.
2. The functional specialist has the authority or right to give orders regarding his function whosoever that function is performed in the enterprise.
3. Under this system, the workers have to receive instructions from different specialists.
4. If anybody in the enterprise has to take any decision relating to a particular function, it has to be in consultation with the functional specialist.
5. Under this system, the workers have to perform a limited number of functions.

Advantages of Functional Organisation

1. Functional organisation is based on expert knowledge. Every functionary in charge is an expert in his area and can help the subordinates in better performance in his area.
2. Division of labour is planned not incidental.
3. As there is not scope for one-man control in this form of organisation, this system ensures cooperation and teamwork among the workers.
4. This system ensures the separation of mental functions from manual functions.

5. It helps mass production by standardization and specialization.
6. This system ensures maximum use of the principle of specialisation at every work point.
7. As there is joint supervision in the organisation, functional organisation reduces the burden on the top executives.
8. Functional organisation offers a greater scope for expansion as compared to line organisation. It does not face the problem of limited capabilities of a few line managers.
9. The expert knowledge of the functional managers facilitates better control and supervision in the organisation.

Disadvantages or Demerits of Functional Organisation

1. It is unstable because it weakens the disciplinary controls, by making the workers work under several different bosses. Thus, functional organisation violates the principle of unity of command.
2. Under this type of organisation, there are many foremen of equal rank. This may lead to conflicts among them.
3. The co-ordinating influence needed to ensure a smoothly functioning organisation may involve heavy overhead expenses.
4. The inability to locate and fix responsibility may seriously affect the discipline and morale of the workers through apparent or actual contradiction of the orders.
5. This system is very costly as a large number of specialists are required to be appointed.
6. A functional manager tends to create boundaries around himself and think only in term of his own department rather than of the whole enterprise. This results in loss of overall perspective in dealing with business problems.
7. It is difficult for the management to fix responsibility for unsatisfactory results.

Committee Organisation

Committee organisation as a method of managerial control has very little practical importance, because it is managed by a senior member of the committee only. But the committee organisations are widely used for the purpose of discharging advisory functions of the management.

Committees are usually relatively formal bodies with a definite structure. They have their own organisation. To them are entrusted definite responsibility and authority.

According to Hicks, "A committee is a group of people who meet by plan to discuss or make a decision for a particular subject."

According to Louis A Allen, "A committee is a body of persons appointed or elected to meet on an organised basis for the consideration of matters brought before it."

A committee may formulate plans, make policy decisions or review the performance of certain units. In some cases, it may only have the power to make recommendations to a designated official. Whatever may be the scope of their activities, committees have come to be recognised as an important instrument in the modern business as well as non-business organisations.

Objectives of Committees

Committees are constituted to achieve one or more of the following objectives:

1. To have consultations with various persons to secure their view-points
2. To give participation to various groups of people
3. To secure cooperation of different departments
4. To coordinate the functioning of different departments and individuals by bringing about unity of directions.

Types of Committees

1. **Line committee:** If a committee is vested with the authority and responsibility to decide and whose decisions are implemented, it is known as line committee.
2. **Staff committee:** If a committee is appointed merely to counsel and advise, it is known as a staff committee.
3. **Formal committee:** When a committee is constituted as a part of the organisation structure and has clear-cut jurisdiction, it is a formal committee.
4. **Informal committee:** An informal committee is formed to advice on certain complicated matters. It does not form part of the organisation structure.
5. **Coordinating committee:** It is constituted to coordinate the functioning of different departments.
6. **Executive committee:** It is a committee which has power to administer the affairs of the business.
7. **Standing committee:** are formal committees that are of permanent character.
8. **Ad hoc committee:** They are temporary bodies. It is appointed to deal with some special problem and stops functioning after its job are over.

Advantages or Merits of Committee

1. A committee is an effective method of bringing the collective knowledge and experience of a number of persons. Therefore, many multi-dimensional and complex problems of modern enterprises, which cannot be solved satisfactorily by individual managers, can be solved by committees.

2. Committees offer scope for group deliberations and group judgment. Results obtained by group deliberation and group judgment are likely to be better than those obtained by individual judgment.
3. When it is necessary to integrate varying points of view, which cannot conveniently be coordinated by individuals, the committee may be used to bring about coordination.
4. The management can give representation to the employees in various committees. This will motivate the employees for better performance as they feel that they have a say in the affairs of the organisation.
5. A committee form of organisation facilitates pooling of authority of individual managers for making some type of decisions of an inter-departmental nature.
6. A committee form of organisation tends to promote organisational cohesiveness. Group endeavour, team spirit and collective responsibility are control to the philosophy of committees.

Disadvantages of Committee

1. If a manager has an opportunity to carry a problem to a committee, he may take it as a means of avoiding decision-making or to escape the consequences of an unpopular decision.
2. Sometimes, a committee may not be able to take the needed decision because of the conflicting views of the members.
3. Committees take more time in procedural matters before any decision is taken. In some cases, slowness seriously handicaps the administration of the organisation.
4. Committees are an expensive device both in terms of cost and time.
5. When the committee findings represent a compromise of different viewpoints, they may be found to be weak and indecisive.
6. No member of a committee can be individually held responsible for the wrong decision taken by the committee.
7. It is very difficult to maintain secrecy regarding the deliberations and the decisions taken by a committee, especially when there are many members in the committee.

UNIT III

ORGANISATION BEHAVIOUR

Attitudes – Definitions – Components of Attitudes – Job Related Attitudes – Personality – Meaning – MBIT – Big Five Model – Other Traits – Perception: Definition, Perceptual Process – Learning Theories – Motivation – Theories of Motivation.

ORGANISATIONAL BEHAVIOUR

INTRODUCTION

Organisational Behaviour is the study and application of knowledge about how people act within organisations. It is a human tool for human benefits. It applies to the behaviour of people at work in all types of organizations: public, private, cooperative sector, commercial or service organisations. Whatever organisations are, there is a need to understand organisational behaviour.

Organisational Behaviour is the study of human behaviour in organisations to make more active human performance to achieve organisational objectives as well as human objectives. Organisational Behaviour aims at finding out those ways in which people will contribute in best possible manner.

The study of Organisational Behaviour involves understanding, prediction and control of human behaviour and the factors which influence the performance of people in an organisation. It is concerned with the behaviour of individuals and groups not the behaviour of all members collectively.

DEFINITIONS OF ORGANISATIONAL BEHAVIOUR

1. **Stephen P. Robbins:** “Organisation Behaviour is a field of study that investigates the impact that individuals, groups and structure have on behaviour within organisations, for the purpose of applying such knowledge toward improving an organisation’s effectiveness.”
2. **Moorhead/Griffin:** “Organisation behaviour is the study of human behaviour in organisational settings that interface between human behaviour and the organisation and the organisation itself.”
3. **Ramon J Aldag and Arthur P Brief:** “Organisation behaviour is a branch of the social science that seek to build theories that can be applied to predicting, understanding and controlling behaviour in work organisations.”

Nature and Feature: The following is the nature of organisational behaviour:

1. **Multidisciplinary study:** Organisational behaviour is a Multidisciplinary Subject. Organisational of behaviour uses and applies principles, practices thoughts and theories of various disciplines such as: Law, History, Psychology, Political science, Economics etc. So Organisational behaviour is a Multidisciplinary Subject.
2. **Science as well as Art:** Organisational behaviour is a science because it applies principles and concepts objectively. Organisational behaviour is also an art because its application changes as and when required. Organisational behaviour searches concepts and solutions according to the situation and need.
3. **System Approach:** Organisational behaviour uses system approach. System approach provides a useful framework for understanding how the elements of any organisation react

among themselves and with their external environment. Organisational behaviour uses system approach because it takes into account all the variables affecting organisational functioning.

4. Contingency Approach: Today's business world is full of uncertainties, i.e., in most organisational situations, outcomes are affected by many factors.

In the earlier days of management studies, managers tried to search for the universally applicable answers to organizational problems. That's why the earlier management concepts were not successful. Organisational environment is volatile and fast changing so management without contingent approach cannot be successful. It must have Contingency (as and when required) approach.

OB –as an interdisciplinary approach

Organizational behaviour is an applied behavioral science that is built on contributions from a number of behavioral disciplines such as psychology, sociology, social psychology, anthropology and economics.

Let's see how these disciplines are related to organizational behaviour,

A. **Psychology.** Psychology is the study of human behavior which tries to identify the characteristics of individuals and provides an understanding why an individual behaves in a particular way. This thus provides us with useful insight into areas such as human motivation, perceptual processes or personality characteristics.

B. **Sociology.** Sociology is the study of social behavior, relationships among social groups and societies, and the maintenance of social order. The main focus of attention is on the social system. This helps us to appreciate the functioning of individuals within the organization which is essentially a socio-technical entity.

C. **Social psychology.** Social psychology is the study of human behaviour in the context of social situations. This essentially addresses the problem of understanding the typical behavioral patterns to be expected from an individual when he takes part in a group.

D. **Anthropology.** Anthropology is the science of mankind and the study of human behaviour as a whole. The main focus of attention is on the cultural system, beliefs, customs, ideas and values within a group or society and the comparison of behaviour among different cultures. In the context of today's organizational scenario. It is very important to appreciate the differences that exist among people coming from different cultural backgrounds as people are often found to work with others from the other side of the globe.

E. **Economics.** Any organization to survive and sustain must be aware of the economic viability of their effort. This applies even to the non-profit and voluntary organizations as well.

F. **Political Science.** Although frequently overlooked, the contributions of political scientists are significant to the understand arrangement in organizations. It studies individuals

and groups within specific conditions concerning the power dynamics. Important topics under here include structuring of conflict, allocation of power and how people manipulate power for individual selfinterest etc.

Importance and scope of organizational behaviour

Organisational behaviour offers several ideas to management as to how human factor should be properly emphasized to achieve organisational objectives. Barnard has observed that an organisation is a conscious interaction of two or more people. Organisational behaviour provides opportunity to management to analyse human behaviour and prescribe means for shaping it to a particular direction.

Organisational behaviour helps to analyse 'why' and 'how' an individual behaves in a particular way. Understanding Human Behaviour Organisational behaviour provides understanding the human behaviour in all directions in which the human beings interact. Thus, organisational behaviour can be understood at the individual level, interpersonal level, group level and intergroup level.

- **Interpersonal Level:** Human behaviour can be understood at the level of interpersonal interaction. Organisational behaviour provides • means for understanding the interpersonal relationships in an organisation. Analysis of reciprocal relationships, role analysis and transactional analysis are some of the common methods, which provide such understanding.
- **Group Level:** Though people interpret anything at their individual level, they are often modified by group pressures, which then become a force in shaping human behaviour, Thus, individuals should be studied in groups also. Research in group dynamics has contributed vitally to organisational behaviour and shows how a group behaves in its norms, cohesion, goals, procedures, communication pattern and leadership. These research results are advancing managerial knowledge of understanding group behaviour, which is very important for organisational morale and productivity.
- **Inter-group Level:** The organisation is made up of many groups that develop complex relationships to build their process and substance. Understanding the effect of group relationships is important for managers in today's organisation. Inter-group relationship may be in the form of co-operation or competition.

Importance of organizational behaviour

- **Controlling and Directing Behaviour:** After understanding the mechanism of human behaviour, managers are required to control and direct the behaviour so that it conforms to the standards required for achieving the organisational objectives. Thus, managers are required to control and direct the behaviour at all levels of individual interaction. Therefore, organisational behaviour helps managers in controlling and directing in different areas such as use of power and sanction, leadership, communication and building organisational climate favourable for better interaction.

- ***Use of Power and Sanction:*** The behaviours can be controlled and directed by the use of power and sanction, which are formally defined by the organisation. Power is referred to as the capacity of an individual to take certain action and may be utilized in many ways. Organisational behaviour explains how various means of power and sanction can, be utilized so that both organisational and individual objectives are achieved simultaneously.
- ***Leadership:*** Organisational behaviour brings new insights and understanding to the practice and theory of leadership. It identifies various leadership styles available to a manager and analyses which style is more appropriate in a given situation. Thus, managers can adopt styles keeping in view the various dimensions of organisations, individuals and situations.
- ***Communication:*** Communication helps people to come in contact with each other. To achieve organisational objectives, the communication must be effective. The communication process and its work in inter-personal dynamics have been evaluated by organisational behaviour.
- ***Organisational Climate:*** Organisational climate refers to the total organisational situations affecting human behaviour. Organisational climate takes a system perspective that affect human behaviour. Besides improving the satisfactory working conditions and adequate compensation, organisational climate includes creation of an atmosphere of effective supervision; the opportunity for the realisation of personal goals, congenial relations with others at the work place and a sense of accomplishment.
- ***Organisational Adaptation:*** Organisations, as dynamic entities are characterised by pervasive changes. Organisations have to adapt themselves to the environmental changes by making suitable, internal arrangements such as convincing employees who normally have the tendency of resisting any changes.

MODELS OF ORGANISATION BEHAVIOUR

Organizations differ in the quality of organizational behaviour that they develop. These differences are substantially caused by different models of organizational behaviour that dominant management's thought in each organization. The model that a manager holds usually begins with certain assumptions about people and thereby leads to certain interpretations of organizational events. The following four models of organizational behaviour are as follows:

A. Autocratic model

B. Custodial model

C. Supportive model

D. Collegial model

Autocratic Model

In an autocratic model', the manager has the power to command his subordinates to do a specific job. Management believes that it knows what is best for an organization and

therefore, employees are required to follow their orders. The psychological result of this model on employees is their increasing dependence on their boss. Its main weakness is its high human cost.

Custodial Model

This model focuses better employee satisfaction and security. Under this model organizations satisfy the security and welfare needs of employees. Hence, it is known as custodian model. This model leads to employee dependence on an organization rather than on boss. As a result of economic rewards and benefits, employees are happy and contented but they are not strongly motivated.

Supportive Model

The supportive model depends on 'leadership' instead of power or money. Through leadership, management provides a climate to help employees grow and accomplish in the interest of an organization. This model assumes that employees will take responsibility, develop a drive to contribute and improve them if management will give them a chance. Therefore, management's direction is to 'Support' the employee's job performance rather than to 'support' employee benefit payments, as in the custodial approach. Since management supports employees in their work, the psychological result is a feeling of participation and task involvement in an, organization.

Collegial Model

The term 'collegial' relates to a body of persons having a common purpose. It is a team concept. Management is the coach that builds a better team. The management is seen as joint contributor rather than as a boss. The employee response to this situation is responsibility. The psychological result of the collegial approach for the employee is 'self-discipline'. In this kind of environment employees normally feel some degree of fulfilment and worthwhile contribution towards their work. This results in enthusiasm in employees' performance.

Table 2 Four models of organizational behaviour

	Autocratic	Custodial	Supportive	Collegial
Basis of Model	Power	Economic resources	Leadership	Partnership
Managerial orientation	Authority	Money	Support	Teamwork
Employee psychological result	Dependence on boss	Dependence on organization	Participation	Self-discipline
Employee needs met	Subsistence	Security	Status and recognition	Selfactualization
Performance result	Minimum	Passive cooperation	Awakened drives	Moderate enthusiasm

It is wrong to assume that a particular model is the best model. The selection of model by a manager is determined by a number of factors such as, the existing philosophy, vision and goals of manager. In addition, environmental conditions help in determining which model will be the most effective model.

INDIVIDUAL BEHAVIOUR

All organizations are composed of individuals. No organization can exist without individuals. Human behavior, which is; considered a complex phenomenon, is very difficult to define in absolute terms. It is primarily a combination of responses to external and internal stimuli. These responses would reflect psychological structure of the person and may be results of the combination of biological and psychological processes, which interpret them, respond to them in an appropriate manner and learn from the result of these responses.

Psychologist Kurt Levin has conducted considerable research into the human behavior and its causes. He believes that people are influenced by a number of diversified factors, which can be both genetic and environmental. The influence of these factors determines the pattern of human behavior.

An individual makes a variety of contributions to an organization in the form of—efforts, skills, ability, time, loyalty and so forth. These contributions presumably satisfy various needs and requirements of the organization. In return for contributions, the organization provides incentives such as pay, promotion, and job security to the employee. Just as the contributions available from the individual must satisfy the organization's needs, the incentives must serve the employees' needs in return.

If both the individual and the organization consider the psychological contract fair and equitable, they will be satisfied with the relationship and are likely to continue it. If either party perceives an imbalance or iniquity in the contract, it may initiate a change. A major challenge faced by an organization, thus, is to manage the psychological contracts.

One specific aspect of managing psychological contracts is managing the person-job fit. The 'person-job fit' is the extent to which the contributions made by the individual match the incentives offered by the organization. The behavior of individuals in organization is the primary concern of management and it is essential that the managers should have an understanding of the factors influencing the behavior of the employees they manage. The figure 5.1 identifies five sets of factors that have an impact upon individual behavior in organizations.

NATURE OF INDIVIDUAL DIFFERENCES

Individual differences are personal attributes that vary from one person to another. Individual differences may be physical and psychological. The following figure shows the attributes of physical and psychological differences.

Table 3 Individual Differences

Physical Differences	Psychological Differences
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Height	Personality
Weight	Attitudes
Body Shape	Perception
Appearance	Motivation
Complexion	Learning

Whenever an organization attempts to assess the individual differences among its employees, it must consider the situation in which that particular behavior occurs. Individual differences make the manager's job extremely challenging. In fact, according to a recent research, "variability among workers is substantial at all levels but increases dramatically with job complexity. Due to these reasons, growing work force diversity compels managers to view individual differences in a fresh way. Leaders now talk frequently about "valuing differences" and learn to "manage diversity". So rather than limiting diversity, as in the past, today's managers need to better understand and accommodate employee diversity and individual differences. **Important dimensions of individual differences**

- ✦ Self-concept
- ✦ Personality dimensions
- ✦ Abilities, and
- ✦ Personal values and ethics.

Self-concept

Self is the core of one's conscious existence. Awareness of self is referred to as one's self-concept. Sociologists Viktor Gecas defines self-concept as "the concept the individual has of himself as a physical, social and spiritual or moral being". In other words, every individual recognizes himself as a distinct individual. A self-concept would be impossible without the capacity to think. This brings us to the role of cognitions. Cognitions represent, "any knowledge, opinion, or belief about the environment about oneself, or about one's behavior". Among many different types of cognitions, those involving expectation, planning, goal setting, evaluating and setting personal standards are particularly relevant to organizational, behavior.

Self-esteem

Self-esteem is a belief over one's own worth based on an overall self-evaluation. Those with low self-esteem tend to view themselves in negative terms. They do not feel good about themselves, tend to have trouble in dealing effectively with others, and are hampered by self-doubts. High self-esteem individuals, in contrast, see themselves as worthwhile, capable and acceptable. Although, high self-esteem is generally considered a positive trait because it is associated with better performance and greater satisfaction, recent research uncovered flaws among those having high self-esteem. Specifically, high self-esteem subjects tended to become self-centred and boastful when faced with situations under pressure Hence moderate self-esteem is desirable.

Managers can build employee self-esteem in four ways:

1. Be supportive by showing concern for personal problems, interests, status and contribution.
2. Offer work involving variety, autonomy and challenges that suit the individual's values, skills and abilities.
3. Strive for management-employee cohesiveness and trust building.
4. Have faith in each employee's self-management ability, reward successes.

Self-efficacy

Self-efficacy is a person's belief about his' or her chances of successfully accomplishing a specific task. According to one organizational behavior writer, "Self-efficacy arises from the gradual acquisition of complex, cognitive, social, linguistic, and/or physical skills through experience",

There is strong linkage between high self-efficacy expectations and success in terms of physical and mental tasks, anxiety reduction, addiction control, pain tolerance and illness recovery. Oppositely, those with low self-efficacy expectations tend to have low success rates.

Personality Dimensions

The big, five personality dimensions are: extroversion, agreeableness, thoroughness, emotional stability and openness to experience. Ideally, these personality dimensions that correlate positively and strongly with job performance would be helpful in the selection, training and appraisal of employees. The individuals who exhibit; traits associated with a strong sense of responsibility and determination generally perform better than those who do not.

Physical and intellectual qualities

Physical differences among individuals are the most visible of all differences. They are also relatively easy to assess. Intellectual differences are somewhat more difficult to discern, but they too can be assessed by fairly objective means. The abilities/skills and competencies of employees are both physical and intellectual qualities. **Ability-**

it refers to an individual's skill to perform effectively in one or more areas of activity, such as physical, mental or interpersonal work.

Skills

skills are generally thought of as being more task-specific capabilities than abilities. For example, an individual with numerical ability who goes to school to learn accounting develops a numerical skill specific to that field'. Thus, when a particular ability is applied to a specialized area, (for example accounting), it becomes a skill.

Competencies-

Competencies are skills associated with specialization. Competencies are skills that have been refined by practice and experience and that enable the individual to specialize in some field. For example, an accountant with numerical ability and accounting skill takes a position in the Taxation Department and as time passes, he develops more competency as a tax expert.

Factors Influencing Individual Behaviour

1. Personality-personality traits
2. Economic factors-wage rate, technological change, the job, economic outlook, employment opportunity etc.
3. Socio-cultural factors-social environment consist of relation with friends, relatives, coworkers, superiors, subordinates etc.
4. Cultural factors- basic values, perceptions, work ethics, preferences etc.
5. Organizational factors- structure, hierarchy, resources, leadership, support etc, from organization
6. Motivation- internal motivation (individual skill, ability, intelligence etc.) external (incentives, training etc.)
7. Attitudes- perception favourably or unfavourably.
8. Values- personally or socially preferable.
9. Abilities- actual skills and capabilities of a person and physical-mental ability
10. Perception- is the viewpoint which one interprets a situation.
11. Personal factors- age, sex, education, intelligence, marital status, religion etc.

ATTITUDES

In simple words, an "attitude" is an individual's point of view or an individual's way of looking at something. To be more explicit, an "attitude" may be explained as the mental state of an individual, which prepares him to react or make him behave in a particular pre-determined way. It is actually an acquired feeling.

An attitude is defined as, "a learned pre-disposition to respond in a consistently favourable or unfavourable manner with respect to a given object". (Katz and Scotland)

Attitude is the combination of beliefs and feelings that people have about specific ideas, situations or other people. Attitude is important because it is the mechanism through which most people express their feelings.

COMPONENTS OF ATTITUDE

Attitude has three components, which are as follows:

1. Affective component
2. Cognitive component
3. Intentional component

The affective component of an attitude reflects 'feelings and emotions' that an individual has towards a situation.

The cognitive component of an attitude is derived from 'knowledge' that an individual has about a situation. Finally,

the intentional component of an attitude reflects how an individual 'expects to behave' towards or in the situation.

For example, the different components of an attitude held towards a firm, which supplies inferior products and that too irregularly could be described as follows:

- "I don't like that company"—Affective component.
- "They are the worst supply firm I have ever dealt with"—Cognitive component.
- "I will never do business with them again"—Intentional component.

People try to maintain consistency among the three components of their attitudes. However, conflicting circumstances often arise. The conflict that individuals may experience among their own attitudes is called 'cognitive dissonance'.

ATTITUDE FORMATION AND CHANGE

Individual attitude is formed over time as a result of repeated personal experiences with ideas, situations or people. One of the very important ways to understand individual behaviour in an organization is that of studying attitude, which is situational specific and learned.

An attitude may change as a result of new information. A manager may have a negative attitude about a new employee because of his lack of job-related experience. After working with a new person, a manager may come to realize that he is actually very talented and subsequently may develop a more positive attitude toward him.

Work-Related Attitudes

People in an organization form attitude about many things such as about their salary, promotion possibilities, superiors, fringe benefits, food in the canteen, uniform etc. Especially some important attitudes are job satisfaction or dissatisfaction, organizational commitment and job involvement.

Job Satisfaction

Job satisfaction is an attitude reflects the extent to which an individual is gratified or fulfilled by his or her work. Extensive research conducted on job satisfaction has indicated that personal factors such as an individual's needs and aspirations determine this attitude, along

with group and organizational factors such as relationships with co-workers and supervisors, working conditions, work policies and compensation.

A satisfied employee also tends to be absent less often, makes positive contributions, and stays with the organization. In contrast, a dissatisfied employee may be absent more often may experience stress that disrupts co-workers, and may keep continually look for another job.

Organizational factors that influence employee satisfaction include pay, promotion, policies and procedures of the organizations and working conditions. Group factors such as relationship with co-workers and supervisors also influence job- satisfaction. Similarly, satisfaction depends on individual factors like individual's needs and aspirations. If employees are satisfied with their job, it may lead to low employee turnover and less absenteeism and vice-versa.

Organizational Commitment and Involvement

Two other important work-related attitudes are organizational commitment and involvement. Organizational commitment is the individual's feeling of identification with and attachment to an organization. Involvement refers to a person's willingness to be a team member and work beyond the usual standards of the job. An employee with little involvement is motivated by extrinsic motivational factor and an employee with strong involvement is motivated by intrinsic motivational factors.

There are a number of factors that lead to commitment and involvement. Both may increase with an employee's age and years with the organization, with his sense of job security and participation in decision-making. If the organization treats its employees fairly and provides reasonable rewards and job security, employees are more likely to be satisfied and committed. Involving employees in decision-making can also help to increase commitment. In particular, designing jobs, which are interesting and stimulating, can enhance job involvement.

Measurement of Attitude

Since attitude is a psychological phenomenon, it is necessary to measure because it affects the feeling of the people, labour turn over, absenteeism, productivity etc. some of the popular method to measure attitudes are.

1. **Opinion survey**-this is based on questionnaire with closed end questions (Y/N questions) or multiple-choice questions regarding nature of work, environment, rewards etc. through which attitude is measured.
2. **Interviews**- an interview board consisting of neutral person conducting interview with employees and keep the result as confidential
3. **Scaling techniques**-Thurston attitude scale, Likert scale etc.

Sources of attitude

1. Direct personal experience
2. Association
3. Family and per groups
4. Neighbourhood
5. Economic status and occupation
6. Mass communication

PERCEPTION

INTRODUCTION

Perception is described as a person's view of reality. Perception is an important mediating cognitive process. Through this complex process, people make interpretations of the stimulus or situation they are faced with. Both selectivity and organization go 'into perceptual, interpretations.

Externally, selectivity is affected by intensity, size, contrast, repetition, motion and novelty and familiarity. Internally, perceptual selectivity is influenced by the individual's motivation, learning and personality. After the selective process filters the stimulus situation, the incoming information is organized into a meaningful whole.

“It is the interpretation of sensory data so as to gather meaningful ideas”. In the process of perception, people receive many different kinds of information through all five senses, assimilate them and then interpret them. Different people perceive the same information differently.

Perception plays a key role in determining individual behaviour in organizations. Organizations send messages in a variety of forms to their members regarding what they are expected to do and not to do. In spite of organizations sending clear messages, those messages are subject to distortion in the process of being perceived by organizational members. Hence, managers need to have a general understanding of the basic perceptual process.

Perceptual Process

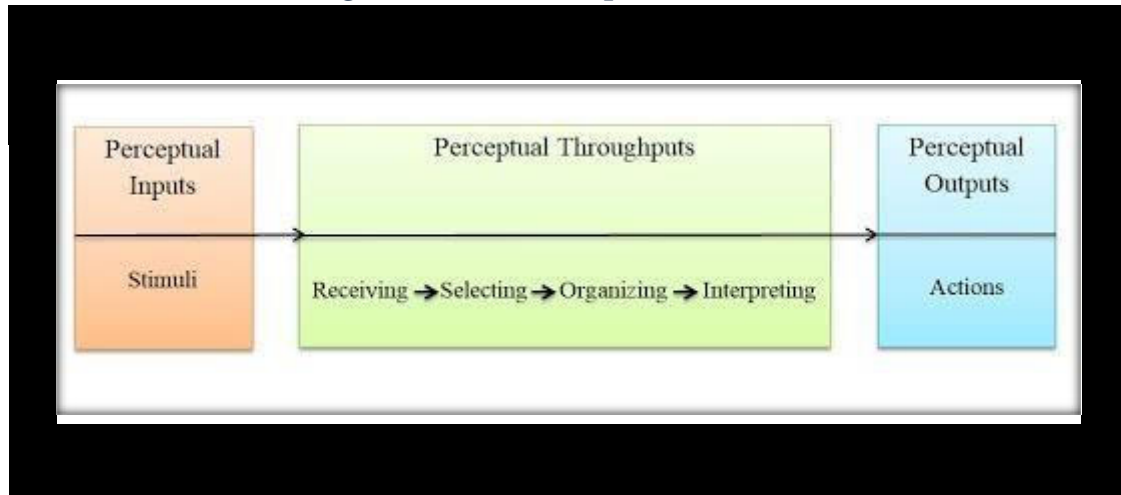
Perception is the process by which people select, organize, interpret and respond to information from the world around them. This information is obtained through the senses namely, seeing, hearing, touch, taste and smell.

Perception may be defined as the process of receiving, selecting, organizing, interpreting, checking, and reacting to sensations. It is also defined as *‘a process by which individuals organize and interpret their sensory impressions in order to give meaning to their environments.’* The perception processes show that their functioning is affected by three variables – the objects perceived, the environment in which perception occurs, and the individual perceiving the objects.

Basic Perceptual Process

Perception is influenced by characteristics of the object being perceived, by the characteristics of the person and by the situational processes. Perception is a screen or filter through which information passes before having an effect on people. It consists of:

Figure 10 **Basic Perceptual Process**



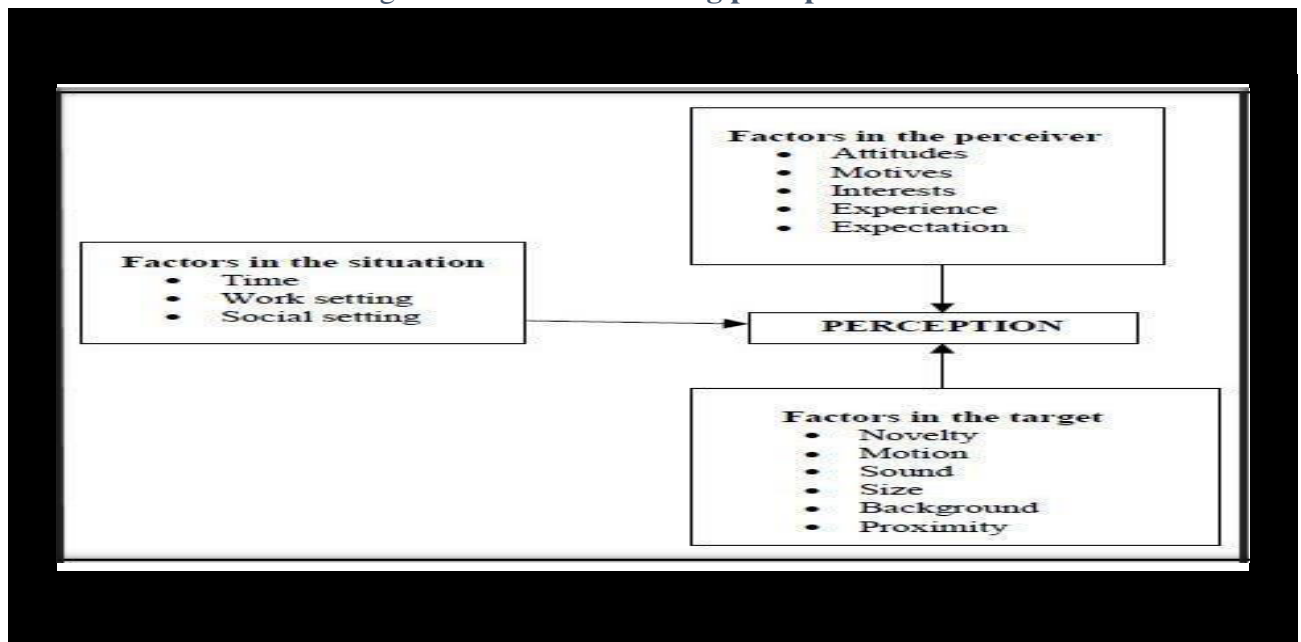
1. **Perceptual input-** Information, object, event, people, symbols etc. Characteristics of the object include contrast, intensity, movement, repetition and novelty. Characteristics of the person include attitude, self-concept and personality.
2. **Perceptual mechanism-** receiving of information by means of five senses from the external environment and process them to form output. It includes:
 - a. Perceptual receiving
 - b. Perceptual selectivity
 - c. Perceptual organization
 - d. Perceptual Interpretation (perceptual context, perceptual defence, halo effect, projection, attribution, stereo typing etc.)
3. **Perceptual output-** behavioral outcome of perceptual mechanism. It is the result of perceptual process. It includes attitude, opinions, feelings, values and behaviour the details of a particular situation affect the way a person perceives an object; the same person may perceive the same object very differently in different situations. The processes through which a person's perceptions are altered by the situation include selection, organization, attribution, projection, stereotyping process, and the halo effect process. Among these, selective perception and stereotyping are particularly relevant to organizations.

Factors Affecting perception

Perceptual selection is determined by two broad factors:

1. External factors
2. Internal factors

Figure 11 Factors Affecting perception



External factors

These factors relate the environment. They include:

- A. **Size** – size determines the height or weight of an individual, object etc. bigger the size, higher will be the perception.
 - B. **Intensity**- intensity attracts to increase the selective perception. Eg. An illuminated shop attracts attention of the customers.
 - C. **Repetition**- repeated message and advertisement is more likely perceived than a single one.
 - D. **Movements** – moving objects are more likely to be perceived than a stationary object. A moving car is more perceived than a parked car.
 - F. **Status**- high status people can influence the perception of employees than low status people. An order from the Managing Director may be perceived by employees quickly.
 - G. **Contrast** - an object which contrasts with surrounding environment is more likely to be noticed.
- E.g. “EXIT” sign in the cinema hall, Danger sign in transformers etc.
- H. **Novelty and Familiarity**- this states that either the familiar or novel factor can serve as attention better. E.g. Face of a film star can be identified even in a crowd. Novel or new type of advertisement like DOCOMO...
 - I. **Nature** – perception level may be varied according to the nature of input or stimuli. Eg. A picture attracts more attention than a word.

J. **Order**- the order in which the objects or stimuli are presented is an important factor for attention. E.g. Welcome speech at the beginning will attract more attention. Like that, in film, suspense will be revealed at last to heighten the curiosity and perceptive attention.

Internal factors

Internal or personal factors also influence the perception process. The important personal factors are:

A. **Learning**- A perceptual set is basically what a person expects from the stimuli on the basis of experience and learning relative to same or similar stimuli. Eg. Perception on sign board will be different for those who learned driving and those who not.

Motivation- Motivation also plays an important role in influencing perception.

E.g. A hungry person will be very sensitive to the smell or sight of food than a non-hungry one.

B. **Personality**- perception is also influenced by personality especially young and old, man to women etc.

C. **Experience**-a successful experience enhance and boost the perceptive ability and leads to accuracy in perception whereas failure erodes confidence

PERSONALITY

The term personality has been derived from Latin word “*personnare*” which means to speak through. Personality is traditionally referring to how people influence others through their external appearances.

Meaning and Definition of Personality

Personality is a complex phenomenon and difficult to understand. There is no single universally acceptable definition. Personality refers to the personal characteristics that lead to consistent patterns of behaviour. It represents the overall profile or combination of stable characteristics that capture the unique nature of a person. Personality combines a set of physical and mental characteristics that reflect how a person looks, thinks, acts and feels. It has both internal and external elements. External traits are observable behaviours on the basis of which we can understand one's personality. The internal factors are thoughts, values and genetic characteristics that are inferred from the observable behaviours.

According to Hogan, *personality refers to the relatively stable pattern of behaviours and consistent internal states that explain a person's behavioural tendencies.*

Gordon Allport defines “*Personality is the dynamic organisation within an individual of those psychological systems that determine his unique adjustment to his environment*”.

Maddi defines personality as, “*A stable set of characteristics and tendencies that determine those commonalities and differences in the psychological behavior and that may not be easily understood as the sole result of the social and biological pressures of the moment*”.

We can understand from the above definition that people have some traits in common with others and some uncommon with them. Each employee in an organization is unique and he may or may not act similarly in a similar situation. Therefore, managers cannot use the same kind of rewards or motivation techniques to influence employee's behaviour. The above definition does not mean that people do not ever change. It simply indicates that individuals do not change drastically overnight and their thoughts, feelings, values, and actions remain relatively stable over time. Personality changes in individuals occur slowly over an extended period of time. However, an understanding of personality dimensions would enable managers to predict the behaviour of employees and manage them effectively.

Characteristics or Features

- Personality is something which is unique in each individual.
- Personality refers particularly to the persistent qualities of an individual.
- Personality represents a dynamic orientation of an organism to the environment.
- Personality is greatly influenced by social interactions.
- Personality represents a unique organization of persistent dynamic and social predisposition.
- Consistency.
- Psychological and physiological.
- It impacts behaviors and actions.
- Multiple expressions.

Personality traits

Personality traits are very important in organizational behavior. In particular, five personality traits especially related to job performance have recently emerged from research. Characteristics of these traits can be summarized as follows:

- 1. Extroversion:** Sociable, talkative and assertive.
- 2. Agreeableness:** Good-natured, cooperative and trusting.
- 3. Conscientiousness:** Responsible, dependable, persistent and achievement-oriented.
- 4. Emotional Stability:** Viewed from a negative standpoint such as tense, insecure and nervous.
- 5. Openness to Experience:** Imaginative, artistically sensitive and intellectual.

Identifying the above "big five" traits related to performance reveals that personality plays an important role in organizational behavior. Besides physical appearance and personality traits, the aspects of personality concerned with the self-concept such as self-esteem and self-efficacy and the person-situation interaction also play important roles.

Figure 12 Big Five Personality Model



Personality formation

The personality formation of an individual starts at birth and continues throughout his life. Three major types of factors play important roles in personality formation, which are as follows:

- **Determinants:** The most widely studied determinants of personality are biological, social and cultural. People grow up in the presence of certain hereditary characteristics (body shape and height), the social context (family and friends) and the cultural context (religion and values). These three parts interact with each other to shape personality. As people grow into adulthood, their personalities become very clearly defined and generally stable.
- **Stages:** According to Sigmund Freud human personality progresses through four stages: dependent, compulsive, oedipal and mature. This concept of stages of growth provides a valuable perspective to organizational behavior. Experienced managers become aware of the stages that their employees often go through. This helps them to deal with these stages effectively and promote maximum growth for the individual and for the organization.
- **Traits:** Traits to personality are also based on psychology. According to some trait theories, all people share common traits, like social, (political, religious and aesthetic preferences but each individual's nature differentiates that person from all others.

Determinants of Personality

Having understood the concept of personality, now we can move further to know how an individual's personality is determined? Is it inherited (genetically determined) or is it formed after years of experience? There are no simple answers to these questions. In fact, several factors influence the shaping of our personality. Primarily, there are two sources contributing

for personality differences. They are i. heredity and ii. environment. Environment has several factors within it like culture, family background, life experiences and the groups we interact with. The following diagram shows how personality is shaped by these factors.

Heredity

Our personality is partly inherited genetically from our parents. For example, whether we are fair or dark, tall or short, strong or weak are all characteristics that have something to do with heredity. Personality characteristics are partly influenced by environmental factors also like experiences in life. Some traits may have strong genetic component while others may be largely learned.

Culture

Culture refers to the distinctive ways in which people organize and live their lives. Hence people belonging to different societies will have different cultural orientations. Persons born into a particular society are exposed to family and societal values and to norms of acceptable behaviour in the culture of that society. People in the West and those in the East have cultural differences between themselves. In US culture, people are rewarded for being independent while in Japanese culture they are rewarded for being group oriented. These differences are primarily due to variations in cultural norms and expectations of acceptable behaviours in the respective societies. You may also note that though cultural values may have an impact on personality differences among people in different cultures, people born in the same culture may also differ from each other in many characteristics. Managers should keep this in mind when they are dealing with the employees.

Family Background

An important tool of socializing a person into a particular culture is the person's immediate family. Factors like the socio-economic status of the family, the number of children in the family and birth order, and education of the parents and extended members of the family such as cousins, uncles and aunts influence personality formation. In this regard, you may note that parents' influence on children's development is significant and it happens in three ways:

i. Through their own behaviours they influence children's behaviours; ii. They serve as role models; and iii. They selectively reward and punish the behaviour of children.

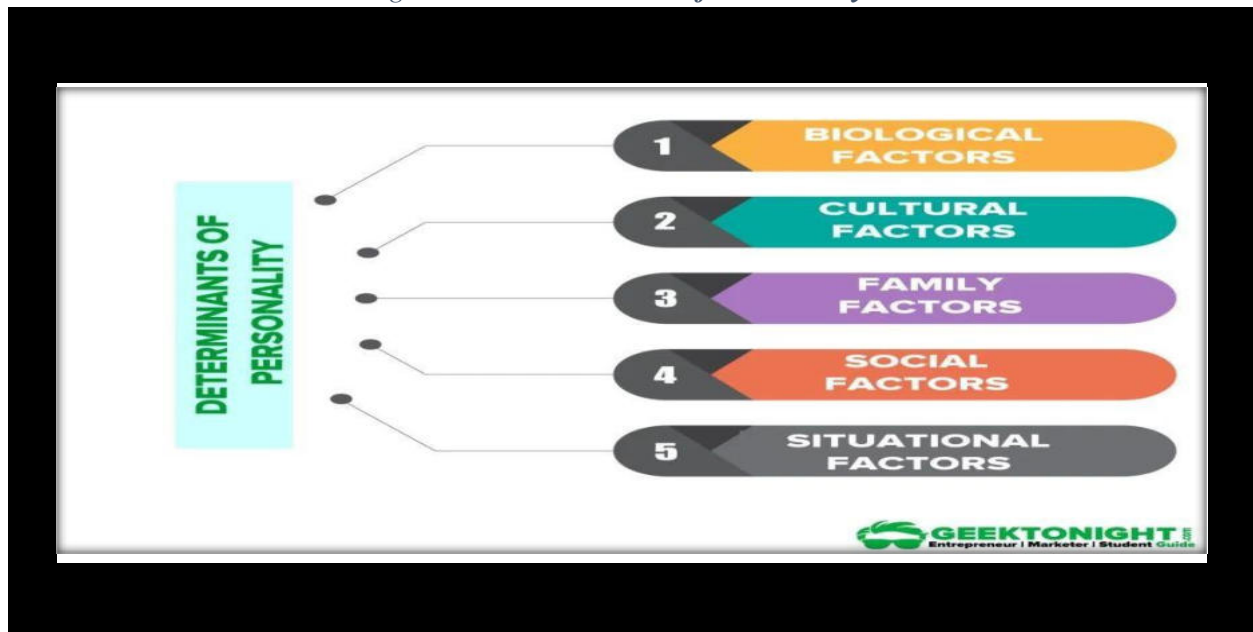
Experiences in Life

Perceptions, ego, temperaments, and self-esteem, are all related to one's past experiences. A complex set of events and interactions with other people determine the level of self-esteem of a person. Therefore, some personality traits get changed positively or negatively on the basis of the kind of experiences in one's life.

Groups we interact with

The first group of people, a person interacts with is the family. As they grow, people participate in various groups in the life time. The roles and experiences people have as members of different groups lead to personality differences. People influence each other and tend to associate with members who are similar to them in their attitudes and values. The interactions begin first with parents and siblings, then teachers and classmates, later on friends and colleagues. Undoubtedly, the influence of groups and various individuals will shape our personality. For example, if a person wants to become a member of a work group, he has to change himself to conform to the values and norms of that group. If the person is of aggressive type, he may have to become cooperative.

Figure 13 Determinants of Personality



Theories of Personality

Trait Theory

Trait theory presents an approach to understand personality. Many traits are common to most people. However, there are many other traits that are unique to a person. It may be remembered that traits are reactions and not what a person possesses. A person does not possess emotion but he acts emotionally in some circumstances. On the basis of the traits, people may be described as emotional, aggressive, loyal, creative, flexible, humorous, sentimental, and impulsive and so on. Traits are the basic elements of personality and can be used to summarize the behaviour of a person. However, determining basic traits is rather difficult because thousands of descriptive words are there.

Psychoanalytical Theory

The psychoanalytical theory of personality is based on the Freudian concept of unconscious nature of personality. On the basis of his clinical experience, Freud noted that his patient's behaviour could not always be consciously explained. This prompted him to believe that the personality structure is primarily founded on unconscious framework and that human

behaviour and motivation are the outcomes of such conflicting psychoanalytic concepts as the **id**, the **ego** and the **super ego**.

Id is the foundation of the unconscious and is the basis of libido drives. It strives for sexual and other biological pleasures and has animal instincts of aggression, power and domination.

Ego is conscious in nature and is a mechanism to relate our conscious urges to the outside real world. It keeps the id in check through the realities of the external environment. While **id** demands immediate pleasure, regardless of costs, **ego** controls it so that these pleasures are granted at an appropriate time and in an acceptable manner. Because of difficulty in keeping the id under control, ego is supported by **super ego**.

The super ego is the higher-level restraining force and can be described as the conscience of the person. The conscience creates standards of what is right and what is wrong and is generally subconsciously developed by the absorption of cultural and ethical values of the social environment. All these three Freudian elements are interrelated and each cannot exist in isolation from others. In order to create a “normal” personality, there must be a balance in the relationship among these three forces.

Social Learning Theory

The social learning theory differs from the psychoanalytical theory in two ways. *First*, it is believed that personality development is more a result of social variables than biological drives. *Secondly*, motives can be traced to known and conscious needs and wants rather than unconscious and latent desires. Thus, learning theory looks at personality as the sum total of all that a person has learned. The social learning theory focuses on behaviour patterns and cognitive activities in relation to the specific conditions that evoke maintain or modify them. The social learning theory uses “reinforcement and punishment” approach in understanding personality. For example, good behaviour is rewarded by management in terms of praise that further reinforces good behaviour. Thus, behaviour and external environment have mutual interaction. Behaviour partly creates the person’s environment and the environment affects the behaviour as well.

Learning may also take place simply from observation rather than interaction with the environment. We watch the behaviour of other people, draw conclusions from it and come out with our own behaviour. Unlike trait theory or psychoanalytical theory, social learning theory considers *situation* as an important variable in determining human behaviour.

Myers-Briggs Type Indicator (MBTI)

The Myers-Briggs Type Indicator (MBTI), developed by Isabel Briggs Myers and her mother, Katharine Cook Briggs, is a well-known and widely used personality inventory based on the psychological theories of Carl Gustav Jung. It is often used as a tool for discovering and understanding different normal human personalities and can be utilized in a variety of applications such as academic counselling, career development, conflict resolution, leadership training and relationship counselling, just to cite a few. However, it should be noted that

MBTI is not a test as there are no right or wrong answers and it does not reveal everything about oneself.

Based on Jung's psychoanalytical theories, Myers deduced that there were four dichotomies which made people differ from one another and referred to them as 'type preferences. The four dichotomies and their brief descriptions are presented below:

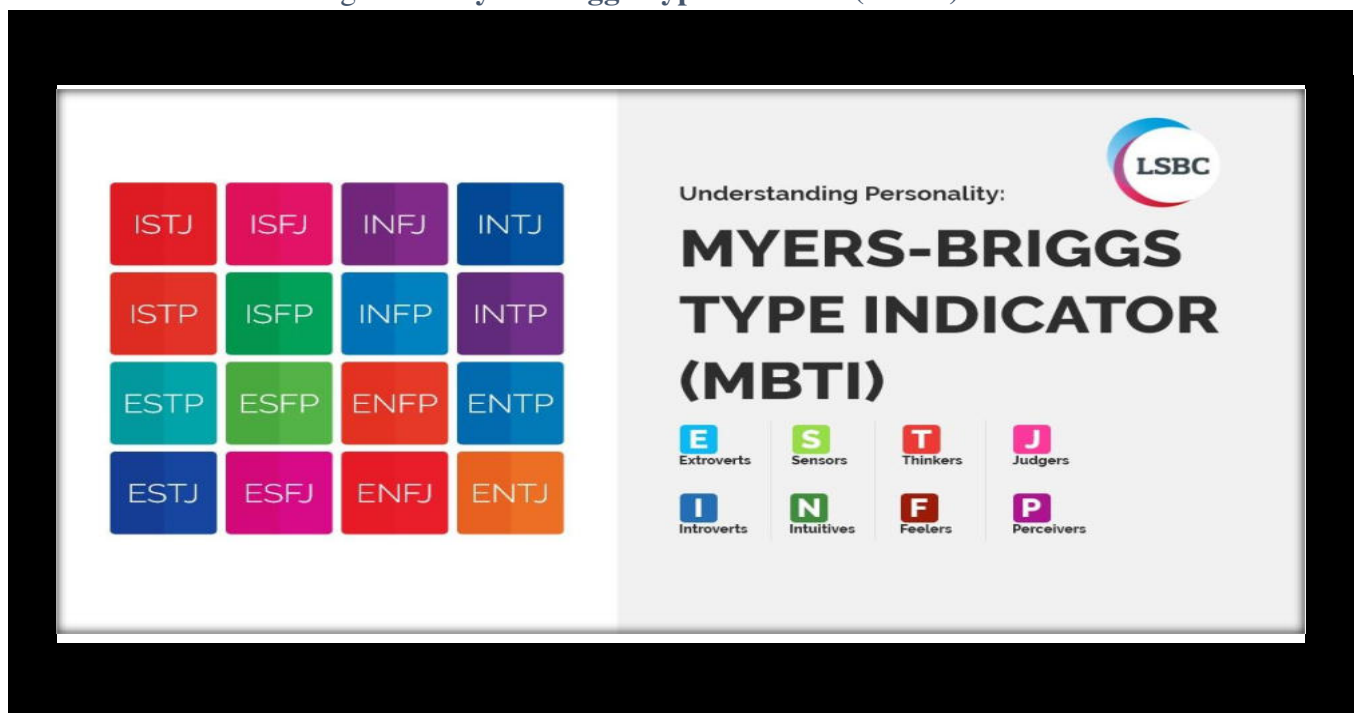
- **Extraversion or Introversion:** Indicates whether people prefer to acquire their personal energy from the outer world of people and activities, or from inner world of ideas and thoughts. E.g., extraverts prefer being in large group of people and introverts tend to take pleasure in quieter activities.
- **Sensing or Intuition:** Describes how people take in information, whether they focus on what is actual and real (factual-based) or prefer to interpret or apply meaning to what they see. E.g., people who prefer sensing is down-to-earth and more dependent on past experiences, whereas people who prefer intuition are considered idealists and rely more on the future.
- **Thinking or Feeling:** Indicates how people prefer to make decisions, whether it is based on logical thinking or influenced by their concerns for themselves and others. E.g., people who prefer feeling over thinking are generally predominant in helpful professions such as counsellors and they pay close attention to other people's needs. In addition, those who prefer thinking may seek factual clarity in solving disputes.
- **Judging or Perceiving:** Describes the way you manage your life and how you deal with the outer world, whether in an orderly manner or spontaneously. E.g., people who prefer judging like to have everything in order and in a scheduled manner. On the contrary, people who prefer perceiving are more unplanned and spontaneous in their lifestyle, including making decisions.

Combinations based on these four categories of type preferences result in 16 different personality types as shown below.

1. ISTJ – Introverted Sensing with Thinking
2. ISFJ – Introverted Sensing with Feeling
3. INFJ – Introverted Intuition with Feeling
4. INTJ – Introverted Intuition with Thinking
5. ISTP – Introverted Thinking with Sensing
6. ISFP – Introverted Feeling with Sensing
7. INFP – Introverted Feeling with Intuition
8. INTP – Introverted Thinking with Intuition
9. ESTP – Extraverted Sensing with Thinking

10. ESFP – Extraverted Sensing with Feeling
11. ENFP – Extraverted Intuition with Feeling
12. ENTP – Extraverted Intuition with Thinking
13. ESTJ – Extraverted Thinking with Sensing
14. ESFJ – Extraverted Feeling with Sensing
15. ENFJ – Extraverted Feeling with Intuition
16. ENTJ – Extraverted Thinking with Intuition

Figure 14 Myers-Briggs Type Indicator (MBTI)



Type A and B PERSONALITY

Type A and Type B behaviour is a theory of personality which describes two ends of a continuum of personality which is linked to stress levels. Individuals often have elements of both personalities. This theory was developed from work by cardiologists Friedman and Rosenman (1959)

Type A and Type B personality hypothesis describes two contrasting personality types. In this hypothesis, personalities that are more competitive, highly organized, ambitious, impatient, highly aware of time management or aggressive are labelled Type A, while more relaxed, less "neurotic", "frantic", "explainable" personalities are labelled Type B.

Type A behaviour is exhibited by being ambitious, organised, impatient, and like to be punctual. They can also be irritable. Type A personalities are hard workers and career orientated.

Type B behaviour is essentially the opposite from type A. Type B personalities are relaxed, not competitive and generally not as ambitious as their Type A peers.

Individuals with a type B personality are therefore less likely to experience high levels of stress and will generally score lower on stress levels measurement. This is because they experience none of the urgency and competitive pressure that someone who is Type A will feel.

Type A

The hypothesis describes Type A individuals as outgoing, ambitious, rigidly organized, highly status-conscious, impatient, anxious, proactive, and concerned with time management. People with Type A personalities are often high-achieving "workaholics". They push themselves with deadlines, and hate both delays and ambivalence. People with Type A personalities experience more job-related stress and less job satisfaction. They tend to set high expectations for themselves, and may believe others have these same high expectations of them as well.^[10] Interestingly, those with Type A personalities do not always outperform those with Type B personalities. Depending on the task and the individual's sense of time urgency and control, it can lead to poor results when there are complex decisions to be made. However, research has shown that Type A individuals are in general associated with higher performance and productivity. Moreover, Type A students tend to earn higher grades than Type B students, and Type A faculty members were shown to be more productive than their Type B behavior counterparts.

Type B

Type B is a behavior pattern that is lacking in Type A behaviours. A-B personality is a continuum where one either leans to be more Type A or Non-Type A (Type B). The hypothesis describes Type B individuals as a contrast to those of Type A. Type B personality, by definition, are noted to live at lower stress levels. They typically work steadily, and may enjoy achievement, although they have a greater tendency to disregard physical or mental stress when they do not achieve. When faced with competition, they may focus less on winning or losing than their Type A counterparts, and more on enjoying the game regardless of winning or losing. Unlike the Type A personality's rhythm of multi-tasked careers, Type B individuals are sometimes attracted to careers of creativity: writer, counsellor, therapist, actor or actress. Their personal character may enjoy exploring ideas and concepts.

Type B personality types are more tolerant than individuals in the Type A category. This can be evident through their relationship style that members of upper management prefer. Type B individuals can "see things from a global perspective, encourage teamwork, and exercise patience in decision making..."

Figure 15 TYPE A and TYPE B Personality

UNDERSTANDING THE TWO TYPES OF PERSONALITIES	
TYPE A PERSONALITY	TYPE B PERSONALITY
 - Self-driven & Highly Competitive - - Ambitious & Goal Oriented - - Impatient & Intolerant - - Aggressive & Hostile - - Controlling & Dominant - - High Risk of Heart Disease - - Entrepreneurial & Workaholic - - Sense of urgency - - Fast-paced & Too Busy To Enjoy Life - - Motivated by Challenges - - Easily Stressed Out -	 - Less competitive & Focused on Enjoying Life - Easy-going, Relaxed & Highly Flexible - Energetic, Outgoing, yet a Laid-back Attitude - Imaginative & Creative - Lighthearted & Persuasive - High Levels Of Life Satisfaction - Fun-loving, Easygoing & People-Oriented - Enthusiastic & Spontaneous - Friendly & Inspiring - Self-confident & Reflective - Highly Patient & Less Prone to Stress
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Other Personality Traits:

Cattell identified 15 source primary traits. These were found to be generally steady and constant sources of behaviour. But there was found to be no scientific relevance. The traits are listed below:

1. Reserved-Outgoing
2. Less Intelligent-More intelligent
3. Affected by feelings-Emotionally stable
4. Submissive-Dominant
5. Serious-Happy go guy
6. Expedient-Conscientious
7. Timid-Venturesome
8. Tough Minded-Sensitive
9. Trusting-Suspicious
10. Practical-Imaginative
11. Forthright-Shrewd
12. Conservative-Experimenting

13. Group-dependent-Self-sufficient

14. Uncontrolled-controlled

15. Relaxed-Tense

In the trait approach, several behaviours are seen as cluster characterising individuals with high degree of stability.

MOTIVATION

The word motivation is derived from 'motive', which means an active form of a desire, craving or need that must be satisfied. Motivation is the key to organizational effectiveness. The manager in general has to get the work done through others. These 'others' are human resources who need to be motivated to attain organizational objectives.

Motivation is the willingness to exert efforts in order to achieve a desired outcome or goal which will satisfy someone's needs.

Motivation Definition

The term motivation has been defined by many authors.

- 1. According to Stanley Vence**, motivation implies "any emotion or desire which so conditions one's will that the individual is propelled into action".
- 2. Robert Dubin** defines it as "the complex of forces starting and keeping a person at work in an organisation". According to this definition, motivation is a force which compels the person to join organisation and keep on working therein.
- 3. Carroll Shartle**, "Motivation is a reported urge or intention to move in a given direction or to achieve a certain goal".
- 4. E.F.L. Brech**, "Motivation is a general inspiration process which gets the members of the team to pull their weight effectively to give their loyalty to the group, to carry out properly the tasks that they have accepted and generally to play an effective part in the job that the group has undertaken".
- 5. Edwin B. Flippo**, "Motivation is a process of attempting to influence others to do their work through the possibility of getting reward".

On the basis of above definitions, the following observations can be made regarding motivation:

- Motivation is an inner psychological force, which activates and compels the person to behave in a particular manner.
- The motivation process is influenced by personality traits, learning abilities, perception and competence of an individual.

- A highly motivated employee works more efficiently and his level of production tends to be higher than others.
- Motivation originates from the-needs and wants of an individual. It is a tension of lacking something in his mind, which forces him to work more efficiently.
- Motivation is also a process of stimulating and channelising the energy of an individual for achieving set goals.
- Motivation also plays a crucial role in determining the level of performance. Highly motivated employees get higher satisfaction, which may lead to higher efficiency.
- Motivating force and its degree, may differ from individual to individual depending on his personality, needs, competence and other factors.

On the basis of analytical study of above definitions, it may be concluded that motivation is a process which inspires the human efforts of an organisation to perform their duties in the best possible manner so that the pre-determined objectives of the enterprise may be achieved. Motivation is the emotion or desire of an employee that inspires him to act or not to act in certain ways.

Features of motivation

The following are the features of motivation:

- It is an internal feeling and forces a person to action.
- It is a continuous activity.
- It varies from person to person and from time to time.
- It may be positive or negative.

CHARACTERISTICS OF MOTIVATION

1. **Incentive:** Motivation is the incentive of employees. It is a personal and natural feeling of the mind of the employees. This feeling arises in the mind of an individual. In fact, an individual is inspired to make his efforts to satisfy the needs of his life.
2. **Unending Process:** Motivation is an unending process. Human needs are unlimited and a person always feel a need. To satisfy these needs, the person must always be inspired with the incentives for work. Satisfaction of one need leads to the feeling of another one and this process never ends.
3. **Psychological Concept:** Motivation is a psychological concept. It develops the mental and motivation power of an individual and motivates him to do more and better.
4. **Power to Act:** Motivation is a power to act. It inspires an individual to work. Feeling of a need creates tension and a person wants to work to satisfy his need. When the need is satisfied, the persons feel motivated to work for the achievement of common goals.

5. Increase in Efficiency: Motivation increase the efficiency of an individual. He uses his ability and efficiency to the best possible extent which increase his efficiency. Motivation increases the quantity and quality of production.

6. Increase in Morale: Morale is a group feeling. Motivation motivates the employees to work with the co-operation of others. Thus, motivation is helpful in increasing the morale of the employees.

Aims or Objectives of Motivation

The aims and objectives of motivation may be described as under:

1. To motivate the employees to do more work.
2. To satisfy the economic, social and psychological needs of the employees.
3. To develop human relations in the enterprise.
4. To increase the morale of employees.
5. To increase the efficiency of employees.
6. To get the co-operation of employees.
7. To establish sweet relations between labour and capital.
8. To get the maximum exploitation of human resources.
9. To achieve the objectives of enterprise.

Factors Affecting Motivation

Factors affecting motivation may be divided into following parts:

1. Monetary Incentives:

Monetary incentives are direct incentives provided to the employees of an enterprise. It includes the following incentives: (1) Proper wage or salary, (2) Bonus, (3) Overtime, (4) Monetary rewards and (5) Interests on investments. Monetary incentives satisfy the basic needs of employees.

2. Non-Monetary Incentives:

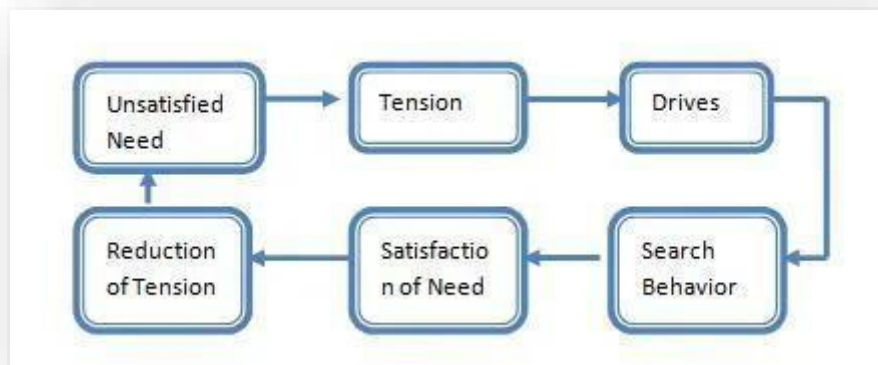
Monetary incentives are not sufficient to ensure more and better work by employees. Non-Monetary incentives are also provided to them to motivate them in the right direction. Such incentives motivate them to do more and more work. Following factors are included under this category: (1) Safety of work, (2) Appraisal of work, (3) Honour of Employees, (4) Behaviour with employees, (5) Opportunities of promotion, (6) Delegation of authorities, (7) To increase the feelings and suggestions of employees, (8) To launch welfare schemes for the employees like housing facilities, medical facilities, recreation facilities, education facilities, insurance etc. (9) Co-partnership in management.

Process of Motivation

Needs, Incentives and Motives

Need is the starting point of motivation. An unsatisfied need creates tension that stimulates drives within the individual. These drives generate a search behaviour to achieve particular goals that will satisfy the need and lead to reduction of tension. The action taken by the individual will lead to reward which satisfies the need and reduces tension.

Figure 16 Process of Motivation



Management can do its job effectively only through motivating people to work for the accomplishment of organisational objectives. But it is difficult to understand motivation without considering what people want and expect from their work.

Human needs may be classified as: (1) basic physiological or primary needs, and (2) social and psychological or secondary needs. Some of the physiological needs are food, water, sleep, air to breathe, sex, clothing and shelter. These needs arise out of the basic physiology of life and are important for the survival of a man. They are virtually universal among people, but they exist in different intensity. Needs are also influenced by the social environment. One man may require wheat to satisfy his hunger, other may require rice for the same purpose.

Secondary needs are related to mind and spirit rather than to the physiology of life. Many of these needs develop as one matures. Instances are belongingness, recognition, self-esteem, sense of duty, self-assertion and so on. Actually, these are the needs which complicate the efforts of managers because the secondary needs vary among people much more than primary physiological or basic needs.

Motivational Sources

Having understood the concept of motivation, now let us understand the various sources of motivation. You may note that motivation may sometimes come from external environment in the form of rewards or punishments and sometimes it is generated from within an employee in the form of intrinsic motivation. It may be recognized that under the same set of external factors, all employees are not equally motivated. It depends upon various factors

which you can understand when you go through the different motivational theories. The motivational sources are explained below.

Positive vs. Negative Motivation

Motivation may be either positive or negative. *Positive motivation* takes place when management recognizes the employee's efforts towards the achievement of organizational goals. It is positive because, this kind of motivation increases the level of performance, promotes team spirit, a sense of cooperation and generates a feeling of belongingness and happiness. The positive motivational factors are:

- Praise and reward for good performance.
- Concern for the wellbeing of an employee.
- Confidence reposed in the employee.
- Delegation of authority
- Scope of participation given in the decision making.

Negative motivation, on the other hand, results from the use of force, pressure, fear or threat. You may note that fear of punishment also affects motivation and thereby the behaviour of a person. In the organizations, negative motivation may come from the fear of being transferred, demoted or removed. This fear of punishment prompts the person to work hard and achieve the goals. It may, however, be realized that negative motivation is not desirable because employees do not like to be punished. Hence, it is desirable to motivate the employees by positive means.

Extrinsic Vs. Intrinsic Motivation

Motivation may be either extrinsic or intrinsic. *Extrinsic motivation* is induced by external factors primarily financial rewards. It is expected that the behaviour caused by positive rewards is likely to be repeated. But the reward should be sufficiently powerful for desirable behaviour to be repeated. Money acts as a significant incentive for positive behaviour of employees. Realizing the value of financial incentives as motivators, managements now-a-days make use of wage increments, bonus payment, fringe benefits, stock options, profit sharing schemes, paid holidays, medical benefits, etc. for motivating the employees.

Intrinsic motivation is something that is generated within an individual. It is an inner feeling. It may be a sense of achievement or recognition leading to satisfaction that motivates the employee further. Since this kind of motivation comes from within, it is called intrinsic motivation. There are many retired doctors who work free in the hospitals because it gives them a sense of accomplishment and satisfaction. Some of the intrinsic motivators include praise, status, recognition, esteem, challenge, risk and responsibility in job.

Theories of Motivation

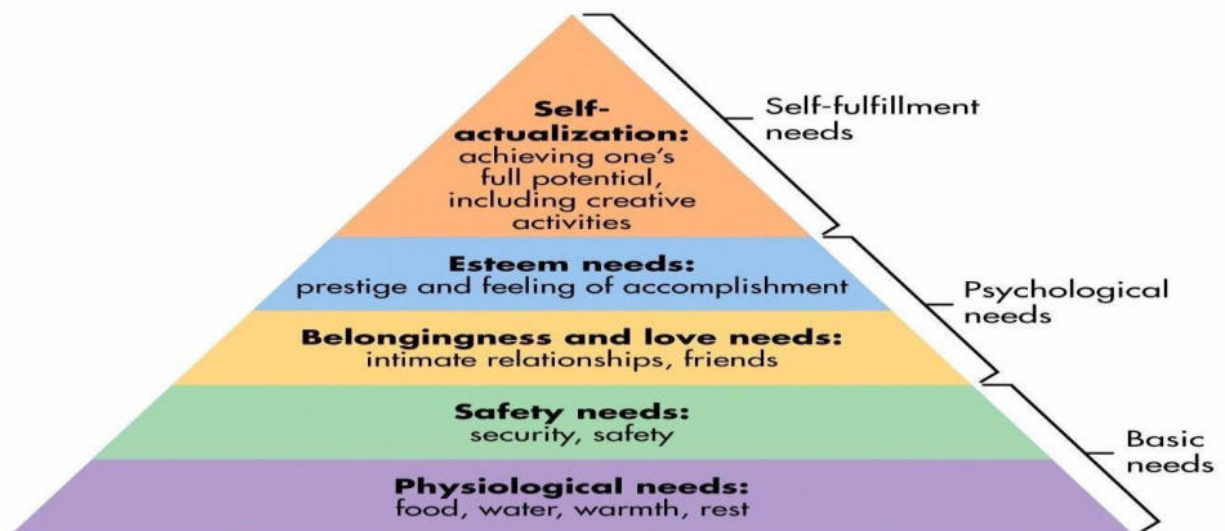
There are two types of motivational theories - content theories and process theories (cognitive theories). While content theories explain what motivates and what does not motivate, the process theories examine the variables that go into the motivational process taking place within an individual. Some of these theories are explained below.

Maslow's Need Hierarchy Theory

Abraham Maslow has propounded this need hierarchy theory as early as in 1943. Maslow points out that human beings have divergent needs and they strive to fulfil those needs. The behaviour of an individual is determined by such needs. These needs range from biological needs at lower level to psychological needs at the highest level. Further, these needs arise in an order of hierarchy or priority such that lower-level needs must be satisfied before higher level needs become important for motivation. Maslow postulates five basic needs arranged in a hierarchical fashion as follows:

The first three levels of needs at the bottom are known as lower order needs as they are related to one's existence and security. The top two levels of needs are called higher order needs as they are concerned with personal development and realization of one's potential. The needs are explained below.

Figure 17 Maslow's Need Hierarchy Theory



Physiological Needs

The physiological needs are the basic needs having the highest strength in terms of motivation. These are the needs arising out of biological tensions created as a result of deprivation of food, water, shelter, rest, etc. If these basic needs are gratified, then the next level needs become important and act as motivators.

Safety and Security Needs

Once the physiological needs are fulfilled, safety and security needs become predominant. These are the needs for self-preservation while physiological needs are for survival. These needs include security, stability, freedom from anxiety and a structured and ordered environment.

Safety and security needs arise out of the concern for the fulfilment of physiological needs in the future. An individual seeks economic or social protection against future threats and dangers that he is exposed to. If once these needs are gratified, they fail to serve as motivators any more. The individual, then, moves on to the next level needs and strives for their fulfilment.

Social Needs

At the third level, social needs or love needs become important. An individual cannot live an isolated life. A sense of affiliation becomes important for a meaningful life. These needs include the need for love, affection, companionship and social interaction. We know very well that at home the child needs the love of parents and at school he needs the friendship of his classmates.

This is to attain recognition from others which would induce a feeling of self-worth and selfconfidence in the individual. It is an urge for status, prestige and power. Self-respect is the internal recognition while respect from others is the external recognition. People who are able to fulfil this need feel that they are useful and have some positive influence on their surrounding environment. **Self-actualization Needs**

At the highest level is the need to develop and realize one's capacities and potentialities to the fullest extent possible. This need gets activated as motivator when all other needs have been reasonably fulfilled. At this level, the person wants to excel in the skills and abilities that he is endowed with.

As a result, he seeks challenging work assignments that require creativity and talent. This need is inner-oriented and the motivation is intrinsic in nature. A self-actualizing person is creative, independent, content, and spontaneous and has a good perception of reality. He constantly endeavours to realize his full potential.

In conclusion, it may be said that Maslow's model explains human behaviour in general. It has nothing to do with the employee motivation at the work place. Further, human needs may not necessarily have the hierarchy as shown by him. The relative dominance of not able to satisfy the social needs may prompt a person to set the physiological needs and safety needs aside and motivate him for earning the love and affection of the family members and the friendship of his colleagues.

Maslow felt that the human needs have a definite sequence of domination. Second need does not dominate until first need is reasonably satisfied and third does not dominate until first two needs have been reasonably satisfied and so on. The other side of the need hierarchy is that man is a wanting animal, he continues to want something or the other. He is never fully satisfied; the other need arises. As said above (according to Maslow), needs arise in a certain

order of preference and not randomly. Thus, if one's lower-level needs (physiological and security needs) are unsatisfied, he can be motivated only by satisfying his lower-level needs and not satisfying his higher-level needs. Another point to note is that ***once a need or a certain order of needs is satisfied, it ceases to be a motivating factor.*** Man lives for bread alone as long as it is not available. In the absence of air one can't live, but there is plenty of air which ceases to be motivating.

The physiological and security needs are finite, but the needs of higher order are sufficiently infinite and are likely to be dominant in persons at higher levels in the organisation. This has been proved by various studies. A study by Boris Blai supported this by showing that managers and professionals in U.S.A. highly value self-realisation, while service and manual workers in India reported that they give priority to job security, earnings and personal benefits all lower order needs.

Characteristics or Salient Features of Maslow's Needs Model:

1. The urge to fulfil needs is a prime factor in motivation of people at work. Human needs are multiple, complex and interrelated.
2. Human needs form a particular hierarchy or priority structure in order of importance.
3. Lower-level needs must be at least partially satisfied before higher-level needs emerge. In other words, a higher-level need does not become an active motivating force until the preceding lower-order needs are satisfied.
4. As soon as one need is satisfied, the individual discovers another need which is still unfulfilled.
5. A satisfied need ceases to be a motivator, i.e., does not influence human behaviour. Unsatisfied needs are motivators, i.e., they influence human behaviour.
6. Various need levels are independent and overlapping. Each higher-level need emerges before the lower-level need is completely satisfied.
7. All people, to a greater or lesser extent, have the identified needs.

Criticisms or Maslow's Model: Maslow's theory has been criticised on several grounds:

1. Human needs cannot be classified into clear and only specifies categories, i.e., their hierarchy cannot be definitely specified. The determination of higher and lower levels is dependent on people's cultural values, personalities and desires.
2. It is not necessary that at a time only one need is satisfied. In other words, needs of more than one levels may be fulfilled jointly, for example, physical and esteem needs. Maslow's model does not explain this multi-motivation fact.
3. Some of the assumptions of Maslow's theory are not always found in practice.

4. It has been found by some scholars like **Lawler and Suttle** that physical and safety needs may be probably satisfied, but high-level needs do not appear to be rather satisfiable.

Appraisal of Need Hierarchy Model

The need priority model may not apply at all times in all places. Surveys in European countries and Japan have shown that the model does not apply very well to their managers. Their degree of satisfaction of needs does not vary according to the need priority model. For example, workers in Spain and Belgium felt that their esteem needs are better satisfied than their security and social needs. Apparently, cultural differences are an important cause of these differences. Thus, need hierarchy may not follow the sequence postulated by Maslow.

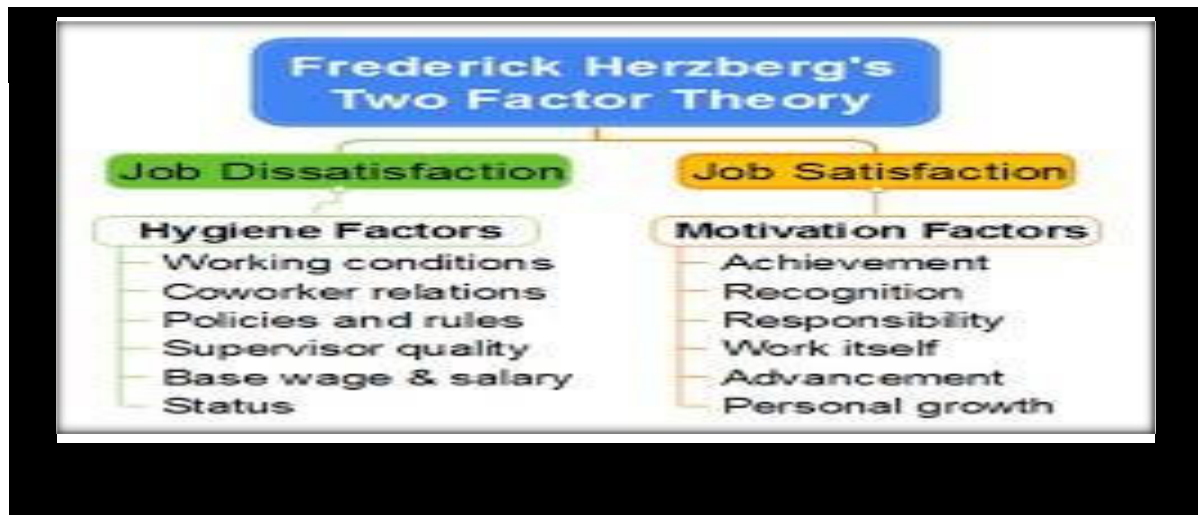
Another important proposition that one need is satisfied at one time is also a doubtful validity. Man's behaviour at any time mostly guided by multiplicity of motives. However, one or two motives in any situation may be more dominant, while others may be of secondary importance. There are always some people in whom, for instance, need for self-esteem seems to be more prominent than that of love. There are also creative people in whom the drive for creativeness seems to be more important. In certain people, the level of operation may be permanently lower. For instance, a person who has experienced chronic unemployment may continue to be satisfied for the rest of his life if only he can get enough food.

HERZBERG'S Two Factor theory of MOTIVATION

A significant development in motivation theory was distinction between motivational and maintenance factors in job situation. A research was conducted by Herzberg and his associates based on the interview of 200 engineers and accountants who worked for eleven different firms in Pittsburgh area. These men were asked to recall specific incidents in their experience which made them feel particularly bad about jobs. The findings of the research led to draw a distinction between what are called as 'motivators' and 'hygiene factors. To this group of engineers and accountants, the real motivators were opportunities to gain expertise and to handle more demanding assignments. Hygiene factors served to prevent loss of money and efficiency. *Thus, hygiene factors provide no motivation to the employees, but the absence of these factors serves as dissatisfies.*

Figure 18 Herzberg's Two Factor Theory of Motivation





Some job conditions operate primarily to dissatisfy employees. Their presence does not motivate employees in a strong way. Many of these factors are traditionally perceived by management as motivators, but the factors are really more potent as dissatisfiers. They are called maintenance factors in job because they are necessary to maintain a reasonable level of satisfaction among the employees. Their absence proves to be strong dissatisfiers. They are also known as '*dissatisfiers*' or '*hygienic factors*' because they support employees' mental health. Another set of job condition operates primarily to build strong motivation and high job satisfaction among the employees. These conditions are 'Motivational Factors'. Herzberg's maintenance and motivational factors have been shown in the table given below.

Hygienic factors include such things as wages, fringe benefits, Physical conditions and overall company policy and administration. The presence of these factors at a satisfactory level prevents job dissatisfaction, but they do not provide motivation to the employees. So, they are not considered as motivational factors, on the other hand, are essential for increasing the productivity of the employees. They are also known as satisfiers and include such factors as recognition, feeling of accomplishment and achievement, opportunity of advancement and potential for personal growth, responsibility and sense of job and individual importance, new experience and challenging work etc.

Comparison of Herzberg and Maslow Models

In fact, there is a great similarity between Herzberg's and Maslow's models. A close examination of Herzberg's model indicates that some employees may have achieved a level of social and economic progress in the society and for them higher level needs of Maslow (esteem and selfactualization) are the primary motivators. However, they still must satisfy the lower-level needs for the maintenance of their current state. Thus, we can say that money might still be a motivator for operative employees and for some managerial employees. Herzberg's model adds to the Maslow's need hierarchy model because it draws a distinction between the two groups of factors, namely, motivational and maintenance, and points out that the motivational factors are often derived from the job itself. Most of the maintenance factors come under comparatively lower order needs. In economically advanced countries, such needs of the employees are fulfilled and hence cease to be motivators.

As shown in the following diagram Maslow's Physiological, security and social needs come under Herzberg's maintenance factors whereas self-fulfilment comes under motivating factors. It may further be noted that a part of esteem need comes under maintenance factor and another under motivational factors. The esteem needs are divided because there are some distinct differences between status per se and recognition. Status tends to be a function of position one occupies. This position may be gained through family ties or social pressures and so this may not be a reflection of personal achievement or recognition. Recognition is gained through competence and achievement. It is earned and granted by others. That is why status is classified with physiological, safety and social needs as a hygiene factor, while recognition is classified with esteem as a motivator.

Process theory of Motivation

Vroom's expectancy theory

Vroom's expectancy theory assumes that behavior results from conscious choices among alternatives whose purpose it is to maximize pleasure and minimize pain. Together with Edward Lawler and Lyman Porter, Victor Vroom suggested that the relationship between people's behavior at work and their goals was not as simple as was first imagined by other scientists. Vroom realized that an employee's performance is based on individuals' factors such as personality, skills, knowledge, experience and abilities.

The theory suggests that although individuals may have different sets of goals, they can be motivated if they believe that:

- There is a positive correlation between efforts and performance,
- Favorable performance will result in a desirable reward,
- The reward will satisfy an important need,
- The desire to satisfy the need is strong enough to make the effort worthwhile.

The theory is based upon the following beliefs:

Valence

Valence refers to the emotional orientations people hold with respect to outcomes [rewards]. The depth of the want of an employee for extrinsic [money, promotion, time-off, benefits] or intrinsic [satisfaction] rewards). Management must discover what employees' value.

Expectancy

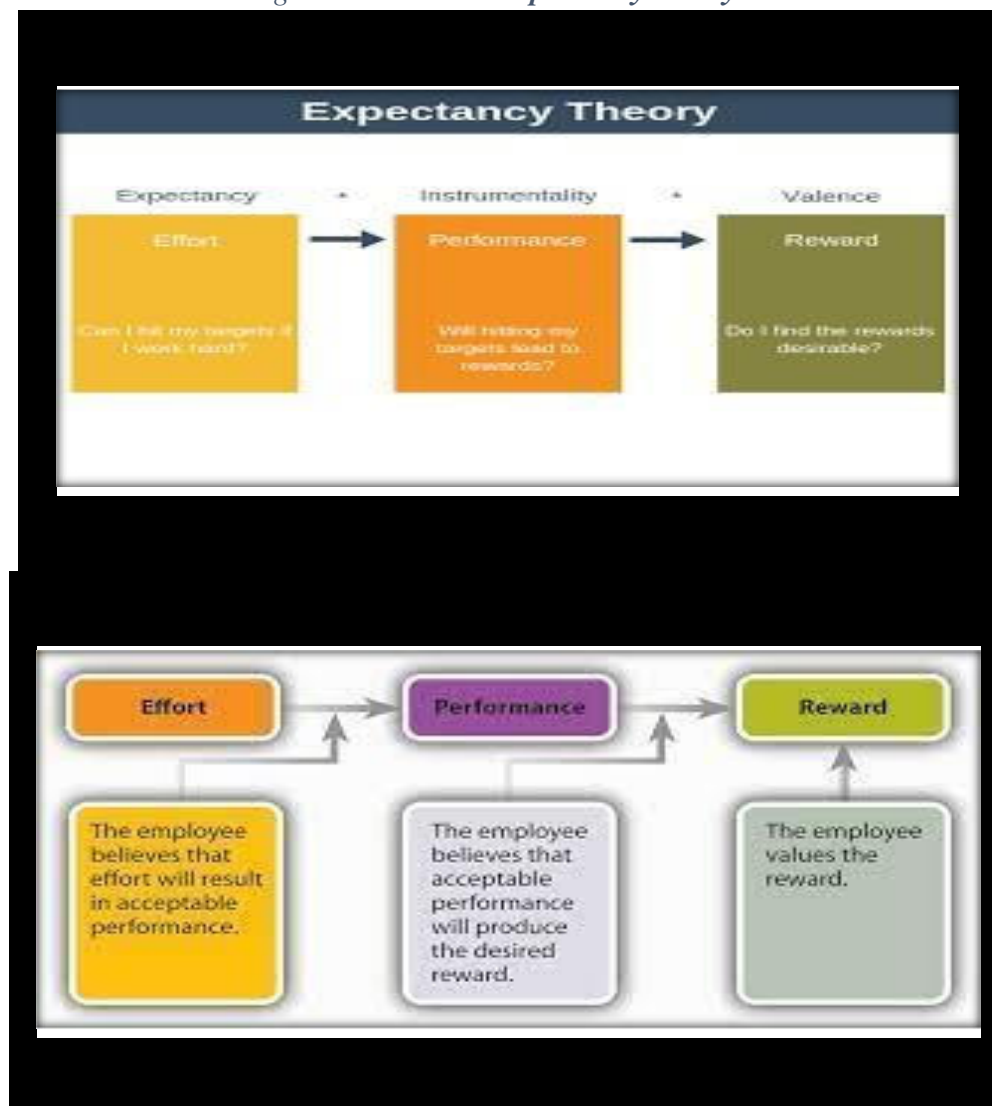
Employees have different expectations and levels of confidence about what they are capable of doing. Management must discover what resources, training, or supervision employees need.

Instrumentality

The perception of employees as to whether they will actually get what they desire even if it has been promised by a manager. Management must ensure that promises of rewards are fulfilled and that employees are aware of that.

Vroom suggests that an employee's beliefs about Expectancy, Instrumentality, and Valence interact psychologically to create a motivational force such that the employee acts in ways that bring pleasure and avoid pain.

Figure 19 Vroom's expectancy theory



Adman's Equity Theory

This theory has been developed by JS Adam's. The essence of this theory is that employees generally make comparison of their efforts and rewards with those of others in similar position and similar work situation. This approach is based on the basic assumption that employees working in the organisation should be treated equally in terms of justice, balance and fairness and when they join organisation, they carry some qualification, skill and knowledge with them for performing assigned job. To perform the job which involves use of these abilities and qualities which are known as 'inputs. And in return of these inputs whatever they get from the organisation such as compensation, recognition position and status, etc. known as outcome.

Equity approach of motivation seems to be useful for the manager in determining appropriate level of reward the employees. Because it emphasises the role played by an individual's belief in the equity and fairness of reward and punishment in determining his performance and satisfaction.

The Adam's Equity theory of work motivation is based on the social exchange process. Adam's has crystallised it in a more formal way. Basically, the theory points out that people are motivated to maintain fair relationship between their performance and reward in comparison to others. There are two assumptions on which the theory works.

1. Individual make contribution (inputs) for which they expect certain rewards (outcomes).
2. Individual decide whether or not a particular exchange is satisfactory, by comparing their input and outcomes with those of others, and try to rectify an inequality.

Table 4 Various Types of Inputs and Outcomes

Inputs	Outcome
Efforts	Pay
Times	Promotion
Education	Recognition
Experience	Security
Training	Personal Development
Ideas	Benefits
Ability	Friendship Opportunity

Exchange relationship between a person's inputs/outcomes in relation to those of other persons may be of three types:

1. Overpaid inequity
2. Underpaid inequity
3. Equity

1. Overpaid Inequity: In this case, the person perceives that his outcomes are more as compared to his inputs in relation to others. This relationship can be expressed by

Person's Outcomes > Other's Outcomes

Person's Inputs Other's Inputs

In this case, the person experiences guilt feeling.

2. Underpaid Inequity: In this case, the person perceives that his outcomes are lower as compared to his inputs in relation to others. This relationship can be expressed as

Person's Outcomes < Other's Outcomes

Person's Inputs Other's Inputs

In such relationship, the person experience dissonance.

3. Equity: In this case, the person perceives that his outcomes in relation to his inputs are equal to those of others. This relationship can be expressed by:

Person's Outcomes = Other's Outcomes

Person's Inputs Other's Inputs

In this case, the person experiences satisfaction. The impact of inequity on the person is as follows:

1. Perceived inequity creates tension in the person.
2. The amount of tension is proportional to the magnitude of inequity.
3. The tension created in the person will motivate him to reduce it.
4. The strength of the motivation to reduce inequity is proportional to the perceived inequity.

THEORIES OF LEARNING

Learning is an important psychological process that-determines human behavior. Simple way, "learning is something we did when we went to school "it is permanent changing behavior through education and training, practice and experience. Learning can be defined as "*relatively permanent change in behavior that occurs as a result of experience or reinforced practice*". There are four important points in the definition of learning:

1. Learning involves a change in behavior, though this change is not necessarily an improvement over previous behavior. Learning generally has the connotation of improved behavior, but bad habits, prejudices, stereotypes, and work restrictions are also learned.
2. The, behavioral change must be relatively permanent. Any temporary change in behavior is not a part of learning.
3. The behavioral change must be based on some form of practice or experience.
4. The practice or experience must be reinforced in order so as to facilitate learning to occur.

Components of the learning process

The components of learning process are: drive, cue stimuli, response, reinforcement and retention.

Drive

Learning frequently occurs in the presence of drive - any strong stimulus that impels action. Drives are basically of two types -primary (or physiological); and secondary (or psychological). These two categories of drives often interact with each other. Individuals operate under many drives at the same time. To predict a behavior, it is necessary to establish which drives are stimulating the most.

Cue Stimuli

Cue stimuli are those factors that exist in the environment as perceived by the individual. The idea is to discover the conditions under which stimulus will increase the probability of eliciting a specific response. There may be two types of stimuli with respect to their results in terms of response concerned: generalization and discrimination.

Generalization occurs when a response is elicited by a similar but new stimulus. If two stimuli are exactly alike, they will have the same probability of evoking a specified response. The principle of generalization has important implications for human learning. Because of generalization, a person does not have to 'completely relearn each of the new tasks. It allows the members to adapt to overall changing conditions and specific new assignments. The individual can borrow from past learning experiences to adjust more smoothly to new learning situations.

Discrimination is a procedure in which an organization learns to emit a response to a stimulus but avoids making the same response to a similar but somewhat different stimulus. Discrimination has wide applications in 'organizational behavior. For example, a supervisor can discriminate between two equally high producing workers, one with low quality and other with high quality.

Responses

The stimulus results in responses. Responses may be in the physical form or may be in terms of attitudes, familiarity, perception or other complex phenomena. In the above example, the supervisor discriminates between the worker producing low quality products and the worker producing high quality products, and positively responds only to the quality conscious worker.

Reinforcement

Reinforcement is a fundamental condition of learning. Without reinforcement, no measurable modification of behavior takes place. Reinforcement may be defined as the environmental event's affecting the probability of occurrence of responses with which they are associated.

Retention

The stability of learned behavior over time is defined as retention and its contrary is known as forgetting. Some of the learning is retained over a period of time while others may be forgotten.

UNIT IV

GROUP FOUNDATIONS & LEADERSHIP

Concept of Group & Team – Differences Between Groups and Teams – Stages of Group Development – Group Properties – Group Decision Making - Types of Teams – Creating Effective Teams – Concepts & Views of Conflicts – Conflicts Process- Leadership: Theories of Leadership – Transformational Leadership.

GROUP BEHAVIOUR

A group consists of a number of individuals working together for a common objective. Groups have significant influence on an organization and are inseparable from an organization. They are useful for the organization as they form foundation of human resources.

The study of group behavior is essential for an organization to achieve its goals. Individual and group behavior varies from each other. In 1920, Elton Mayo and his associates conducted the Hawthorne experiments and came to know that the group behavior has great impact on productivity. The importance of group behavior has been realized from time to time.

Human behavior consists of individuals, who move in groups. The knowledge of group behavior as well as individual behavior is necessary for a manager. He must understand group psychology and should also understand individual behavior in the context of group behavior.

The group in which he moves influences individual work, job satisfaction and effective performance.

Definition of a group

A group is a two or more individual who interact regularly with each other to accomplish a common purpose or goal.

According to Marvin Shaw, "a group comprises, of two or more persons who interact with one another in such a manner that each person influences and is influenced by each other person".

The key parts of this definition are the concepts of interaction and influence, which also limit the size of the group. It is difficult for members to interact sufficiently in a large group.

Groups or work teams are the primary tools used by managers. Managers need groups to coordinate individual behavior in order to reach the organizational goals. Groups can make a manager's job easier because by forming a group, he need not explain the task to each and every individual. A manager can easily coordinate with the work of an individual by giving the group a task and allow them to co-ordinate with each other. But for a group to work effectively, the interactions between its members should be productive. Therefore, managers must pay attention to the needs of individuals.

Need and importance for a Group

The reasons for the need, of groups are as follows:

- ☐ Management of modern organizations makes mutual efforts to introduce industrial democracy at workplace. They use project teams and work committees where workers get due recognition. They willingly participate in decision-making.
- ☐ the tasks in modern industries are becoming more complex, tedious and of repetitive nature. Work committees, work groups and teams are formed to monitor the work. They also make the environment at workplace livelier.
- ☐ Groups help in making participative management more effective.
- ☐ Groups of all kinds and types help by cooperating in all the matters related to production and human relations to work effectively in the organization.
- ☐ an individual cannot perform each and every task. Group efforts are required for its completion. For example, building a ship, making of a movie, construction of a fly-over, etc. All these require coordinated and unified efforts of many individuals, working in a group.
- ☐ A group can judge in a better way as compared to an individual.

Types of Groups

In an organization, there are three types of groups, which are as follows:

- **Functional or formal groups**

Functional groups are the groups formed by the organization to accomplish different organizational purposes. According to A L Stencombe, "a formal group is said to be any social arrangement in which the activities of some persons are planned by others to achieve a common purpose". These groups are permanent in nature. They have to follow rules, regulations and policy of the organization. A formal organizational group includes departments such as the personnel department, the advertising department, the quality control department and the public relations department.

- **Task group**

Tasks groups are the groups formed by an organization to accomplish a narrow range of purposes within a specified time. These groups are temporary in nature. They also develop a solution to a problem or complete its purpose. Informal committees, task forces and work teams are included in task groups. The organization after specifying a group membership, assigns a narrow set of purposes such as developing a new product, evaluating a proposed grievance procedure, etc.

- **Informal group**

Informal groups are the groups formed for the purposes other than the organizational goals. Informal groups form when individuals are drawn together by friendship, by mutual interests or both. These groups are spontaneous. According to Keith David, "the network of persons and social relations which is not established or required forms an informal organization". These are the groups formed by the employees themselves at the workplace while working together. The organization does not take any active interest in their formation.

Informal groups are very effective and powerful. These groups work as an informal communication network forming a part of the grapevine to the organizations. They are also like a powerful force, which an organization cannot avoid. Some managers consider them to be harmful to the interest of an organization. They suspect their integrity and consider as a virtual threat.

Some managers do not consider them as threat and seek the help of group members in getting the organizational task accomplished. Informal groups are of following types:

- o **Interest group:** Interest groups are the groups formed to attain a common purpose. Employees coming together for payment of bonus, increase in salary, medical benefit and other facilities are the examples of interest groups
- o **Membership group:** Membership groups are the groups of individuals' belonging to the same profession and knowing each other. For example, teachers of the same faculty in a university.
- o **Friendship group:** Friendship groups are the groups of individuals belonging to same age group, having similar views, tastes and opinions. These groups can also be formed outside the plant or office and can be in the form of clubs and associations.

- o **Reference group:** Reference groups are the group where individuals shape their ideas, beliefs, values etc. They want support from the group.

Table 5 Differences between groups and teams

Work group	Work team
Formal leader is appointed.	The function of leadership and responsibilities arising from it are divided and distributed among members.
Adopts the objective of the organization as its target itself.	Certain objectives are specified which gives identity to team and become a stimulating source.
The result comes from the accumulation and coordination of results of each individual activity	Common result arises from the mixture of individual and collective activities.
Its members assume responsibility strictly for the particular results produced by each individual	Its members share a common responsibility for final outcome.
Meetings are of short duration and conducted by formal leader.	Meetings are the "place" where members discuss, decide, jointly work, and actively solve problems without the pressure of time.
Provides its members roles appropriate to their professional qualifications.	Encourage its members to assume multiple and diversified roles
Rewards and recognizes individual contributions.	Recognizes, rewards and celebrates more frequently and with more joy, with all members, collective successes

Group formation and development

Groups can form when individuals with similar goals and motives come, together. Groups are formed voluntarily. The individuals of a group can join and leave the group any time and they can also change their tasks. Hence, understanding how groups form and develop is important for managers. There are certain motives because of which, the individuals join a group, which are as follows:

- **Organizational motives to join groups:** Organizations form functional and task groups because such groups help the organization in structuring and grouping the organizational activities logically and efficiently.
- **Personal motives to join groups:** Individuals also choose to join informal or interest groups for unimportant reasons. Since joining these groups is voluntary, various personal motives affect membership.

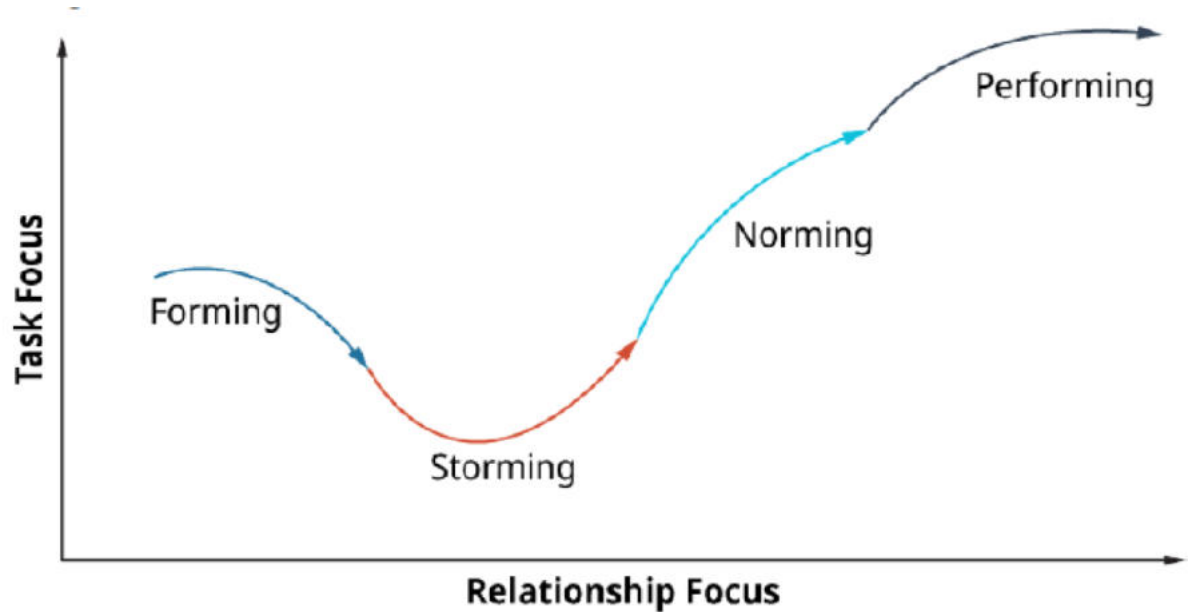
- ***Interpersonal attraction:*** Individual's come together to form informal or interest group, as they are also attracted to each other. The factors that contribute to interpersonal attraction are sex, similar attitudes, personality and economic standing. The closeness of group members may also be an important factor.
- ***Interest in-group activities:*** Individuals may also be motivated to join an informal or interest group because the activities of the group appeal to them. Playing tennis, discussing current events or contemporary literature, all these are group activities that individuals enjoy.
- ***Support for group goals:*** The individuals may also be motivated goals by the other group members to join. For example, a club, which is dedicated to environmental conservation, may motivate individuals to join. Individuals join groups, such as these in order to donate their money and time to attain the goals they believe in and to meet other individuals with similar values.
- ***Need for affiliation:*** Another reason for individuals to join groups is to satisfy their need for attachment. Retired/old aged individuals join groups to enjoy the companionship of other individuals in similar situation.
- ***Instrumental benefits:*** Group membership sometimes also helpful in providing other benefits to an individual. For example, a manager might join a Rotary/ Lions club if he feels that being a member of this club will lead to important and useful business contacts.

Stages of development of group

Members of new group are unfamiliar with one another's personalities and: hesitant in their interactions. The new group must pass of development, which are depicted in the figure following:

- Forming
- Storming
- Norming
- Performing
- Adjourning

Figure 20 Team Development Life Cycle



Forming

The **Forming** stage begins with the introduction of team members. This is known as the “polite stage” in which the team is mainly focused on similarities and the group looks to the leader for structure and direction. The team members at this point are enthusiastic, and issues are still being discussed on a global, ambiguous level. This is when the informal pecking order begins to develop, but the team is still friendly.

Storming

The **Storming** stage begins as team members begin vying for leadership and testing the group processes. This is known as the “win-lose” stage, as members clash for control of the group and people begin to choose sides. The attitude about the team and the project begins to shift to negative, and there is frustration around goals, tasks, and progress.

Norming

Norming stage may start to take root. During Norming, the team is starting to work well together, and buy-in to group goals occurs. The team is establishing and maintaining ground rules and boundaries, and there is willingness to share responsibility and control. At this point in the team formation, members begin to value and respect each other and their contributions.

Performing

Finally, as the team builds momentum and starts to get results, it is entering the **Performing** stage. The team is completely self-directed and requires little management direction. The team has confidence, pride, and enthusiasm, and there is a congruence of vision, team, and self. As the team continues to perform, it may even succeed in becoming a high-performing team. High-performing teams have optimized both task and people relationships—they are maximizing performance and team effectiveness.

Adjourning

Adjourning, involves the termination of task behaviours and disengagement from relationships. A planned conclusion usually includes recognition for participation and achievement and an opportunity for members to say personal goodbyes. Concluding a group can create some apprehension - in effect, a minor crisis. The termination of the group is a regressive movement from giving up control to giving up inclusion in the group. The most effective interventions in this stage are those that facilitate task termination and the disengagement process.

TEAM AND TEAM WORK

Introduction

A team is a relatively permanent work group whose members must coordinate their activities to achieve one or more common objectives. The objectives might include advising others in the organisation, producing goods or services, and carrying out a project. Because achievement of the team's objectives requires coordination, team members depend on one another and must interact regularly. A work team generates positive synergy through coordinated effort.

Their individual efforts result in a level of performance that is greater than the sum of those individual inputs. Teams have far-reaching impact in today's workplace. They have become an essential part of the way business is being done.

Teams imply a high degree of coordination among their members, along with a shared belief that winning (achieving team goals) is not only desirable but the very reason for the team's existence. You can infer that any team is a group, but unfortunately, not all groups have the high degree of interdependence and commitment to success that we traditionally associate with the is common among organisations using teamwork, the nature of specific teams varies considerably. Two major dimensions along which teams differ are differentiation of team roles and integration into the organisation.

Creating Effective Teams

The four possible combination – high or low differentiation plus high or low integration – are associated with creation of effective teams.

1. Advice/Involvement,
2. Production/Service,
3. Project/Development, and
4. Action/Negotiation.

1. ***Advice and Involvement:*** An advice/involvement team is a team formed to generate input from a broad base of employees. They are low in differentiation. Team members meet only long enough to generate ideas or develop proposals. The work group takes on problem

solving as one of its daily activities. Because this team has a limited scope of control, the use of teamwork has essentially no impact on the organisation's management structure.

2. ***Production and Service:*** Production/service teams, are charged with the activities related to producing and selling goods and services. Production/service teams, draw their membership from a broad base and often are formed as a way to empower first-line employees.

3. ***Project and Development:*** A project/development team is charged with planning, investigating, analysing and reporting, often with the objective of creating outputs that are complex and unique. Project/development teams are highly differentiated because they require employees with expertise in particular areas.

4. ***Action and Negotiation:*** Action/negotiation teams are usually comprised mainly of experts with specialized skills. Owing to their expertise, the team is highly differentiated; it is also highly integrated with the organisation.

Types of Teams

Based on their objectives, teams may be classified as problem-solving teams, self-managed teams and cross-functional teams.

1. ***Problem-solving Teams:*** Problem-solving teams consist of groups of 5-10 employees from the same department, who meet for a few hours each week to discuss ways of improving quality, efficiency and the work environment. These members share ideas or offer suggestions on how work processes and methods can be improved. Problem-solving teams meet regularly to discuss their quality problems, investigate causes of problems, recommend solutions and take corrective actions.

2. ***Self-managed Work Teams:*** A self-managed team includes collective control over the pace of work, determination of work assignments, organisation of breaks, and collective choice of inspection procedures. Fully self-managed work teams even select their own members and have the members evaluate each other's performance. As a result, supervisory positions take on decreased importance and may even be eliminated. These teams do their own scheduling, rotate jobs on their own, establish production targets, set pay scales that are linked to skills, fire coworkers and do the hiring. Self-Managed work teams are compared with conventional work groups.

3. ***Cross-functional Teams:*** Cross-functional teams are made up of employees from about the same hierarchical level, but from different work areas, who come together to accomplish a task.

Cross-functional teams are an effective way to allow people from diverse areas within an organisation (or even between organisations) to exchange information, develop new ideas, solve problems and coordinate complex projects. These teams are not easy to manage. Their early stages of development are often very time consuming as members learn to work with

diversity and complexity. It takes time to build trust and teamwork, especially among people from different backgrounds, with different experiences and perspectives.

There are two types of cross-functional teams. They are:

- (a) *Task force* – is nothing more than a temporary cross-functional team.
- (b) *Committees* – composed of groups made up of members from across departmental lines.

Conflict Management:

Conflicts are natural in all walks of daily life – both at workplace and home. Thus, conflict is ever present and both charming and maddening. But conflict is a complex and big subject. There are many sources of conflict. Conflict occurs when individuals or groups are not obtaining what they need or want and are seeking their own self-interest.

Sometimes the individual is not aware of the need and unconsciously starts to act out. Other times, the individual is very aware of what he or she wants and actively works at achieving the goal. It would be better to identify conflict at an early stage and come to an understanding.

The concept of conflict is controversial. Psychologists and sociologists have given different meanings. It is being defined as a process by few, an obstructive behavior, and goal incompatibility by others. Conflict can be expressed as:

Conflict is a process, where perception (real or otherwise) leads to disruption of desirable state of harmony and stability in an interdependent world.

Views of Conflict

1. The traditional view of organizational conflict,
2. Human relations view of organizational conflict, and
3. Interactionist view of organizational conflict.

Conflict views are described below;

Traditional View of Organizational Conflict

The traditional view on organizational conflict is the earliest of the trio. It was first developed in the late 1930s and early 1940s, with the most linear and simple approach towards conflict. According to the traditional view, any conflict in an organization is Outright bad, negative and harmful.

Although conflicts are of different types, the traditional view only sees conflict as dysfunctional and destructive. It suggests that organizational conflict must be avoided by identifying the malfunctioning callus.

Moreover, the traditional view on organizational conflict identifies poor communication, disagreement, lack of openness and trust among individuals and the failure of managers to be

responsive to their employees' needs as the main causes and reasons of organizational conflict

The traditional view is the early approach to conflict which assumed that all conflict was bad and to be avoided. The conflict was treated negatively and discussed with such terms as violence, destruction, and irrationality to reinforce its negative implication.

The conflict was a dysfunctional outcome; resulting from poor communication, lack of transparency and trust between people, and the failure of managers to be responsive to the necessities and aspirations of their employees. The view that all conflict is negative certainly offers a simple approach to looking at the behavior of people who create conflict.

Human Relations View of Organizational Conflict

From the late 1940s to the mid-70s, the human relations view dominated the topic of organizational conflict. In that period, the fields of management and organizational behavior were expanding.

The traditional view was challenged by various studies and surveys, and therefore, the human relations view on organizational conflict presented a significantly different perspective on the topic. The human relations view on organizational conflict primarily teaches us to accept conflict.

It identifies conflict as an important aspect of any organization, which simply cannot be more important, unlike the traditional view, the human relations view does not discard conflict as an outright negative and destructive thing. Instead, it says that an organizational conflict may be beneficial for the individuals, groups and the organization in general.

Moreover, this perspective even suggests that organizational conflicts within groups may even lead to better group performance and outcome. The human relations view of conflict treats conflict as a natural and inevitable phenomenon and, so can't be eliminated from any organization.

Here, the conflict was seen in a positive light as it was suggested that conflict may lead to an improvement in a group's performance. But it is similar to the interactionist view of the conflict.

Interactionist View of Organizational Conflict

With passing time and further studies in the field of organizational behavior, people started to accept conflict as an integral and somewhat positive aspect. The interactionist view on organizational conflict extends that concept.

While the human relations view accepted organizational conflict as an important part, the interactionist view on- organizational conflict takes the same concept one step further. It suggests that an ongoing, minimum level of conflict is necessary and beneficial for a group.

In the interactionist view, an organization or group with no conflict is more likely to become static, non-responsive, inflexible and inadaptatable. It states that a minimum level of conflict is

beneficial for the group because it maintains a certain level of creativity, self-evaluation, and competition among the individuals.

All these things result in increased group performance, more creative solutions to problems and better outcomes. It clearly states that only the functional and constructive forms of conflict help the group, while the dysfunctional or destructive forms of conflict should be avoided.

The interactionist view indicates that conflict is not only an encouraging force in a group but also an absolute necessity for a group to perform effectively.

While the human relations view accepted conflict, the interactionist view encourages conflicts because a harmonious, peaceful, tranquil, and cooperative group is prone to becoming static apathetic and non-responsive to needs for change in innovation.

So, the major contribution of the interactionist view is encouraging group leaders to sustain an ongoing minimum level of conflict enough to keep the group viable, self-critical and inspired.

Characteristics of Conflict:

1. Conflict is a Process:

Conflict occurs in 'layers. First layer is always misunderstanding. The other layers are differences of values, differences of viewpoint, differences of interest, and interpersonal differences. It is also called a process because it begins with one party perceiving the other to oppose or negatively affect its interests and ends with competing, collaborating, compromising or avoiding.

2. Conflict is Inevitable:

Conflict exists everywhere. No two persons are the same. Hence, they may have individual differences. And the differences may be because of values or otherwise, lead to conflict. Although inevitable, conflict can be minimized, diverted and/or resolved. Conflict develops because we are dealing with people's lives, jobs, children, pride, self-concept, ego and sense of mission. Conflict is inevitable and often good, for example, good teams always go through a "form, storm, norm and perform" period.

3. Conflict is a Normal Part of Life:

Individuals, groups, and organisations have unlimited needs and different values but limited resources. Thus, this incompatibility is bound to lead to conflicts. The conflict is not a problem, but if it is poorly managed then it becomes a problem.

4. Perception:

It must be perceived by the parties to it, otherwise it does not exist. In interpersonal interaction, perception is more important than reality. What we perceive and think affects our behaviour, attitudes, and communication.

5. Opposition:

One party to the conflict must be perceiving or doing something the other party does not like or want.

6. Interdependence and Interaction:

There must be some kind of real or perceived interdependence. Without interdependence there can be no interaction. Conflict occurs only when some kind of interaction takes place.

7. Everyone is inflicted with Conflict:

Conflict may occur within an individual, between two or more individuals, groups or between organisations.

8. Conflict is not Unidimensional:

It comes into different ways in accordance with degree of seriousness and capacity. At times, it may improve even a difficult situation.

Concept of Conflict Management:

‘Conflict management is the principle that all conflicts cannot necessarily be resolved, but learning how to manage conflicts can decrease the odds of non-productive escalation. Conflict management involves acquiring skills related to conflict resolution, self-awareness about conflict modes, conflict communication skills, and establishing a structure for management of conflict in your environment.’ All members of every organisation need to have ways of keeping conflict to a minimum – and of solving problems caused by conflict, before conflict becomes a major obstacle to your work.

Types of Conflict:

Conflicts can be of different types as described below:

On the basis of involvement:

Conflicts may be intrapersonal (conflict with self), interpersonal (between two persons) and organisational. Organizational conflict, whether real or perceived, is of two types intraorganizational and interorganizational. Interorganizational conflict occurs between two or more organizations.

Different businesses competing against each other are a good example of interorganizational conflict. Intraorganizational conflict is the conflict within an organization, and can be

examined based upon level (e.g., department, work team, individual), and can be classified as interpersonal, intragroup and intergroup.

Interpersonal conflict—once again—whether it is substantive or affective, refers to conflict between two or more individuals (not representing the group of which they are a part of) of the same or different group at the same or different level, in an organization.

Interpersonal conflict can be divided into intergroup and intragroup conflict. While the former— intragroup—occurs between members of a group (or between subgroups within a group), intergroup occurs between groups or units in an organization.

On the basis of Scope:

Conflicts may be substantive and Affective. A substantive conflict is associated with the job, not individuals, while an affective conflict is drawn from emotions. Substantive conflicts may be over the facts of a situation, the method or means of achieving a solution to the problem, ends or goals, and values. Thus, it includes task conflict and process conflict in its scope.

Procedural conflicts can include disagreements about factors such as meeting dates and times, individual task assignments, group organization and leadership, and methods of resolving disagreements. Unresolved procedural conflicts can prevent work on collaborative projects. Substantive conflict can enhance collaborative decision-making. Substantive conflict is also called performance, task, issue, or active conflict.

On the other hand, an affective conflict (also called as relationship or opposite of agreeable conflict) deals with interpersonal relationships or incompatibilities and centres on emotions and frustration between parties.

Affective conflicts can be very destructive to the organisation, if remains unresolved. Relationship conflict comes under the scope of affective conflicts. An affective conflict is nearly always disruptive to collaborative decision-making. The conflict causes members to be negative, irritable, suspicious, and resentful.

On the basis of Results:

Conflict can be Constructive or Destructive, creative or restricting, and positive or negative. Destructive conflicts are also known as dysfunctional conflicts, because such conflicts prevent a group from attaining its goals.

Conflict is destructive when it takes attention away from other important activities, undermines morale or self-concept, polarises people and groups, reduces cooperation, increases or sharpens difference, and leads to irresponsible and harmful behaviour, such as fighting, name-calling.

On the other hand, constructive conflicts are also known as functional conflicts, because they support the group goals and help in improving performance. Conflict is constructive when it results in clarification of important problems and issues, results in solutions to problems, involves people in resolving issues important to them, causes authentic communication, helps release emotion, anxiety, and stress, builds cooperation among people through learning more about each other; joining in resolving the conflict, and helps individuals develop understanding and skills.

On the basis of Sharing by Groups:

Conflicts may be Distributive and Integrative. Distributive conflict is approached as a distribution of a fixed number of positive outcomes or resources, where one side will end up winning and the other losing, even if they do win some concessions.

On the other hand, integrative – Groups utilizing the integrative model see conflict as a chance to integrate the needs and concerns of both groups and make the best outcome possible. This type of conflict has a greater emphasis on compromise than the distributive conflict. It has been found that the integrative conflict results in consistently better task related outcomes than the distributive conflict.

On the basis of Strategy:

Conflicts may be competitive and cooperative. Competitive conflict is accumulative. The original issue that began the conflict becomes irrelevant. The original issue is more of a pretext than a cause of the conflict. Competitive conflict is marked by the desire to win the fight or argument, even if winning costs more and causes more pain than not fighting at all.

Costs do not matter in competitive conflict, and therefore, irrationality remains its main mark. Competitive conflict is characterized by fear, which is one of the important ingredients in a conflict becoming irrational. If one is personally invested in the outcome, this too leads to irrational conclusions, especially if issues of self-esteem, whether personal or national, are involved.

Competitive conflict can either begin by, or be rationalized by, conflicts of ideology or principle. Even more, when the desire to win overtakes any specific reason for the conflict, irrationally develops.

Importantly in history, when powers are roughly equal, such as the World War I alliances were, conflict that becomes competitive and irrational nearly always develops. In economic competition customers are the winners and the firms may be at risk. But in sports competition is encouraged.

In a cooperative situation the goals are so linked that everybody ‘sinks or swims’ together, while in the competitive situation if one swims, the other must sink. A cooperative approach aligns with the process of interest-based or integrative bargaining, which leads parties to seek win-win solutions. Disputants that work cooperatively to negotiate a solution are more likely to develop a relationship of trust and come up with mutually beneficial options for settlement.

On the basis of Rights and Interests:

Conflict of rights means where people are granted certain rights by law or by contract or by previous agreement or by established practice. If such a right is denied, it will lead to conflict. Such a conflict is settled by legal decision or arbitration, not negotiation.

On the other hand, conflict of interests means where a person or group demands certain privileges, but there is no law or right in existence. Such a dispute can be settled only through negotiation or collective bargaining.

Stages of Conflict:

A manager must know various stages of conflict to handle it. The solution to conflict becomes easy before it becomes serious, if he knows of the real issue behind the conflict and how the conflict developed. Normally a conflict passes through the following stages:

- a. People recognise lack of resources, diversity of language or culture. Sensitiveness may possibly result in conflict.
- b. If there are serious differences between two or among more than two groups, the latent conflict in a competitive situation may turn out into conflict.
- c. An incident may trigger a latent conflict into an open conflict
- d. Once a problem has been solved, the potential for conflict still remains in the aftermath. In fact, the potential is bigger than before, if one party perceives that the resolution has resulted into winlose situation.

Conflict Management Styles:

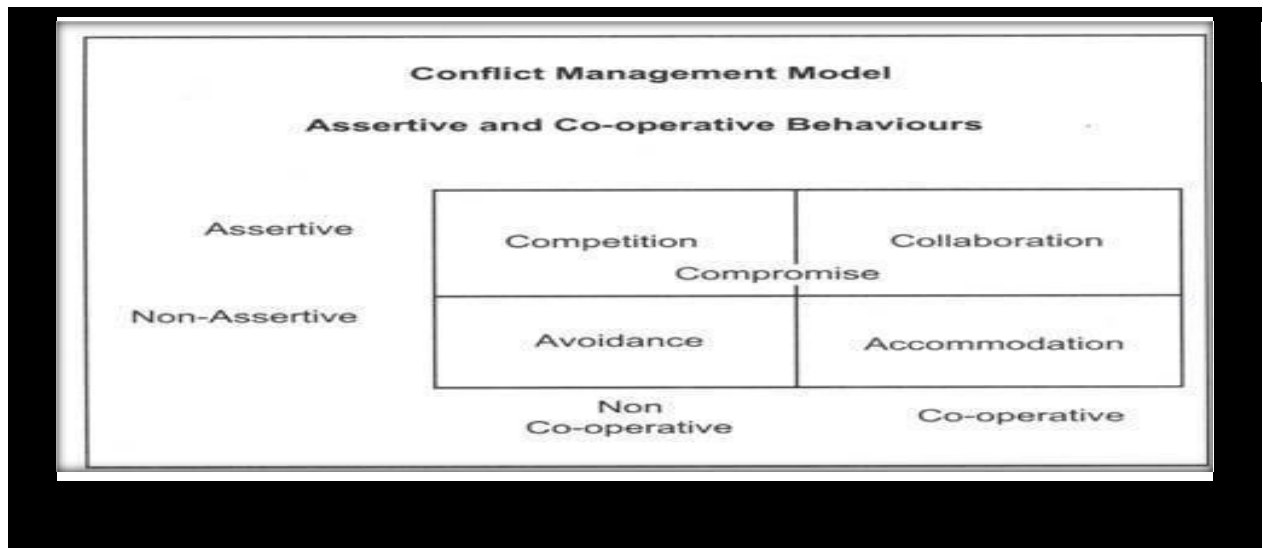
Conflict management must aim at minimizing affective conflicts at all levels, attain and maintain a moderate amount of substantive conflict, and also to match the status and concerns of the two parties in conflict.

Many styles of conflict management behavior have been researched in the past century. Mary Parker Follett described them as domination, compromise, and integration (involves openness, exchanging information, looking for alternatives, and examining differences to solve the problem in a manner that is acceptable to both parties).

She also mentioned avoidance and suppression as other forms of handling conflicts. Robert R. Blake and Jane S. Mouton then presented five styles: forcing, withdrawing, smoothing, compromising, and problem solving. The five styles in currency in 21st century, as shown in Figure 20.2, are:

Figure 21 Conflict Management Styles





1. Avoidance (Leave-lose/win):

It is non-assertive and non-cooperative. The manager may think or pretend that no conflict exists or just ignore it. This strategy is used when the effort to resolve is not worth the salt. But this approach over the time worsens the situation.

Avoidance might take the form of diplomatic sidestepping the issue or postponing resolution in time to come or simply withdrawing from a situation. A turtle is a symbol for avoidance, because it can avoid everything by pulling its head and legs into the shell to be off to everything.

2. Accommodating (Yield-lose/win):

Accommodating is non-assertive and cooperative, just opposite of competing. To solve the conflict, if someone puts his interests last so as to satisfy concerns of other people by giving in, sacrificing, or accepting, or yielding to other's view point, it is called accommodation.

However, being too accommodating too often can weaken your position to the point where your voice is never heard. There will be high relationship orientation. This style is also used when the new approach is to be used in the very near future. It may solve the conflict for the other party, but a conflict will begin in manager. This style is not objective.

A chameleon is a symbol of the accommodating style since it changes its colour to match the colour of its environment. By changing its colour to accommodate its surroundings, the chameleon fits quietly into its environment.

3. Competing (Win/lose):

The style is assertive and non-cooperative. A person puts his/her interests before anyone else's interests. It is also known as dominating style. One stands up for his rights and uses all the power to win his position. There is low relationship orientation. Managers, using this style, want others to follow his dictates or get his way.

This style can be used only when one's leadership is established. There would be low relationship orientation. Low relationships orientation a lion can be a symbol of a competitive style. The lion's roar helps the lion to satisfy its interests.

4. Compromising (Mini-win/mini-lose):

It is some assertive and some cooperative. Compromise is on the path toward collaboration, somewhere between competition and accommodation. The style means mutual give-and-take to satisfy both parties, or both may say, "Something is better than nothing." It has equal distance between competing and accommodating.

There would be negotiated relationship orientation. When the objective is to move on, not to stop the journey, the manager may compromise. A zebra can be a symbol for the compromising style.

A zebra's unique look seems to indicate that it didn't care if it was a black horse or a white horse, so it "split the difference" and chose black and white stripes.

5. Collaborating (Win/win):

It is assertive as well as cooperative, just opposite of avoiding. It may also be called integrative style. This style focuses on satisfying the underlying concerns of both the parties, meeting many current needs by working together. Through this style, employees develop ownership and commitment. Sometimes this style gives birth to new mutual needs.

LEADERSHIP

Introduction

Leadership is a process of exercising influence over an individual or a group. Effective leadership is necessary for inspiring the people to work for the accomplishment of objectives. It provides a cohesive force which holds the group intact and develops a spirit of cooperation. Chester Bernard viewed leadership as the quality of behavior of individuals whereby they guide people and their activities. A leader interprets the objectives of the people working under him and guides them towards achievement of those objectives. He also creates and sustains enthusiasm among them for superior performance.

In the words of Louis A. Allen, "A leader is one who guides and directs other people. He gives the efforts of his followers a direction and purpose by influencing their behavior". Managers at all levels must perform leadership function in order to lead the subordinates towards organizational goals.

Leadership is the process of influencing the subordinates so that they cooperate enthusiastically in the achievement of group goals. In other words, leadership is the process by which an executive imaginatively directs, guides, and influences the work of others in choosing and attaining specified goals by mediating between the individuals and the organization in such a manner that both will obtain maximum satisfaction.

Definitions:

The term 'leadership' has been defined by many authors as under:

1. **Mooney & Reiley**, "Leadership is regarded as the form which the authority assumes when it enters into process".
2. **Chester I. Koontz & O'Donnell**, "Leadership may be defined as the influence, the art or the process of influencing people so that they will strive willingly towards the achievement of group goals".
3. **R.T. Livingston**, "Leadership is the ability to awaken in others the desire to follow a goal or objective".
4. **Ordway Tead**, "Leadership is that combination of qualities by the possession of which one is able to get something done by others, chiefly because, through his influence they become willing to do so".
5. **Alford & Beatly**, "Leadership is the ability to secure desirable actions from a group of followers voluntarily, without the use of coercion".
6. **Theo Haimann**, "Leadership can be defined as a process by which an executive directs, guides and influences the work of others in choosing and attaining specified goals by mediating between the individual and the organisation in such a manner that both will obtain maximum satisfaction".

On the basis of analytical study of above definitions, it may be concluded that leadership is an ability to direct and motivate other persons of an organisation so that they may contribute their efforts towards the success of organisation.

Characteristics of Leadership

An analysis of the above definitions reveals that leadership as a managerial process has the following characteristics:

Characteristics of Leadership:

1. **Followers:** The success of leadership depends upon the number of followers. Larger the number of followers, more successful will be the leadership. Leadership cannot be thought of in the absence of followers.
2. **A Personal Quality:** Leadership is a personal quality of character and behaviour, which enables him to influence his men to follow and the followers follow his order and direction.
3. **A Common Goal:** Leadership clusters around the achievement of common goals. There must be some common goals before the leader and his followers. All the activities must be oriented to achieve these goals.
4. **Active Relations:** Presence of active relations between a leader and his followers is essential for effective leadership. The leader must himself initiate the work as he wants it to be done by his followers.

5. Practical Approach: An effective leader is one who adopts practical approach towards the problems of enterprise. He should not be rigid. He should change his behaviour according to the need of time. He should follow the democratic method of leadership through wide and flexible approach.

6. It is a Process: Leadership is a continuous process of directing, guiding, presenting examples and influencing the people to make their best efforts for the attainment of pre-determined objectives.

7. Leadership is a process of influence: Leadership is a process whose important ingredient is the influence exercised by the leader on the group members. A person is said to have an influence over others when they are willing to carry out his wishes and accept his advice, guidance and direction. Successful leaders are able to influence the behavior, attitudes and beliefs of their followers.

8. Leadership is related to a situation: When we talk to leadership, it is always related to a particular situation at a given point of time and under a specific set of circumstances. That means leadership styles will be different under different circumstances. At one point of time, the subordinates may accept the autocratic behavior of the leader while at a different point of time and under a different situation participative leadership style may be successful.

9. Leadership is the function of stimulation: Leadership is the function of motivating people to strive willingly to attain organizational objectives. Leaders are considered successful when they are able to subordinate the individual interests of the employees to the general interests of the organization. A successful leader allows his subordinates to have their individual goals set up by themselves in such a way that they do not conflict with the organizational objectives.

Essentials of Leadership

Leadership is a quality which enables a person to direct other persons of the organisation and by that other person become his followers. A leader directs and guides the activities of his followers and influences them to contribute their whole hearted efforts to achieve the common objectives of the enterprise. Therefore, it becomes essential that there must be follower of a leader. He must have a complete and clear knowledge of his organisation. He must have the clear knowledge of his abilities and limitations. He must have the clear knowledge of objectives of his organisation also.

Only then he may direct, guide and regulate the activities of his followers. However, it is important to note that an effective leader is not necessarily a good manager also.

Importance and Need for Leadership

1. Determination of Goals: A leader performs the creative function of laying down goals and policies for the followers. He acts as a guide in interpreting the goals and policies.

2. **Organisation of Activities:** A good leader divides organisation activities among the employees in a systematic manner. The relationships between them are clearly laid down. This reduces the chances of conflict between them.
3. **Achieving Coordination:** A leader integrates the goals of the individuals with the organisational goals and creates a community of interests. He keeps himself informed about the working of the group. He shares information with the group for the coordination of its efforts.
4. **Representation of Workers:** A leader is a representative of his group. He takes initiative in all matters of interest to the group. He also attempts to fulfil the psychological needs of his followers.
5. **Providing Guidance:** A leader guides the subordinates towards the achievement of organisational objectives. He is available for advice whenever a subordinate faces any problem.
6. **Inspiration of Employees:** A good leader inspires the subordinates for better performance. Motivation is necessary for getting the desired work from the subordinates. The leader motivates the employees by providing them economic and noneconomic rewards.
7. **Building Employees' Morale:** Good leadership is indispensable for high employee morale. The leader shapes the thinking and attitudes of the group. He develops good human relations and facilitates interactions among the members of the group. He maintains voluntary cooperation and discipline among followers.
8. **Facilitating Change:** Leadership is the mechanism to convince workers about the need for change. Dynamic leadership is the corner-stone of organisational change. An effective leader is able to overcome resistance to change on the part of workers and thus facilitates change.

Thus, leadership is a part of management, but not all of it. This implies that a strong leader can be a weak manager because he is weak in planning or some other managerial duty. Reverse to this, manager can be a weak leader and still be an acceptable manager, especially if he happens to be managing people who have strong inner achievement drives.

LEADERSHIP THEORIES AND APPROACHES OF LEADERSHIP

Various leadership models have been presented by different authors, but important among them are trait, behaviour, contingency and neo-charismatic models. These models are also known as theories. Effective leadership is a function of the characteristics of the leader, the style of leadership, the characteristics of a followers and the situation surrounding the organisation. It clearly indicates that the leadership models can be respectively a trait model (theory), behavioural model, contingency model and neo-charismatic models. None of them can be a supreme model. A combination of all these models makes an appropriate leadership model.

Theories of Leadership

In influencing the people in the organization towards the goals of the organization, there have been various approaches adopted by different set of leaders, as one model may not be suitable for different organizations with different set of objectives. Moreover, such models or theories of leadership also depend on the qualities that a leader inherit or display in managing her/his team. Some of the theories of leadership ranging from conventional theories to contemporary theories have been dealt with over here, the chief of them being the following:

- ✦ Great Man Theory/Trait Theory
- ✦ Behavioural Theories
- ✦ Contingency/Situational Theories,
- ✦ Transactional Theory of Leadership
- ✦ Transformational Theory of Leadership

Great Man Theory of Leadership:

One of the early notions of leadership, which is still popular in certain circle, is that leadership is an inborn quality. This is the Great Man Theory of leadership which asserts that leaders in general and great leaders in particular are born and not made. According to the theory, leadership calls for certain qualities like charm, persuasiveness, commanding personality, high degree of intuition, judgment, courage, intelligence, aggressiveness and action orientation which are of such a nature that they cannot be taught or learnt in a formal sense.

One either has them or does not have them. Leadership qualities are carried in the genes. In other words, they are inborn, or- something inherited in family from generation-to-generation. Examples are drawn from such great leaders like Mahatma Gandhi, Mao Tse Tung, Kamal Atatürk, Abraham Lincoln, General de Gaulle and others. They were born natural leaders with built-in qualities of leadership and attained greatness by divine design.

It is said that history is nothing but the biographies of great men and women. They were the ones who made history. They were great leaders of their time. It is contended that such men would have become leaders in any case because they were inherently endowed with leadership traits and skills.

They were not trained in leadership nor did they acquire any leadership skills in their lives; such skills were natural to them. In other words, there was something in their anatomy, physiology and personality which marked them out from the common mass of mortals. They had an instinctive urge to assume leadership and had an inborn will to achieve greatness and success. People turned to them instinctively for inspiration, solace and support.

The further implications of the theory that leaders are born and not made, are as follows:

- (i) Leaders are gifts of God to mankind. A measure of divinity is attributed to leaders and their actions.
- (ii) Everyone cannot aspire to become a leader and to attain greatness.
- (iii) The inborn leadership qualities alone are necessary and sufficient for a leader to exercise influence over his followers and to become successful.
- (iv) Leadership qualities and effectiveness are independent variables. Situational factors like the nature and needs of followers, the demands of task and the general socioeconomic environment have little or no influence on a leader's emergence or effectiveness.
- (v) The theory discounts the belief that individuals can be trained for assuming leadership positions and roles. Leadership qualities cannot be transmitted through education and exposure.

The Great Man Theory of leadership is similar to the notion of divine right of kings to reign and rule over their subjects on a perpetual hereditary basis. Kings were supposed to acquire their legitimacy from God Himself. Similarly, some individuals were destined to become great leaders on their own because God gave them certain inimitable abilities of a divine nature.

In fact, the Great Man Theory dates back to the ancient Greek and Roman times when leadership used to be correlated with certain peculiar mental, physical and personality characteristics.

Because leaders were thought to be born, a measure of divinity used to be attributed to them and their behaviour.

The theory carries some credibility to the extent that leaders in general and great leaders in particular have certain mystique about them and are viewed with awe by their followers. The qualities and actions of such leaders inspire implicit respect, at-least in some respects. The incidence and effectiveness of some great individuals who become leaders just like that without any tutelage and training were inexplicable in any way other than by genetic theory.

Critique of the Theory:

It is clear that the Great Man theory has no scientific basis and empirical validity. It is more of a speculative piece of notion. The great weakness of the Great Man Theory, apart from the improbability of inherent traits, is the absurd belief that some people become great and successful leaders independent of their environmental situations. The Great Man Theory is totally rejected by many modern theorists and even by some leaders themselves.

The reasons are not far to seek and they are listed as under:

- (i) There is nothing inborn, divine or mysterious about leadership qualities. Born leaders are imaginary characters. The so called born leaders tend to be misfits in the modern complex fast changing conditions. If at all there are born leaders, they are freaks of nature; their

availability is negligible, unreliable and cannot meet the growing demands of society for effective leadership in all spheres of activities.

(ii) Leaders are ordinary mortals who happen to acquire certain characteristics and skills useful for influencing other people. Leadership qualities can be acquired and sharpened by anyone through proper education, training and exposure.

(iii) Leadership qualities and traits by themselves are not sufficient for achieving effectiveness. Situational factors, in conjunction with leadership skills and qualities, have considerable influence on both the emergence and effectiveness of leaders.

(iv) The genetic or great man theory of leadership does not provide a scientific, verifiable and predictable explanation of why, how and when leaders emerge and become effective, what are the critical qualities needed for achieving greatness in leadership, and why as between two leaders of comparable qualities, one becomes effective and the other fails.

A somewhat moderate viewpoint is that one may not totally rule out the genetic or inborn nature of some leadership attributes. Just as there are some 'precocious' and almost born singers, artists and geniuses in various spheres of activity, there could also be born leaders—those individuals who demonstrate leadership qualities right from their early age and who possess a considerable amount of intuitive wisdom.

It is also argued that great leaders, by virtue of their sheer 'magic', bend situational factors to their advantage; hence situational factors have little independent influence on leadership effectiveness.

Another point of argument is that leaders are made' out of those individuals who possess certain basic leadership attributes. The latter are allowed to sharpen and develop through education and training processes.

Qualities or Traits of a Good Leader:

The trait theorists identified a long list of qualities which leaders possess. The following list is only illustrative and not exhaustive.

2. Trait Theory of Leadership:

A modification of the Great Man Theory is the Trait Theory which argues that leadership qualities or traits can be acquired. They need not always be inborn. The trait theory of leadership states that there are certain identifiable qualities or characteristics that are unique to leaders and those good leaders possess such qualities to some extent. Leadership qualities may be inborn or they may be acquired through training and practice.

(i) Intelligence:

Good leaders should be intelligent enough to understand the context and content of their position and function, to grasp the dynamics of environmental variables, both internal and external, which affect their activities and to have a good perspective of the present and future dimensions of their organisation.

(ii) Personality:

This is not to be confused with physical appearance, though it is important. More than outward appearance, certain inner-personality qualities mark out good leaders from others. Such qualities include: emotional stability and maturity, self-confidence, decisiveness, strong drive, optimism, extrovertness, achievement orientation, purposefulness, discipline, skill in getting along with others, integrity in character and a tendency to be cooperative.

These qualities tend to help leaders to organise and coordinate human effort, to guide and motivate people in task situations, to make sound decisions, to achieve concrete results and goals, to resolve conflict and to manage organisational change.

(iii) Other qualities:

Apart from intelligence and personality attributes, good leaders also possess a few key qualities like open mindedness, scientific spirit, social sensitivity, ability to communicate, objectivity, an abiding interest in people, pragmatism and a sense of realism.

Limitations:

The trait theory is described as out-dated by many modern theorists.

Its basic validity is questioned on several accounts:

1. It is not based on any research or systematic development of concepts and principles. It is more a speculative theory which fails when subjected to empirical tests. It is only descriptive theory on how some people emerge as leaders. It has few explanatory and predictive properties.
2. It is not possible to isolate a specific set of traits which can be consistently applied to leadership across a range of situations: cases can be cited to prove that mere possession of certain traits is not enough for one to become a leader. Nor does the absence of the called traits prevent individuals from emerging and proving their worth as leaders.
3. The trait theory does not try to relate particular traits to performance and behaviour effectiveness of leaders. Some traits tend to cancel out each other. For example, pragmatism and possession of ethical sense of right and wrong do not always go together. Traits which are needed for maintaining leadership are different from those which are needed for acquiring leadership.
4. An individual's traits do not make up his total personality, nor do they fully reveal about attitudes, values, aspirations and behaviour.
5. The trait theory is inward-looking towards the leader alone to the exclusion of the group of followers and the task situation, which are in fact more important for leader effectiveness.

6. There is no way of systematically defining and measuring the incidence and intensity of traits among persons purported to be leaders. Nor is it possible to position the traits along a hierarchy of importance.

Behavioral Theory of leadership

Behavioral Theory of leadership is a big leap from Trait Theory, as it was developed scientifically by conducting behaviour focused studies. The theory emphasizes that leadership capability can be learned, rather than being inherent. This theory is based on the principle that a leader's behaviours can be conditioned in a manner that one can have a specific response to specific stimuli.

Behavioral Theories of Leadership, also known as “The [style approach to leadership](#)” focuses on the behavior of the leader and what leaders do and how they act. In the 1940s, two parallel studies on leadership were in progress, one based on [traits displayed by leaders](#), another on the behaviours exhibited by leaders.

- [Traits theory](#) assumes that leaders are born, rather than made
- [Trait theory](#) concentrates on, what the leaders are
- [Great Man Theory](#) and [Traits Theory](#) are focused on intrinsic personal characteristics
- Behavioural theories are based upon the belief that great leaders are made, not born
- Behavioural theories concentrate on, what leaders do
- Behavioral approach is based on the leader's beliefs, values, and interpersonal relations
- Considers the Leader's attitude, behavior, opinion, and concern about his followers/organization
- Studies leadership behavior from the point of view of motivation, supervision, and authority
- Behavioural theories assume that specific behavioral patterns of leaders can be acquired
- People can learn to become leaders through teaching and observation.

Behavioral Theory of Leadership is a leadership theory that considers the observable actions and reactions of leaders and followers in a given situation. Behavioral theories focus on how leaders behave and assume that leaders can be made, rather than born, and successful leadership is based on definable, learnable behavior. Behavioral theories of leadership are classified as such because they focus on the study of specific behaviors of a leader. For behavioral theorists, a leader behavior is the best predictor of his leadership influences and as a result, is the best determinant of his or her leadership success.

These theories concentrate on what leaders actually do rather than on their qualities. Different patterns of behavior are observed and categorized as 'styles of leadership'. This area has probably attracted the most attention from practicing managers.

Advantages of Behavioral Theory of Leadership:

Behavioral theory promotes the value of leadership styles with an emphasis on concern for people and collaboration. It promotes participative decision making and team development by supporting individual needs and aligning individual and group objectives.

It helps managers evaluate and understand how their behavioral style as a manager affects their relationship with the team and promotes commitment and contribution towards organizational goals.

This theory helps managers find the right balance between different styles of leadership, and helps them decide how to behave as a leader, depending on concerns for people and for productivity.

Criticism / Arguments against - Behavioral Theory of Leadership:

As there were inherent limitations with the Trait approach to leadership, when early researchers ran out of steam in their search for traits, they turned to what leaders did, how they behaved, and came with behavioral theory of leadership. This became the dominant way of approaching leadership within organizations in the 1950s and early 1960s but this theory too had its own limitations.

Behavioral Theory of Leadership proposes leadership styles but a specific leadership style may not be best in all circumstances. When researchers really got to work on this it didn't seem to validate their assumptions. While behavioral theories may help managers develop particular leadership behaviours but they provide little guidance as to what constitutes effective leadership in different situations.

Situational Contingency Theory of Leadership:

Neither the trait nor the behavioural approaches offered satisfactory explanations of leadership in organisations, causing the researchers to look for alternate theories. The advocates of situational theories believe that leadership is greatly affected by a situation and to maintain that leadership pattern is the product of a situation at a particular time.

The situational theories emphasis not on personal qualities or traits of a leader, but upon the situation in which he operates. A good leader is one who moulds himself according to the needs of a given situation. These are three theories which view that leadership is dependent

upon the situations. Their theories are also known as contingency theories of leadership. These theories are discussed in detail as follows.

Fiedler's Contingency Model:

Widely respected as the father of the contingency theory of leadership, Fred Fiedler developed the leadership contingency model. Fiedler's theory assumes leaders are predisposed to a particular set of leadership behaviours. Leaders are either task oriented or relationship oriented. Task oriented leaders are-directive, structure situations, set deadlines and make task assignments.

Relationship oriented leaders focus on people, are considerate and are not strongly directive. Although the two types of leaders are similar to the leaders discussed in behavioural theories, there is an important distinction between contingency theory and behavioural theories. Fiedler's theory assumes that the predisposition to a particular style of leadership is difficult to change, a basic disposition of the leader with almost personality like qualities.

Fiedler suggested that three major situational variables determine whether a given situation is favourable to leaders:

- (i) Their personal relations with the members of their group (leader-member relations)
- (ii) The degree of structure in the task that their group has been assigned to perform (task structure) and
- (iii) The power and authority that their position provides (position power).

Leader- member relations describe the quality of the relationship between subordinates and the leader.

This dimension includes the amount of trust between the leader and the subordinates and whether the leader is liked and respected by the subordinates or not. Task Structure describes the extent to which the work is well defined and standardized or ambiguous and vague. When task structure is high, the work is predictable and can be planned. Low task structure describes an ambiguous situation with changing circumstances and unpredictable events.

Position Power refers to the formal authority of the leader. A situation with high position power lets the leader hire people and directly reward or punish behaviour. A leader with low position power cannot take such actions. In the latter situation, policies may constrain the leader from using any rewards or punishments.

Fiedler defined the favourableness of a situation as "the degree to which the situation enables the leader to exert influence over the group." The most favourable situation for leaders to influence their groups is one in which they are well liked by the members (good leader member relations), have a powerful position (strong position power) and are directing a well-defined job (high task structure) e.g., a well-liked general making an inspection in an army camp. On the other hand, the most unfavourable situation for leaders is one in which they are disliked, have little position power and face an unstructured task.

Fielder perceived eight possible combinations of the three situational variables as shown in the following figure:

Figure 22 Fiedler's Contingency Model

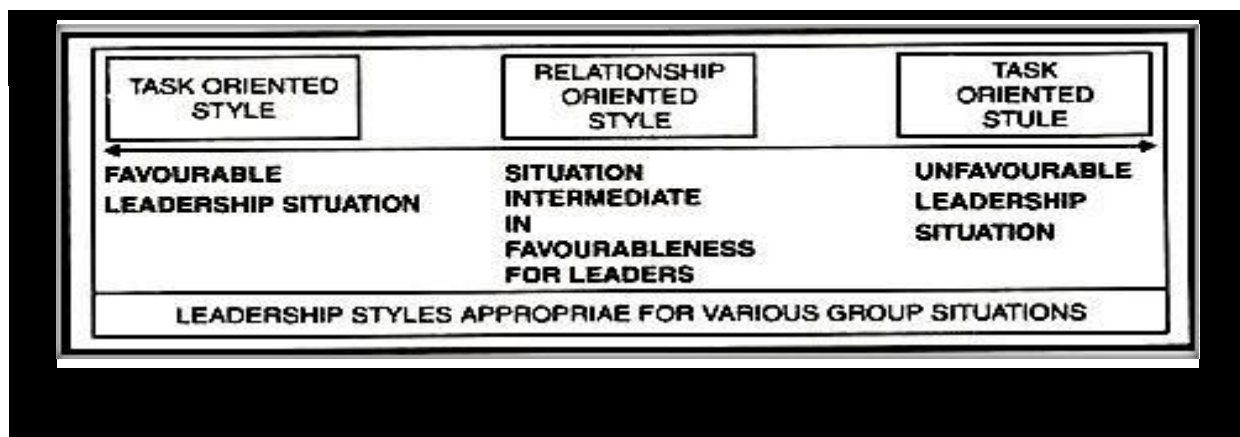
FIEDLER'S SITUATIONAL COMBINATIONS								
Leader-member Relations	Good	Good	Good	Good	Poor	Poor	Poor	Poor
Task Structure	High	High	Low	Low	High	High	Low	Low
Position Power	Strong	Weak	Strong	Weak	Strong	Weak	Strong	Weak
Situation High _____ Low Favourableness for leader								

In a re-examination of old leadership studies and an analysis of new studies, Fiedler concluded that:

- (i) Task oriented leaders tend to perform best in group situations that are either very favourable or very unfavourable to the leader.
- (ii) Relationship oriented leaders tend to perform best in situations that are intermediate in favourableness.

These conclusions are summarized in the following figure:





Fiedler has made an important contribution to leadership theory, particularly in his focus on situational variables as moderating influences. Fiedler's model has research support, particularly in his general conclusions represented in the figures. He may, in his single that there are only two basic leadership styles-task oriented and relationship oriented.

Most evidence indicates that leader behaviour must be plotted on two separate axes rather than on a single continuum. Thus, a leader who is high on task behaviour is not necessarily high or low on relationship behaviour. Any combination of the two dimensions may occur.

Hersey-Blanchard Situational Model:

Hersey-Blanchard situational model also advocates linking leadership styles with various situations so as to ensure effective leadership, but its perspective of situational variables is different as compared to Fiedler's Model. This model is based on any empirical studies Hersey and Blanchard feel that the leader has to match his style with the needs of maturity of subordinates which moves in stages and has a cycle. This model is also known as life cycle theory of leadership and is based on an interaction among three factors (i) task behaviour (ii) relationship behaviour (iii) the maturity level.

These variables are discussed as follows:

(i) Task Behaviour:

The extent to which leaders are likely to organize and define the roles of the members of their group and to explain what activities each is to do and when, where and how tasks are to be accomplished, characterised by endeavouring to establish well defined patterns of organisation and ways of getting jobs accomplished.

(ii) Relationship Behaviour:

The extent to which leaders are likely to maintain personal relationships between themselves and members of their group by opening up channels of communication providing socio-emotional support, active listening, psychological strokes and facilitating behaviour.

(iii) Maturity Level:

Maturity level is built on the work of Chris Argyris. Maturity is the capacity to set high but attainable goals plus the willingness and ability to take responsibility and to use education and/or experience. Ability refers to the knowledge and skills of an individual to do the job and is called Job Maturity.

Willingness refers to the psychological maturity and has much to do with confidence and commitment of the individual. People tend to have varying levels of maturity depending upon the specific task, function or objective that they are attempting to accomplish.

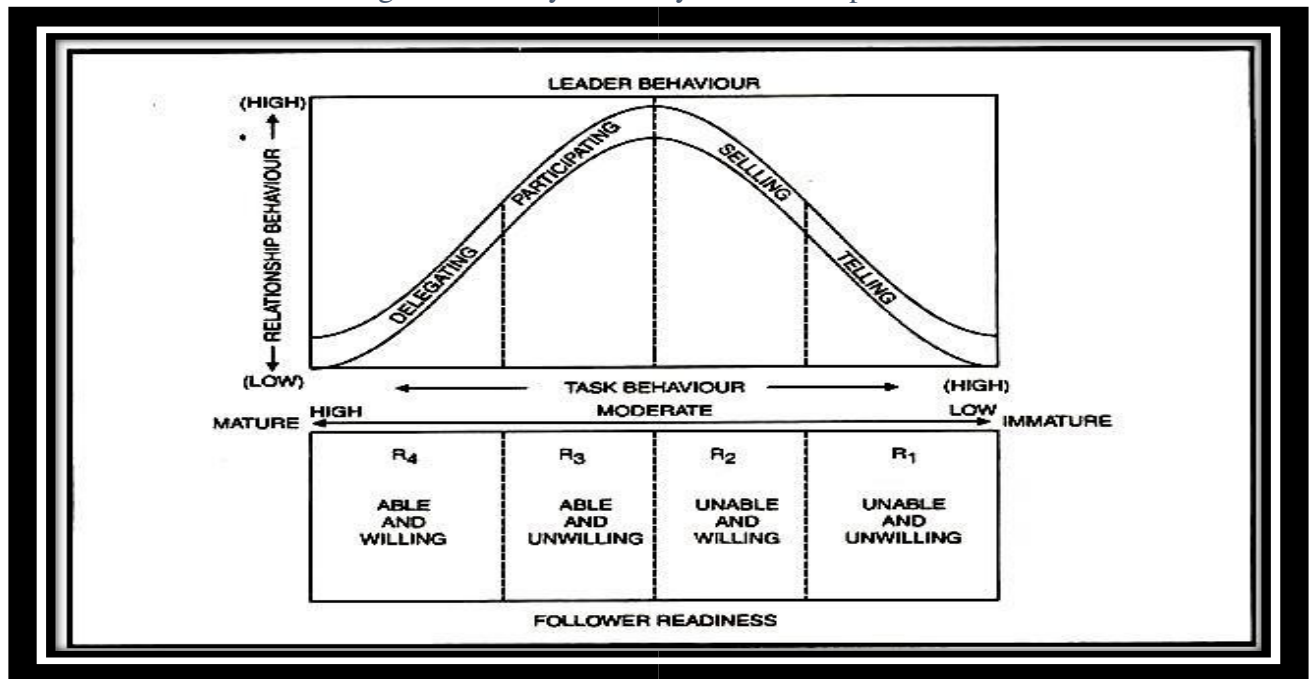
These are defined as the four stages of followers' readiness:

- (i) R_1 – People are both unable and either unwilling or too insecure to take responsibility to do something. They are neither competent nor confident.
- (ii) R_2 – People are unable but willing to do the necessary tasks. They are motivated but currently lack appropriate skills.
- (iii) R_3 – People are able but unwilling or are too apprehensive to do what the leader wants.
- (iv) R_4 – People are both able and willing to do what is asked of them. They are at a very high level of maturity.

According to Hersey and Blanchard, as the level of subordinate maturity increases in terms of accomplishing a specific task, the leader should begin to reduce task behaviour and increase relationship behaviour. As the subordinate moves into above average level of maturity, the leader should decrease both task and relationship behaviour. At this level of maturity there is a reduction of close supervision and an increase in delegation as an indication of trust and confidence.

If we combine leadership style and maturity, that is the leadership style which is appropriate at a given level of maturity, we may arrive at the relationship between the two as shown in the following figure.

Figure 23 life cycle theory of leadership



The above figure summarizes the life cycle theory of leadership.

The theory indicates that effective leadership should shift as follows:

Stage I → High task and low relationship behaviour.

Stage II → High task and high relationship behaviour.

Stage III → High relationship and low task behaviour.

Stage IV → Low task and low relationship behaviour.

Thus, to be effective, the manager's style must be appropriate for the maturity level of the subordinates.

According to the levels of maturity of subordinates, the four styles of leadership should be as follows:

(i) Telling Style:

Telling style emphasizes directive behaviour. It is the high task and low relationship behaviour stage, where the subordinates have low maturity i.e., neither they have the ability to do nor they are willing to do.

(ii) Selling Style;

In the second stage, which is marked by high task and high relationship behaviour, subordinates require both supportive and directive behaviour. Selling leadership style is appropriate for subordinates of moderate maturity i.e., high willingness but lack of ability.

(iii) Participating Style:

In third stage, participating style of leadership will be effective because it is a high relationship and low task behaviour stage. Subordinates, in this stage, have high to moderate maturity i.e. who have ability to do but lack willingness to do. Thus, high external motivating force is needed to motivate such subordinates.

(iv) Delegating Style:

In the fourth stage, of low task and low relationship behaviour, delegating style of leadership is suitable. Subordinates in this stage are at a very high level of maturity, i.e. they have ability as well as willingness to work. Thus, they hardly require any leadership support. Hersey-Blanchard's model is simple and appealing. It helps the managers to determine what they should do and in what circumstances. This model has provided training ground for developing people in the organisations.

As this model is not based on any research evidence, it has failed to arouse the interest of researchers. Moreover, this model concentrates on only one situational aspect that is, the

maturity level of subordinates, to judge the leadership effectiveness. Therefore, this model does not truly reflect the situational leadership.

House's Path Goal Theory:

In a contingency theory, characteristics of the situation govern the choice of leader behaviour. Although path goal theory and Fiedler's theory are both contingency theories, they view the contingency relationship differently. Robert House advanced his situational theory of leadership based on Ohio State leadership studies and Vroom's expectancy model of motivation.

Path-goal theory sees the leader's role as one of affecting a subordinate's motivation to reach desired goals. It states that a leader's job is to create a work environment (through structure, support and rewards) that helps employees reach the organisational goals. Two major roles involved are to create a goal orientation and to improve the path towards the goal. So that it will be attained.

It is important to know why this theory is named path-goal theory. House explains it in this way:

“According to this theory, leaders are effective because of their impact on (followers') motivation, ability to perform effectively and satisfactions. The theory is called Path-Goal because its major concern is how the leader influences the (followers') perceptions of their work goals, personal goals and paths to goals attainment. The theory suggests that a leader's behaviour is motivating or satisfying to the degree that the behaviour increases (followers') goal attainment and clarifies the paths to these goals.”

Path-goal theory proposed the following four leader behaviours.

Directive:

Directive leader behaviour focuses on what must be done, when it must be done and how it must be done. This behaviour clarifies performance expectations and the role of each subordinate in the work group.

Supportive:

Supportive leader behaviour includes concern for subordinates as people and the needs they are trying to satisfy. Supportive leaders are open, warm, friendly and approachable.

Participative:

Participative leader behaviour includes consultation with subordinates and serious consideration of subordinates' ideas before making decisions.

Achievement-Oriented:

Achievement oriented leader behaviour emphasizes excellence in subordinate performance and improvements in performance. An achievement-oriented leader sets high performance

goals and shows confidence in peoples' abilities to reach those goals. Each of the above leadership styles work well in some situations but not in others. While exercising leadership styles the leader must consider two groups of situational variables-characteristics of subordinates and work environment. **Characteristics of Subordinates:**

Subordinate characteristics are one set of situational variables that moderate the relationship between leader behaviour and the outcome variables of subordinate satisfaction and effort. Personal characteristics of employees partially determine how they will react to a leader's behaviour. For example, employees who have an internal locus of control (who believe awards are contingent upon their own efforts) may be more satisfied with a participative leadership style whereas employees who have an external locus of control (who believe awards are beyond their control) may be more satisfied with a directive style.

Another example is that internally oriented employees, who believe they can control their own behaviours, prefer a supportive leader. But externally oriented employees, on the other hand, prefer a directive leader as they believe that fate controls their behaviour. Finally, individuals who feel that they have high levels of task related abilities may not respond well to directive leader behaviour. Instead, they may prefer an achievement-oriented style of leadership.

Characteristics of Work Environment:

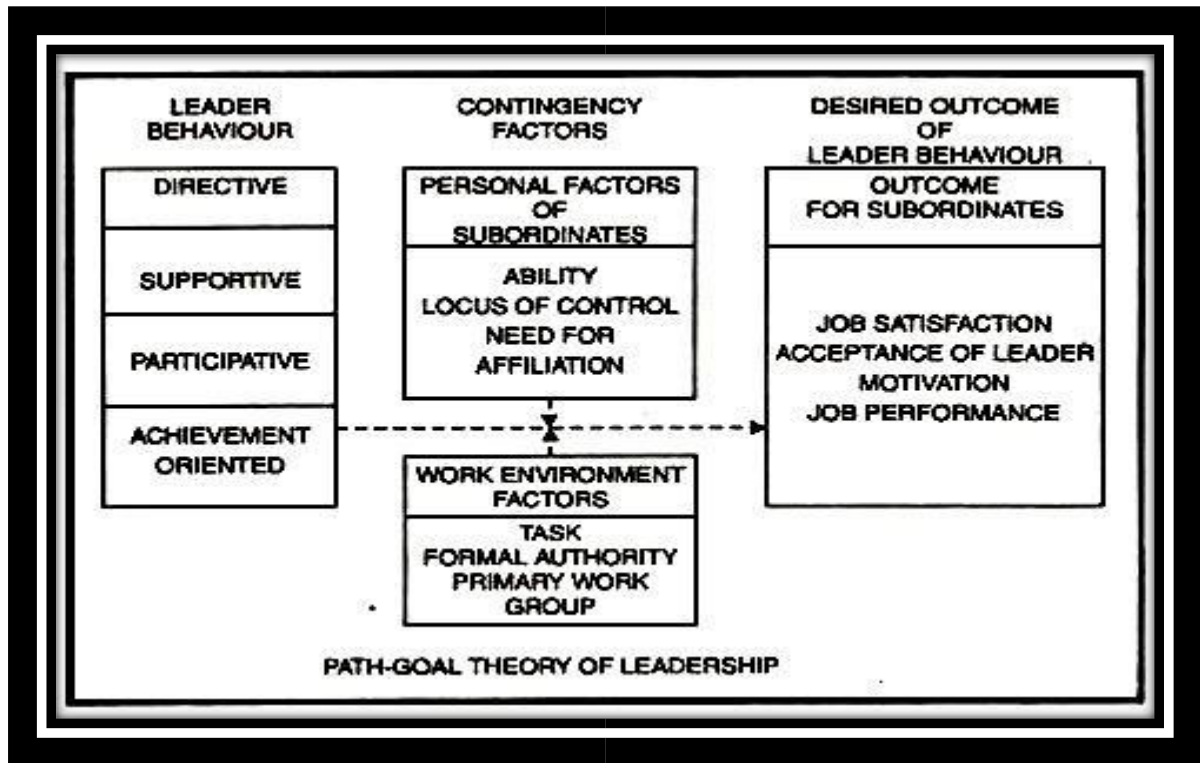
Three broad aspects are considered in work environment:

- (i) Subordinates task-structured or unstructured,
- (ii) Formal authority system and
- (iii) Primary work group-its characteristics and stage of development.

These aspects of work environment influence subordinate's behaviour in relation to a particular leadership style. If the subordinates are working on a highly unstructured job characterised by high degree of ambiguity in roles, they will require directive leadership behaviour. Subordinates working in a low ambiguity situation can clearly see what must be done and how to do the task. Directive leadership in this case will be redundant; rather it could reduce satisfaction and motivation. A better leadership style in this situation will be supportive.

The following figure shows the structure of path-goal theory:

Figure 24 House's Path Goal Theory of Leadership



Thus, the theory proposes that there is nothing like the best leadership style appropriate in all situations. Appropriate style is one which helps the subordinates cope with the environmental ambiguity. A leader who is able to reduce uncertainties of the task and sets clear paths is considered to be satisfying the because he increases the expectations of the subordinates that their efforts will lead to desired results.

Although, the results of the empirical research testing path-goal theory have shown some promise, many of the findings are questionable because the theory itself contains some deficiencies. For example, the theory does not suggest how different situation variables are likely to interact. In addition, the theory considers the effects of four leader behaviours separately even though it is likely that interactions among the various behaviours exist.

Despite criticism, however, house's path-goal theory has made a significant contribution to the topic of leadership because it specified important leadership behaviours and situation variables that should be considered in almost any organisational setting.

Vroom-Yetton and Jago's Contingency Model:

The contingency model developed by Victor Vroom and Phillip Yetton is based on a model commonly used by researchers who take a contingency approach to leadership. Vroom and Yetton were later joined by Arther Jago in the development of this model which emphasizes the role played by leaders in making decisions.

Basically, the model focuses on the degree to which employees should be allowed to participate in decisions. Three factors which are to be considered for this purpose are decision quality, decision acceptance and decision timing.

The quality of a decision is highest when the best alternative is chosen, independent of the effects that may be associated with the necessity that the decision be accepted by subordinates. For example, where to place a coffee machine in a plant does not require high decision quality whereas a decision on goal and objectives does require high decision quality.

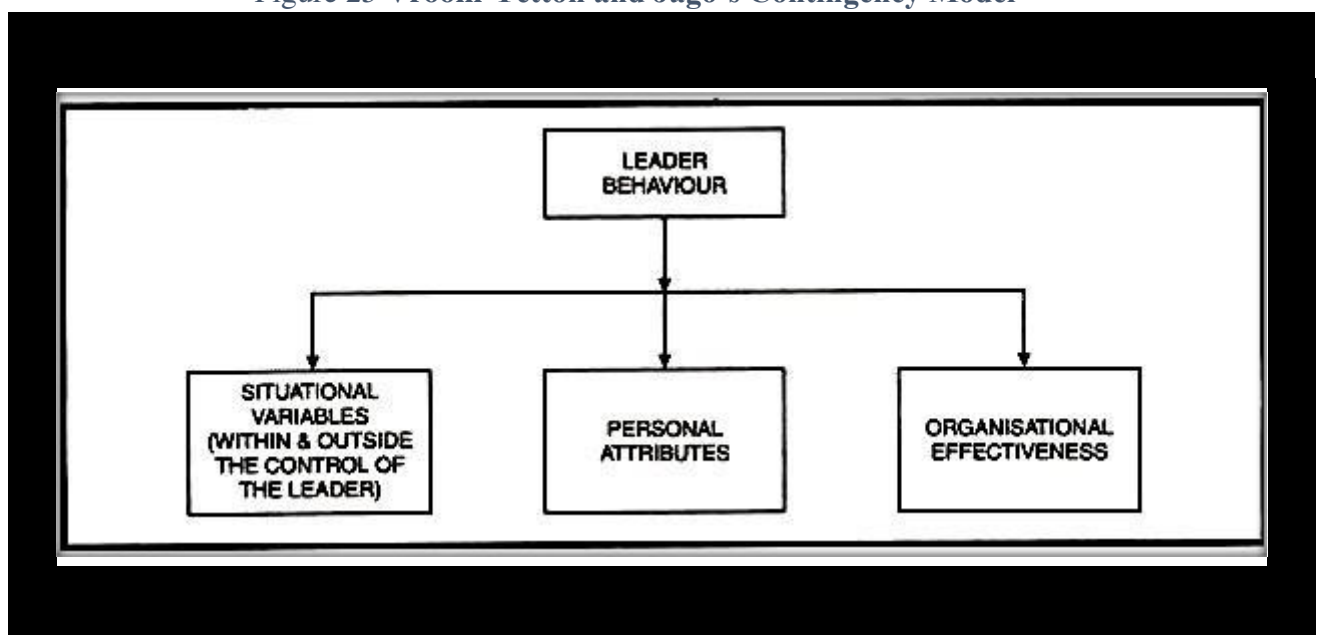
Decision acceptance is important whenever a decision has implication for subordinates' work motivation and whenever a decision must be implemented by subordinates.

Decision timing plays an important role whenever timing uses constraints on decisions.

The Vroom-Yetton model is based on the assumption that situational variables interacting with personal attributes or characteristics of the leader result in leader behaviour that can affect organisational effectiveness.

The model is depicted in the following figure:

Figure 25 Vroom-Yetton and Jago's Contingency Model



The figure assumes that situational variables such as subordinates, time and job demands, interact with the personal attributes of leader such as experience or communication skills result in leader behaviour e.g. directive style or supportive style of leadership, to influence the organisational effectiveness, which is also influenced by the other situational variables

outside the control of the leader like government regulations, competitors' actions, economic conditions prevailing in the economy etc.

According to Vroom Vetten and Jago model leaders with multiple subordinates have five basic decision styles available to them.

There five styles are as follows:

AI. The leader makes the decision or solves the problem himself, using information available to him at the time.

AI. The leader obtains the information from his subordinates, then decide on the solution to the problem himself. The subordinates act only as the information source. They may not be told what the problem is while getting information from them.

CI. The leader shares the problem with the subordinates individually, getting their ideas and suggestions without bringing them together as a group. Then he makes the decision which may or may not reflect the subordinate's influence.

CII. The problem is shared with the subordinates as a group, collectively obtaining the ideas and suggestions. Then, the leader makes the decision which may or may not reflect the group's influence.

GII. The leader and subordinates meet as a group to discuss the problem, and the group makes the decision. The manager accepts and implements any solution which has the support of the entire group.

The Vroom-Vetten-Jago-decision model of leadership provides the leader with, in effect, a decision tree to help him choose an effective decision-making style. The decision process involves answering a lot of questions about the nature of the problem. After working his way through the decision tree, the leader selects the style that is most appropriate for the situation.

The questions relating to the problem attributes are of the following types:

- (A) Is there a quality requirement such that one situation is likely to be more rational than another? (Quality Requirement)
- (B) Does the leader have sufficient information to make a high-quality decision? (Leader's information)
- (C) Is the problem structured? (Problem structure)
- (D) Is acceptance of the leader's decision by the subordinates critical to effective implementation? (Commitment requirements)
- (E) If the leader were to make the decision by himself, will it be accepted by the subordinates? (Commitment probability)
- (F) Do subordinates' share the organisational goals to be obtained in solving the problem? (Goal congruence)

(G) Does conflict among subordinates likely to occur in preferred solutions? (Subordinate conflict) (The problem attributes to questions are given in the brackets)

Transactional Leadership Theory

The transactional style of leadership was first described by Max Weber in 1947 and then by Bernard Bass in 1981. This style is most often used by the managers. It focuses on the basic management process of controlling, organizing, and short-term planning. The famous examples of leaders who have used transactional technique include McCarthy and de Gaulle.

Transactional leadership involves motivating and directing followers primarily through appealing to their own self-interest. The power of transactional leaders comes from their formal authority and responsibility in the organization. The main goal of the follower is to obey the instructions of the leader. The style can also be mentioned as a ‘telling style’.

The leader believes in motivating through a system of rewards and punishment. If a subordinate does what is desired, a reward will follow, and if he does not go as per the wishes of the leader, a punishment will follow. Here, the exchange between leader and follower takes place to achieve routine performance goals.

These exchanges involve four dimensions:

✓	Contingent Rewards: Transactional leaders link the goal to rewards, clarify expectations, provide necessary resources, set mutually agreed upon goals, and provide various kinds of rewards for successful performance. They set SMART (specific, measurable, attainable, realistic, and timely) goals for their subordinates.
✓	Active Management by Exception: Transactional leaders actively monitor the work of their subordinates, watch for deviations from rules and standards and taking corrective action to prevent mistakes.
✓	Passive Management by Exception: Transactional leaders intervene only when standards are not met or when the performance is not as per the expectations. They may even use punishment as a response to unacceptable performance.
✓	Laissez-faire: The leader provides an environment where the subordinates get many opportunities to make decisions. The leader himself abdicates responsibilities and avoids making decisions and therefore the group often lacks direction.

Assumptions of Transactional Theory

- Employees are motivated by reward and punishment.
- The subordinates have to obey the orders of the superior.
- The subordinates are not self-motivated. They have to be closely monitored and controlled to get the work done from them.

Implications of Transactional Theory

The transactional leaders overemphasize detailed and short-term goals, and standard rules and procedures. They do not make an effort to enhance followers' creativity and generation of new ideas. This kind of a leadership style may work well where the organizational problems are simple and clearly defined. Such leaders tend to not reward or ignore ideas that do not fit with existing plans and goals.

The transactional leaders are found to be quite effective in guiding efficiency decisions which are aimed at cutting costs and improving productivity. The transactional leaders tend to be highly directive and action oriented and their relationship with the followers tends to be transitory and not based on emotional bonds.

The theory assumes that subordinates can be motivated by simple rewards. The only 'transaction' between the leader and the followers is the money which the followers receive for their compliance and effort.

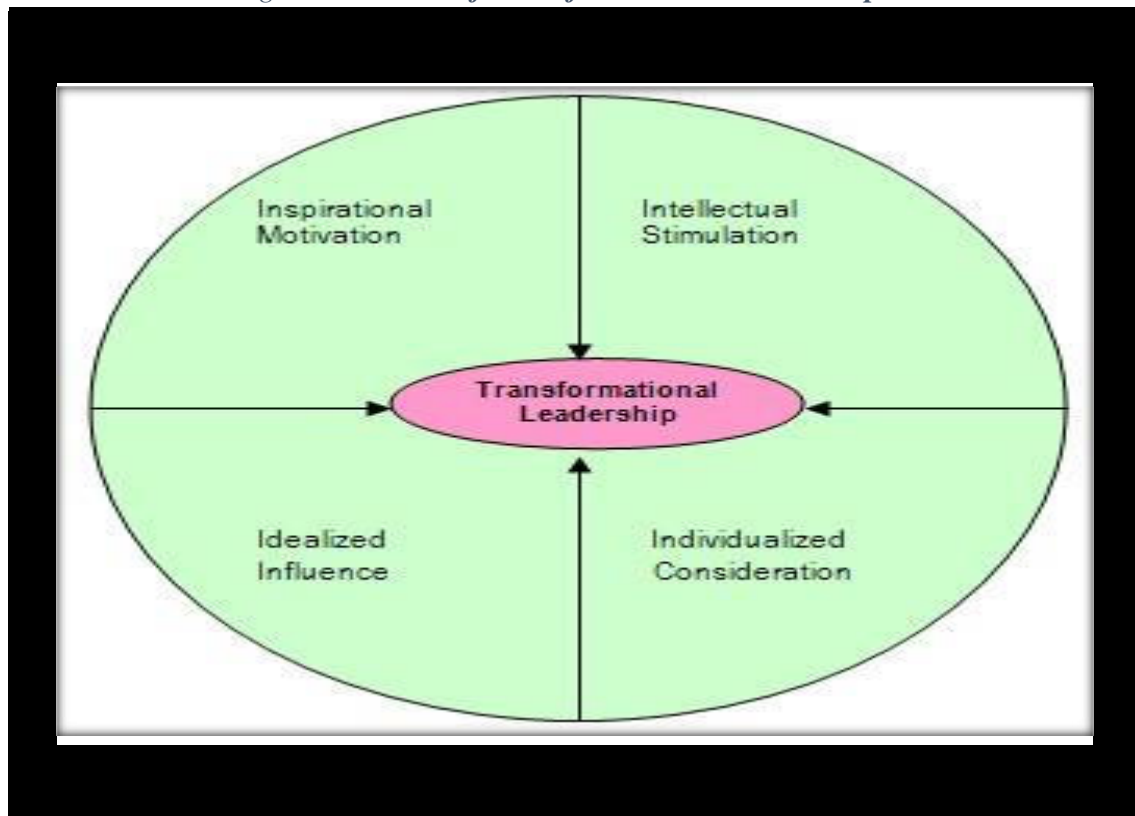
Table 6 Difference between Transactional and Transformational Leaders

Transactional leadership	Transformational Leadership
Leadership is responsive	Leadership is proactive
Works within the organizational culture	Work to change the organizational culture by implementing new ideas
Transactional leaders make employees achieve organizational objectives through rewards and punishment	Transformational leaders motivate and empower employees to achieve company's objectives by appealing to higher ideals and moral values
Motivates followers by appealing to their own self-interest	Motivates followers by encouraging them to transcend their own interests for those of the group or unit

Creating high-performance workforce has become increasingly important and to do so business leaders must be able to inspire organizational members to go beyond their task requirements. As a result, new concepts of leadership have emerged - transformational leadership being one of them.

Transformational leadership may be found at all levels of the organization: teams, departments, divisions, and organization as a whole. Such leaders are visionary, inspiring, daring, risk-takers, and thoughtful thinkers. They have a charismatic appeal. But charisma alone is insufficient for changing the way an organization operates. For bringing major changes, transformational leaders must exhibit the following four factors:

Figure 26 Model of Transformational Leadership



Inspirational Motivation: The foundation of transformational leadership is the promotion of consistent vision, mission, and a set of values to the members. Their vision is so compelling that they know what they want from every interaction. Transformational leaders guide followers by providing them with a sense of meaning and challenge. They work enthusiastically and optimistically to foster the spirit of teamwork and commitment.

Intellectual Stimulation: Such leaders encourage their followers to be innovative and creative. They encourage new ideas from their followers and never criticize them publicly for the mistakes committed by them. The leaders focus on the “what” in problems and do not focus on the blaming part of it. They have no hesitation in discarding an old practice set by them if it is found ineffective.

Idealized Influence: They believe in the philosophy that a leader can influence followers only when he practices what he preaches. The leaders act as role models that followers seek to emulate. Such leaders always win the trust and respect of their followers through their action. They typically place their followers' needs over their own, sacrifice their personal gains for them, and demonstrate high standards of ethical conduct. The use of power by such leaders is aimed at influencing them to strive for the common goals of the organization.

• **Individualized Consideration:** Leaders act as mentors to their followers and reward them for creativity and innovation. The followers are treated differently according to their talents and knowledge. They are empowered to make decisions and are always provided with the needed support to implement their decisions.

The common examples of transformational leaders are Mahatma Gandhi and Obama.

Criticisms of Transformational Leadership Theory

- Transformational leadership makes use of impression management and therefore lends itself to amoral self-promotion by leaders
- The theory is very difficult to be trained or taught because it is a combination of many leadership theories.
- Followers might be manipulated by leaders and there are chances that they lose more than they gain.

Implications of Transformational Leadership Theory

The current environment characterized by uncertainty, global turbulence, and organizational instability calls for transformational leadership to prevail at all levels of the organization. The followers of such leaders demonstrate high levels of job satisfaction and organizational commitment, and engage in organizational citizenship behaviours. With such a devoted workforce, it will definitely be useful to consider making efforts towards developing ways of transforming organization through leadership.

Managerial Grid Model of Leadership

Developed by R. R. Blake and J. S. Mouton, the Managerial Grid Model helps Managers to analyze their leadership styles through a technique known as grid training. Also, Managers can identify how they concern their concern for production and people with the Managerial Grid Model.

The two dimensions of leadership, viz. concern for people on 'vertical' axis and concern for production on the 'horizontal' axis have been demonstrated by R. R. Blake and J. S. Mouton in the form of Managerial Grid Model.

They identified 5 **basic leadership styles** of practicing managers representing various combinations of the aforesaid two dimensions as shown in the following figure; Managerial Grid Model is based on two behavioral dimensions:

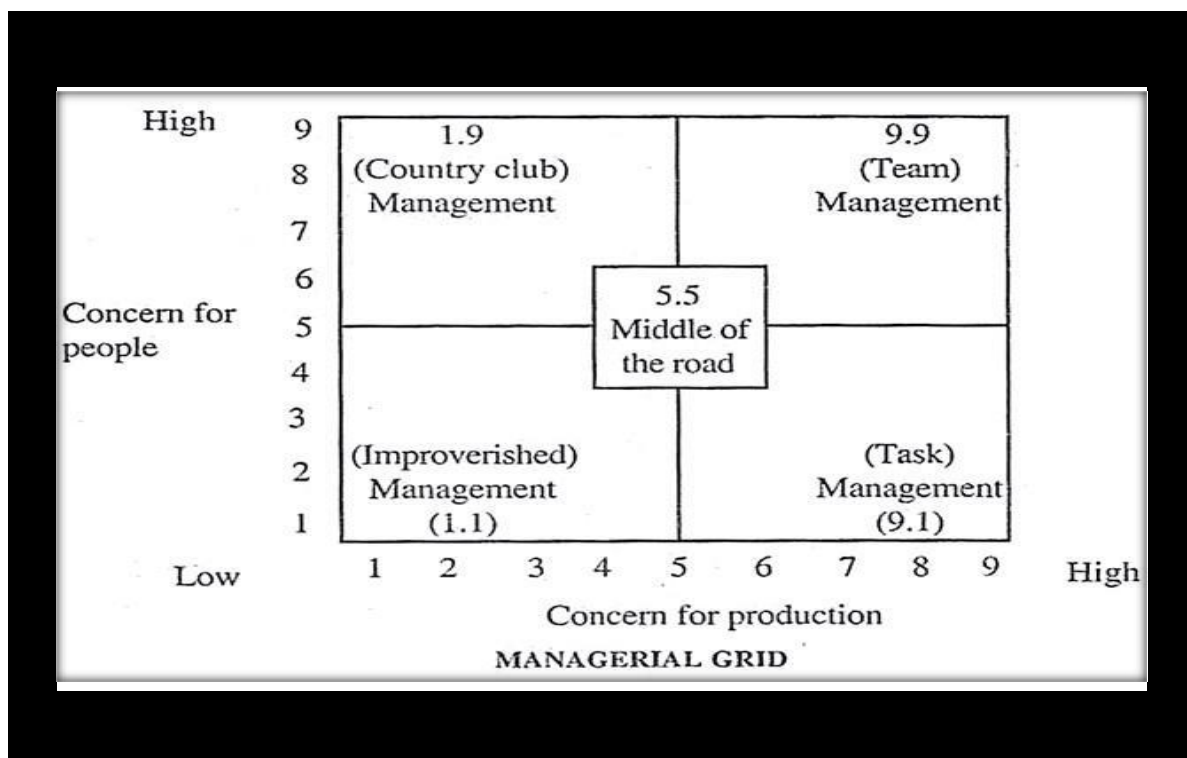
1. **Concern for people:** This is the degree to which a leader considers the needs of team members, their interests, and areas of personal development when deciding how best to accomplish a task.

2. **Concern for production:** This is the degree to which a leader emphasizes concrete objectives, organizational efficiency, and high productivity when deciding how best to accomplish a task.

As shown in the figure, the model is represented as a grid with concern for production as the X-axis and concern for people as the Y-axis; each axis ranges from 1 (Low) to 9 (high).

The five resulting leadership styles are as follows:

Figure 27 Managerial Grid



(1,9) Country Club Style Leadership High People and Low Production

(1,9) Country Club Style Leadership style of leader is most concerned about the needs and the feelings of members of his or her team.

In this environment, the relationship-oriented manager has a high concern for people but a low concern for production.

He pays much attention to the security and comfort of the employees. He hopes that this will increase performance.

He is almost incapable of employing the more punitive, coercive and legitimate powers. The organization will end up to be a friendly atmosphere but not necessarily very productive.

The (1,9) boss mainly uses reward power to preserve discipline and to support his subordinates in accomplishing their goals.

Conversely, this manager is virtually incapable of employing more disciplinary coercive and legitimate powers. This inability results from his fear that using such powers could jeopardize his relationships.

This inability results from his fear that using such powers could jeopardize his relationships.

Thus, the supervisor seldom attempts to impose his will on other people, preferring to accept the ideas of others instead of forcing his own.

Employees in this type of work environment go about their day working at their own pace on projects that they enjoy and with coworkers that they are attracted to.

(9,1) Produce or Perish Leadership- High Production and Low People

(9,1) Produce or Perish Leadership management style is characterized by a concern for production as the only goal.

Employees are viewed as obstacles to performance results unless obedience to the manager's wishes is explicitly granted.

In this style, the manager is authoritarian or compliance. A task-oriented manager, he has a high concern for production and a low concern for people.

He finds employee needs unimportant and simply a means to an end. He provides his employees with money and expects performance back.

There is little or no allowance for cooperation or collaboration. He pressures his employees through rules and punishments to achieve the company goals.

This type of leader is very autocratic, has strict work rules, policies and procedures, and views punishment as the most effective means to motivate employees.

(1,1) Impoverished Leadership-Low Production and Low People:

(1,1) Impoverished Leadership is a delegate-and-disappear management style and a lazy approach. The manager shows a low concern for both people and production.

He or she avoids getting into trouble. His main concern is not to be held responsible for any mistakes.

Managers use this style to preserve job and job seniority, protecting themselves by avoiding getting into trouble.

This leader is mostly ineffective. He or she has neither a high regard for creating systems for getting the job done nor for creating a work environment that is satisfying and motivating.

A result is a place of disorganization, dissatisfaction, and disharmony.

(5,5) Middle-Of-The-Road Leadership-Medium Production and Medium People

(5,5) Middle-Of-The-Road Leadership is a kind of realistic medium without ambition. It is a balanced and compromised style.

The manager tries to balance the competing goals of the company and the needs of the workers.

The manager gives some concern to both people and production, hoping to achieve acceptable performance. He believes this is the most anyone can do.

Consequently, compromises occur where neither the production nor the people's needs are fully met.

The supervisor views it as the most practical management technique. It is also an outcome when production and people issues are seen as in conflict.

The defining characteristic of this style "is not to seek the best position for both production and people... but to find the position that is in between both, about halfway."

Styles of Leadership

Leadership style refers to a leader's behavior. Behavioral pattern which the leader reflects in his role as a leader is often described as the style of leadership. Leadership style is the result of leader's philosophy, personality, experience, and value system. It also depends upon the types of followers and the organizational atmosphere prevailing in the enterprise.

Different types of leadership styles are:

1. Autocratic leadership;
2. Participative leadership;
3. Free rein leadership; and
4. Paternalistic leadership.

Autocratic or Authoritarian Leadership

The autocratic leader gives orders which must be obeyed by the subordinates. He determines policies for the group without consulting them and does not give detailed information about future plans, but simply tells the group what immediate steps they must take. He gives personal praise or criticism to each member on his own initiative and remains aloof from the group for the major part of the time. Thus, under this style, all decision-making power is centralized in the leader. Leader adopting this style stresses his prerogative to decide and order and subordinates' obligation to do what they are told to carry out.

Autocratic leadership may be negative because followers are uniformed, insecure and afraid of leader's authority. Such a leader may be called the *strict autocrat* who realizes on negative influences and gives orders which the subordinates must accept. Leadership can be positive also because the leader may use his power to disperse rewards to his group. When his motivational style is positive, he is often called a benevolent autocrat. The *benevolent autocrat* is effective in getting high productivity in many situations and he can develop effective human relationships. There is another type of autocratic leader known as

manipulative autocrat, who makes the subordinates feel that they are participating in decision-making process even though he has already taken the decision. An autocratic leader assumes that people basically work for money they and want security. Because of such assumptions about human beings, he exercises tight control and supervision over his subordinates. But these assumptions do not hold good in all the situations. If the motivational style is negative, people will dislike it. Frustration, low morale and conflict develop easily in autocratic situations.

Participative or Democratic Leadership

A democratic leader is one who gives instructions only after consulting the group. He sees to it that policies are worked out in group discussions and with the acceptance of the group. Participative manager decentralizes managerial authority. His decisions are not unilateral like that of the autocratic leader. Unlike an autocratic manager who controls through the authority, a participative manager exercises control mostly by using forces within the group. Some of the advantages of participative leadership are:

- It increases the acceptance of management's ideas.
- It improves the attitude of employees towards their jobs and the organization.
- It increases the cooperation between management and employees.
- It leads to reduction in the number of complaints and grievances.
- It increases the morale of the employees.

Free Rein or Laissez Faire Leadership

A free rein leader does not lead, but leaves the group entirely to itself. The free rein leader avoids power. He depends largely upon the group to establish its own goals and work out its own problems. Group members work themselves and provide their own motivation. The leader completely abdicates his leadership position by giving most of the work entrusted to him to the group which he is supposed to lead. This is also known as permissive style of leadership, where there is least intervention by the leader. Abdication of authority by the leader and letting the group to operate entirely on its own are the common features of this style. This mode of direction can produce good and quick results if the subordinates are highly educated, responsible and brilliant who have a strong desire and commitment to give their best to the organization.

Paternalistic Leadership

In this style, the leader assumes that his function is paternal or fatherly. His attitude is that of treating the relationship between the leader and his group as that of family with the leader as the head of family. He works to help, guide, protect, and keep his followers happily working together as members of a family. He provides them with good working conditions, fringe benefits and employee services. This style has been successful, particularly in Japan because

of its cultural background. It is said that employees under such leadership will work harder out of gratitude.

TRANSACTIONAL AND TRANSFORMATIONAL LEADERS

Transactional Leadership:

A transactional leader is one who guides and motivates his follows in the direction of established goals by clarifying role and task requirements. Transactional leadership involves exchange relationship between the leader and the followers. Traditional theory of leadership, Ohio State Studies, Fielder's model, and Path-Goal theory are all transactional in nature.

On the basis of his research findings, Bass concluded that in many instances (such as relying on passive management by exception), transactional leadership is a prescription for mediocrity and that transformational leadership leads to superior performance in organisations facing demands for renewal and change. He suggested that fostering transformational leadership through policies of recruitment, selection, promotion, training and development will pay off in the health, well-being and effective performance of today's organisation.

Managers of the future will continue to face the challenge of a changing their organisations, primarily because of the accelerating trend to position organisations to be more competitive in a global business environment. Therefore, transformational leadership will probably get increasing attention in the leadership research by the behavioural scientists.

Characteristics of Transactional and Transformational Leaders

- (i) **Contingent Reward:** Contracts exchange of rewards for effort, promises rewards for good performance, recognises accomplishments.
- (ii) **Management by Exception (Active):** Watches and searches for deviations from rules and standards, takes corrective action.
- (iii) **Management by Exception (Passive):** Intervenes only if standards are not met.
- (iv) **Laissez Faire:** Abdicates responsibilities, avoids making decisions.

Transformational Leadership:

Leader who inspires followers to transcend their won self-interests for the good of the organisation, and who is capable of having a profound and extraordinary, effect on his or her followers is known as transformational leader.

For example, Leslie Wexner of the Limited Retail Chain and Jack Welch at General Electric pay attention to the concerns and developmental needs of individual followers; they change followers' awareness of issues by helping them to look at old problems in new ways; and

they are able to excite, arouse and inspire followers to put out extra effort to achieve group goals. Thus, transformational leaders are the leaders who provide individualised consideration and intellectual stimulation, and who possess charisma.

Characteristics of Transformational Leaders:

- (i) **Charisma:** Provides vision and sense of mission, instils provide, gains respect and trust.
- (ii) **Inspiration:** Communicates high expectations, uses symbols to focus efforts, and expresses important purposes in simple ways.
- (iii) **Intellectual Stimulation:** Promotes intelligence, rationality, and careful problem solving.
- (iv) **Individualised Consideration:** Give personal attention, treats each employee. Individually, coaches, advices.

Transformational leadership is built on top of transactional leadership (leaders who guide or motivate their followers in the direction of established goals by clarifying role and task requirements). It produces levels of subordinate effort and performance that go beyond what would occur with a transactional approach alone. Moreover, transformational leadership is more than charisma. “The purely charismatic (Leader) may want followers to adopt the charismatic’s world view and go no further, the transformational leader who attempt to instil in followers the ability to question not only established views but eventually those established by the leader”.

Guidelines for Transformation Leadership: There are some tentative guidelines for leaders who seek to inspire and motivate followers:

1. Articulate a Clear and Appealing Vision: Transformational leaders strengthen the existing vision or build commitment to a new vision. A clear vision of what the organisation could accomplish or become helps people understanding the purpose, objectives and priorities of the organisation. It gives the work meaning, serves as a source of self-esteem, and fosters a sense of common purpose.

Finally, the vision helps guide the actions and decisions of each member of the organisation, which is especially important when individuals or groups are allowed considerable autonomy and discretion in their work decision.

2. Explain How the Vision can be Attained: It is not enough to articulate an appealing vision; the leader must also convince followers that the vision is feasible. It is important to make a clear link between the vision and a credible strategy for attaining it. This link is easier to establish if the strategy has a few clear themes that are relevant to shared values of organisation members. Themes provide labels to help people understand issues and problems. The number of themes should be large enough to focus attention on key issues, but not so large as to cause confusion and dissipate energy. It is seldom necessary to present an elaborate plan with detailed action steps.

3. Act Confidently and Optimistically: Followers are not going to have faith in a vision unless the leader demonstrates self-confidence and conviction. It is important to remain optimistic about the likely success of the group in attaining its vision, especially in the face of temporary roadblocks and setbacks. A manager's confidence and optimism can be highly contagious. It is best to emphasise what has been accomplished so far rather than how much more is yet to be done. It is best to emphasise the positive aspects of the vision rather than the obstacles and dangers that lie ahead. Confidence is expressed in both words and actions. Lack of self-confidence is reflected in tentative, faltering language (for example, "I guess, may be, hopefully") and some nonverbal cues (for example, frowns, lack of eye contact, nervous gestures, weak posture).

4. Express Confidence in Followers: The motivating effect of a vision also depends on the extent to which subordinates are confident about their ability to achieve it. People perform better when a leader has high expectations for them and shows confidence in them. There is more need to foster confidence and optimism when the task is very difficult or dangerous or when team members lack confidence in themselves. If appropriate, the leader should remind followers how they overcame obstacle to achieve an earlier triumph. If they have never been successful, the leader may be able to make an analogy between the present situation and success by a similar team or organisational unit.

Review the specific strengths, assets and resources that they can draw on to carry out the strategy. List the advantages they have relative to opponents or competitors. Tell them that they are as good as or better than an earlier team that was successful in performing the same type of activity.

5. Use Dramatic, Symbolic Actions to Emphasise Key Values: Concern for a value or objective is demonstrated by the way a manager spends time, by resource allocation decisions made when there are trade-offs between objectives, by the questions the manager asks, and by what actions the manager rewards.

Dramatic, highly visible actions are an effective way to emphasise key values. Symbolic actions to achieve an important objective or defend an important value are likely to be more influential when the manager risks substantial personal loss, makes a self-sacrifice, or does things that are unconventional. The effect of symbolic actions is increased when they become the subject of stories and myths that circulate among members of the organisation and are retold time and again over the years to new employees.

6. Lead by Example: According to an old saying, actions speak louder than words. One way a leader can influence subordinate commitment is by setting an example of exemplary behaviour in day-to-day interactions with subordinates. Leading by example is sometimes called "role modelling". It is especially important for actions that are unpleasant, dangerous, unconventional, or controversial. A manager who asks subordinates to observe a particular standard should also observe the same standard. A manager who asks subordinates to make special sacrifices should set an example by doing the same.

7. Empower People to Achieve the Vision: Empowerment means delegating authority for decisions about how to do the work to individuals and teams. It means asking people to determine for themselves the best way is to implement strategies or attain objectives, rather than telling them in detail what to do. It means encouraging subordinates to suggest solutions to problems if they come to you for help, and it means supporting subordinates who assume responsibility for resolving problems on their own, even though they do not do it the same way you would.

Empowering also means reducing bureaucratic constraints on how the work is done so that people have more discretion. Finally, empowering means providing adequate resources for subordinates to carry out a task for which they are being held accountable.

UNIT V

CONTROLLING & ORGANISATIONAL DYNAMICS

Concepts of Control – Controlling Methods & Techniques – Basic Control Process – Concept and Importance of Organizational Culture – Concept of Organizational Change & Resistance to Change.

CONTROLLING

Introduction

Controlling is an important function of management. It is the process that measures current performance and guides it towards some predetermined objectives. Under primitive management, control was undertaken only when something went wrong and the objectives of control was to reprimand the person responsible for these events and take action against him. The modern concept of control envisages a system that not only provides a historical record of what has happened to the business as a whole but also pinpoints the reasons why it has happened and provides data that enable the manager to take corrective steps, if he finds he is on the wrong track. Therefore, there is no intention to punish the person for wrongdoing, but to find out the deviations between the actual performance and the standard performance and to take steps to prevent such variances in future.

The concept of control is often confused with lack of freedom. The opposite of control is not freedom but chaos or anarchy. Control is fully consistent with freedom. In fact, they are interdependent. Without control, freedom cannot be sustained for long. Without freedom, control becomes ineffective. Both freedom and accountability are embedded in the concept of control.

Concept of Control

Control is the process through which managers assure that actual activities conform to planned activities. According to Breach, "Control is checking current performance against predetermined standards contained in the plans, with a view to ensuring adequate progress and satisfactory performance."

According to George R. Terry, "Controlling is determining what is being accomplished i.e., evaluating the performance and if necessary, applying corrective measures so that the performance takes place according to plans."

According to Billy E. Goetz, "Management control seeks to compel events to conform plans".

According to Robert N. Anthony, "Management control is the process by which managers assure that resources are obtained and used effectively and efficiently."

In the words of Koontz and O'Donnell, "Managerial control implies measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans."

In the words of Haynes and Massie, "Fundamentally, control is any process that guides activity towards some predetermined goal. The essence of the concept is in determining whether the activity is achieving the desired results".

In the words of J. L. Massie, "Control is the process that measures current performance and guides it towards some predetermined goals."

In the words of Henry Fayol, "Control consists in verifying whether everything occurs in conformity with the plan adopted, the instructions issued and the principles established. Its object is to find out the weakness and errors in order to rectify them and prevent recurrence. It operates on everything, i.e., things, people and actions".

From the above definitions it is clear that the managerial function of control consists in a comparison of the actual performance with the planned performance with the object of discovering whether all is going on well according to plans and if not why. Remedial action arising from a study of deviations of the actual performance with the standard or planned performance will serve to correct the plans and make suitable changes. Controlling is the nature of follow-up to the other three fundamental functions of management. There can, in fact, be not controlling without previous planning, organising and directing. Controlling cannot take place in a vacuum.

Characteristics of Control

Managerial control has certain characteristic feature. They are:

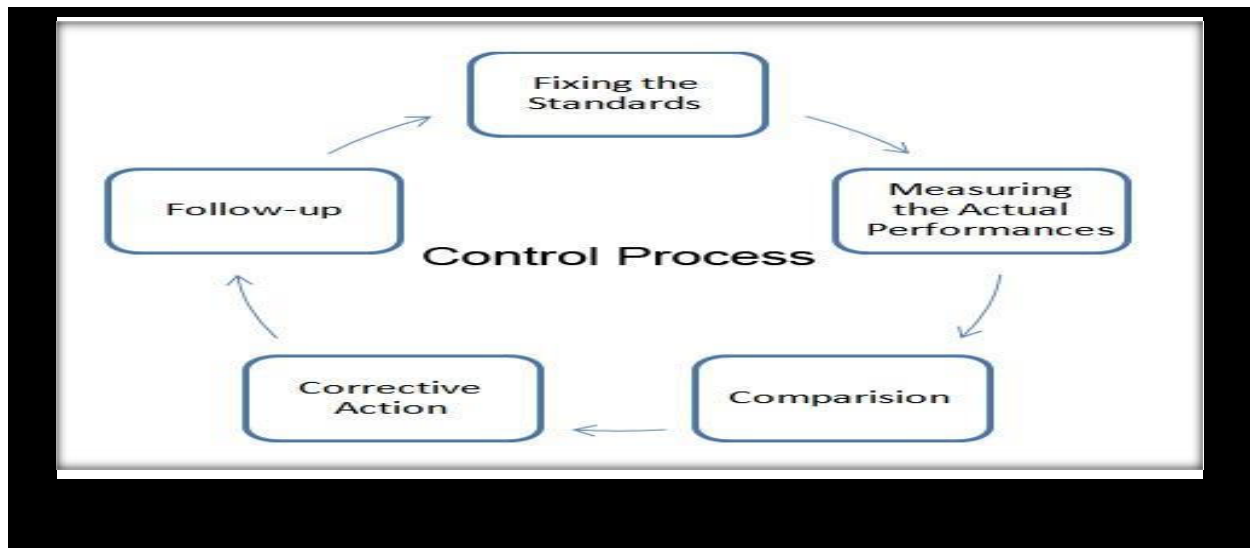
1. **Control is the function of every manager.** Managers at all levels have to perform this function to contribute to the achievement of organisational objectives.

2. **Control leads to appraisal of past activities.** The deviations in the past are revealed by the control process. Corrective actions can be initiated accordingly.
3. **Control is linked with future, as past cannot be controlled.** It should anticipate possible deviations and to think of corrective action for the control of such deviations in the future. It is usually preventive as presence of control system tends to minimise wastages, losses and deviations from standards.
4. Control is concerned with setting standards, measurement of actual performance, comparison of actual performance with predetermined standards and bringing to light the variations between the actual performance and the standard performance.
5. **Control implies taking corrective measures.** The object in checking the variations or deviations is to rectify them and prevent their recurrence. It is only action which adjusts performance to predetermined standards whenever deviations occur.
6. **Control can be exercised only with reference to and on the basis of plans.** To quote Mary Cushing Niles - "Whereas planning sets the course, control observes deviations from the course or to an appropriately changed one".
7. **To some people, control is opposite of freedom.** This is not true. Control is based on facts and figures. Its purpose is to achieve and maintain acceptable productivity from all resources of an enterprise. Therefore, control aims at results and not at persons. It is for correcting a situation, and not for reprimanding persons.
8. **Information or feedback is the guide to control.** The feedback is helpful to the manager to determine how far the operations are proceeding in conformity with plans and standards, and where remedial action is called for.
9. Control involves continuous review of standards of performance and results in corrective action which may lead to change in the performance of other functions of management. This makes control a dynamic and flexible process.
10. **Control is a continuous activity.** It involves constant analysis of validity of standards, policies, procedures etc. **Basic Control Process**

Steps in Control Process

Figure 28 Steps in Control Process





There are three basic steps in a control process:

1. Establishing standards
2. Measuring and comparing actual results against standards
3. Taking corrective action.

Establishing Standards

The first step in the control process is to establish standards against which results can be measured. The standards the managers desire to obtain in each key area should be defined as far as possible in quantitative terms. Standards expressed in general terms should be avoided. Standards need to be flexible in order to adapt to changing conditions. The standard should emphasize the achievement of results more than the conformity to rules and methods. If they do not do so, then people will start giving more importance to rules and methods than to the final results.

While setting the standards, the following points have to be borne in mind:

1. The standards must be clear and intelligible. If the standards are clear and are understood by the persons concerned, they themselves will be able to check their performance.
2. Standards should be accurate, precise, acceptable and workable.
3. Standards are used as the criteria or benchmarks by which performance is measured in the control process. It should not be either too high or too low. They should be realistic and attainable.
4. Standards should be flexible i.e., capable of being changed when the circumstances require so.

Measuring and Comparing Actual Results against Standards

The second step in the control process is to measure the performance and compare it with the predetermined standards. Measurement of performance can be done by personal observation, by reports, charts and statements. If the control system is well organised, quick comparison of these with the standard figure is quite possible. This will reveal variations.

After the measurement of the actual performance, the actual performance should be compared with the standards fixed quickly. A quick comparison of actual performance with the standard performance is possible, if the control system is well organised. While comparing the actual performance with the standards fixed, the manager has to find out not only the extent of variations but also the causes of variations. This is necessary, because some of the variations may be unimportant, while others may be important and need immediate corrective action by the manager.

Taking Corrective Action

After comparing the actual performance with the prescribed standards and finding the deviations, the next step that should be taken by the manager is to correct these deviations. Corrective action should be taken without wasting of time so that the normal position can be restored quickly. The manager should also determine the correct cause for deviation.

Taking corrective action can be achieved in the following way:

1. The manager should try to influence environmental conditions and external situations in such a way as to facilitate the achievement of goals.
2. He should review with his subordinates the instructions given earlier so that he may be able to give clear, complete and reasonable instructions in future.
3. There are many external forces which cannot be adjusted by the manager. They have to be accepted as the facts of the situation, and the executives should revise their plans in the light of these changing forces.

Types of Control

Most control methods can be grouped into one of the two basic types:

1. Past-oriented controls.
2. Future-oriented controls.

Past-oriented Controls

These are also known as post-action controls and measure results after the process. They examine what has happened in a particular period in the past. These controls can be used to plan future behaviour in the light of past errors or successes.

Future-oriented Controls

These are also known as steering controls or feed-forward controls and are designed to measure results during the process so that action can be taken before the job is done or the period is over. They serve as warning-posts principally to direct attention rather than to evaluate, e.g., Cash flow analysis, funds flow analysis, network planning etc.

CONTROLLING METHODS & TECHNIQUES

A variety of tools and techniques have been used over the years to help managers control the activities in their organisations. There can be control in different perspectives. Time control relate to deadlines and time constraints, material controls relate to inventory control etc. Various techniques of control require varied control aids such as:

1. **Budgeting:** A budget is a statement of anticipated results during a designated time period expressed in financial and non-financial terms. Budgets cover a designated time period – usually a year. At stated intervals during that time period, actual performance is compared directly with the budget targets and deviations are quickly detected and acted upon. E.g., of Budgets: Sales budget, production budget, capital expenditure budget, cash budget, master budget etc.
2. **Standard Costing:** The cost of production determines the profit earned by an enterprise. The system involves a comparison of the actuals with the standards and the discrepancy is called variance. The various steps involved in standard costing are:
 - (a) Setting of cost standards for various components of cost e.g.: raw materials, labour etc.
 - (b) Measurement of actual performance.
 - (c) Comparison of actual cost with the standard cost.
 - (d) Finding the variance of actual from the standard cost.
 - (e) Findings the causes of variance.
 - (f) Taking necessary action to prevent the occurrence of variance in future.
3. **Responsibility Accounting:** Responsibility accounting can be defined as a system of accounting under which each departmental head is made responsible for the performance of his department.
4. **Reports:** A major part of control consists of preparing reports to provide information to the management for purpose of control and planning.
5. **Standing Orders, Rules and Limitations:** Standing orders, rules and limitations are also control techniques used by the management. They are issued by the management and they are to be observed by the subordinates.
6. **Personal Observation:** A manager can also exercise fruitful control over his subordinates by observing them while they are engaged in work.
7. **Critical Path Method (CPM)**

A critical path consists of that set of dependent tasks (each dependent on the preceding one), which together take the longest time to complete. A CPM chart can define multiple, equally critical paths. The tasks, which fall on the critical path, should be noted in some way, so that they may be given special attention. One way is to draw critical path tasks with a double line instead of a single line. Tasks, which fall on the critical path, should receive special attention by both the project manager and the personnel assigned to them. The critical path for any given method may shift as the project progresses; this can happen when tasks are completed either behind or ahead of schedule, causing other tasks which may still be on schedule to fall on the new critical path.

8. Gantt Chart Notes

Henry Laurence Gantt (1861-1919) was a mechanical engineer, management consultant and industry advisor. He developed Gantt charts in the second decade of the 20th century. Gantt charts were used as a visual tool to show scheduled and actual progress of projects. It was an innovation of worldwide importance in the 1920s. Gantt charts were used on large construction projects. A Gantt chart is a matrix, which lists on the vertical axis all the tasks to be performed. Each row contains a single task identification, which usually consists of a number and name. The horizontal axis is headed by columns indicating estimated task duration, skill level needed to perform the task and the name of the person assigned to the task, followed by one column for each period in the project's duration. Each period may be expressed in hours, days, weeks, months and other time units. The graphics portion of the Gantt chart consists of a horizontal bar for each task connecting the period start and period ending columns.

A set of markers is usually used to indicate estimated and actual start and end. Each bar on a separate line and the name of each person assigned to the task, is on a separate line. In many cases when this type of project plan is used, a blank row is left between tasks. When the project is under way, this row is used to indicate progress indicated by a second bar, which starts in the period column when the task is actually started and continues until the task is actually completed. Comparison between estimated start and end and actual start and end should indicate project status on a task-by-task basis.

9. Programme Evaluation and Review Technique

Program Evaluation and Review Technique (PERT) is a variation on Critical Path Analysis that takes a slightly more sceptical view of time estimates made for each project stage. Critical Path Method (CPM) charts are similar to PERT charts and are sometimes known as PERT/CPM. To use it, estimate the shortest possible time each activity will take, the most likely length of time and the longest time that might be taken if the activity takes longer than expected. PERT charts depict task, duration and dependency information. Each chart starts with an initiation node from which the first task or tasks, originates. If multiple tasks begin at the same time, they are all started from the node or branch, or fork out from the starting point.

Each task is represented by a line, which states its name or other identifier, its duration, the number of people assigned to it and, in some cases, the initials of the personnel assigned. The

other end of the task line is terminated by another node, which identifies the start of another task or the beginning of any slack time, that is, waiting time between tasks. Each task is connected to its successor tasks in this manner, forming a network of nodes and connecting lines. The chart is complete when all final tasks come together at the completion node. When slack time exists between the end of one task and the start of another, the usual method is to draw a broken or dotted line between the end of the first task and the start of the next dependent task.

CONCEPT AND IMPORTANCE OF ORGANIZATIONAL CULTURE

Introduction

Organisational Culture plays an important role in modern business environment because it has its impact on employee performance and satisfaction. Hence in this chapter we discuss the nature, role, types and importance of Organisational Culture on the performance of the Organisation.

Though the concept of culture and its implications for society have been studied for long time. In org. behaviour culture became a central concern only during 1980's. Several research studies were undertaken during this period to develop conceptual framework as well as to understand its impact on the functioning of Organisation.

Meaning and definition:

The concept of culture has been derived from anthropology where it is defined in so many ways. Culture is nothing but the combination of knowledge, belief, art, morals, law, custom and other capabilities and habits acquired by man in a society.

Organisational Culture may also be called corporate culture. It has been defined as the philosophies, ideologies, values, assumptions, beliefs, expectations, attitudes and norms that an Organisation together and are shared by its employees.

Charles O'Reilly has defined Organisational Culture in a precise manner as: "Organisational Culture is the set of assumptions, beliefs, values, and norms that are shared by an Organisation and its members."

Thus, Organisational Culture is a set of characteristics that are commonly shared by people in the Organisation. Such characteristics may be in the form of assumptions, beliefs, values, and norms which are known as abstract elements of the culture or externally oriented characteristics like products, buildings, and dresses etc. which are known as material elements of the culture.

Characteristics of Organisational Culture:

There are following characteristics which help to understand the essence of an Organisational Culture.

- 1. Initiative:** The degree of freedom, authority and responsibility enjoyed by an individual in an Organisation.

- 2. Risk taking:** Employees are encouraged to be aggressive, innovative and risk taking.
- 3. Direction:** The degree to which the organisation creates clear objectives and performance expectations.
- 4. Integration:** The degree to which units within the org. are encouraged to operate in an integrated manner.
- 5. Management Support:** The degree to which managers provide clear communication, assistance and support to their subordinates.
- 6. Control:** The number of rules and regulations and the amount of direct supervision that is used to control employee behaviour.
- 7. Identity:** The degree to which members' identity with the org. as a whole rather than with their particular work group or field of professional expertise.
- 8. Reward system:** The degree to which reward allocation are based on employee performance criterion in contrast to seniority, favouritism etc.
- 9. Conflict Tolerance:** The degree to which employees are encouraged to air conflicts and criticisms openly.
- 10. Communication Patterns:** The degree to which org. communication are restricted to the formal hierarchy of authority.

ORGANISATIONAL CHANGE

Change simply refers to alteration in the existing conditions of an organization. Even in most stable organizations change is necessary to maintain stability. The economic and social environment is so dynamic that without adapting to such change even the most successful organizations cannot survive in the changed environment. Therefore, management must continuously monitor the outside environment and be sufficiently innovative and creative to implement these changes effectively.

Organizations encounter different forces for change. These forces come from external and internal sources of the organization.

External forces

External forces for change originate outside an organization. There are four key external forces for change:

Demographic Characteristics: These include age, education, skill level and gender of employees. Organizations need to effectively manage these characteristics in order to receive maximum contribution and commitment from their employees.

Technological Advancements: Both manufacturing and service organizations are increasingly using technology as a means to improve productivity and market competitiveness.

Market Changes: The emergence of a global economy is forcing Indian organizations to change the way they do business. Organizations are entering into new partnerships with their suppliers in order to deliver higher quality products at lower prices.

Social and Political Pressures: These forces are created by social and political events. Personal values affect employees' needs, priorities and motivation. Therefore, managers need to adjust their managerial style according to the changing employee values. Political events also create substantial change in an organization. Although it is difficult for organizations to predict changes in political forces, many organizations hire lobbyists and consultants to help them detect and respond to social and political changes.

Internal forces

Internal forces for change come from inside the organization. This may come from both human resource problems and managerial behavior.

Human Resource Problems

These problems stem from employee perceptions about their work environment and conflict between an employee and organization needs. Organizations might respond to these problems by using the various approaches to job design by implementing realistic job previews and by reducing employees' role conflict, stress, work overload and ambiguity.

Managerial Behaviour

Excessive interpersonal conflict between managers and their subordinates is a sign of implementing an immediate change. Inappropriate leader behavior such as inadequate direction and support are the cause of conflict between managers and their subordinates.

Nature of Change

Organizations introduce changes through people. Unless the people are willing to accept the need and responsibility for organizational change, intended changes can never be translated into reality. In addition, individuals have to learn to adapt their attitudes and behavioral patterns to constantly changing environments.

Management of change involves both individual and organizational change. Individual change is behavioral change, which is determined by individual characteristics of members such as their knowledge, attitudes, beliefs, needs, expectations and skills. It is possible to bring about a total change in an organization by changing behaviours of individual members through participative and educative strategies. Although, the degree of difficulty involved in the change and the time taken to bring about the change will depend on the target of change.

The attitudes towards change are largely dependent on the nature of the situation and the manner in which changes are initiated and executed.

Changing individual behavior is more time consuming and a difficult task. The linkage between attitude and behavior is not direct and therefore changing behavior is more difficult than changing attitudes. One's attitude does not necessarily get reflected in one's behavior. For example, we know that honesty is the best policy and we have favourable attitudes towards people- who are honest but in certain situations, we may still act in a less honest way.

Approaches to organizational change

As organizational change is a complex process, therefore managers must approach it systematically and logically. Some organizational changes are planned whereas other changes are reactive.

Planned change is designed and implemented by an organization in an orderly and timely fashion in the anticipation of future change.

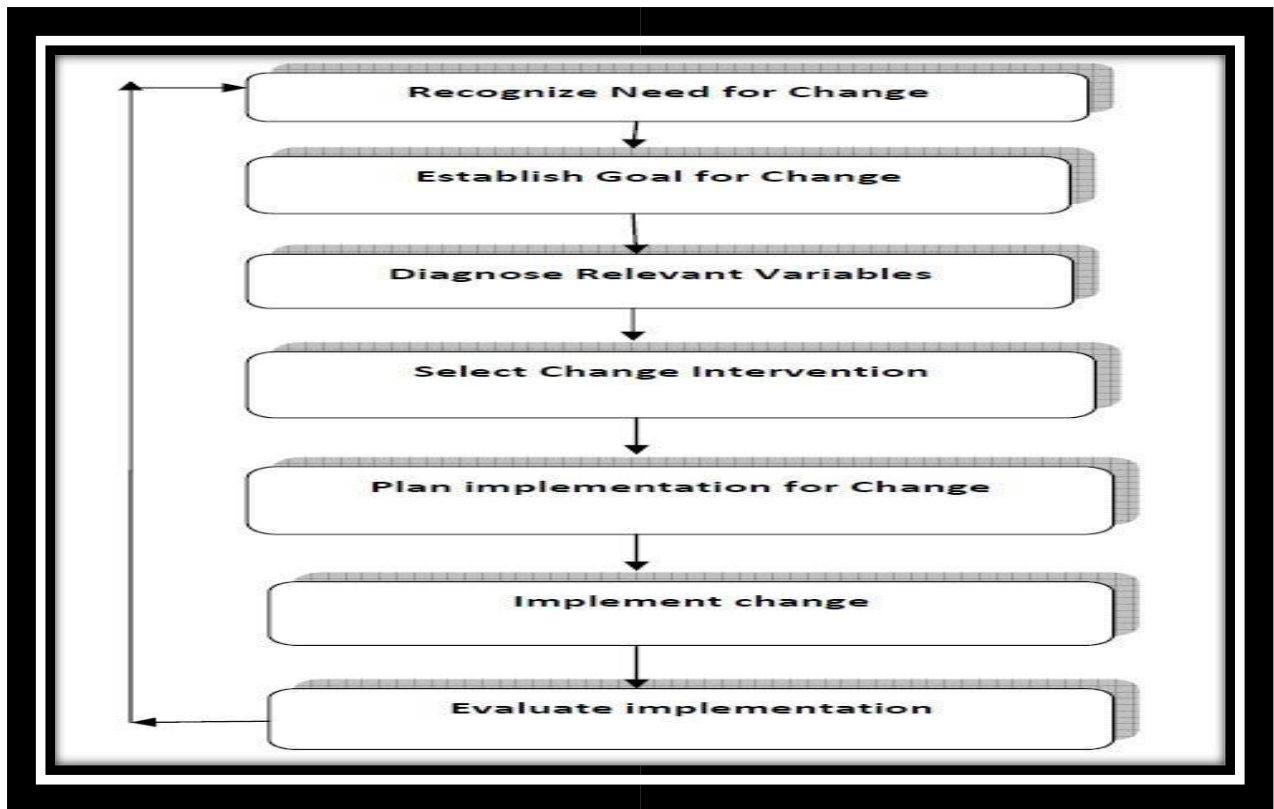
Reactive change results from a reaction of an organization to unexpected events. In contrast to planned change, it is a piece-meal response to circumstances as they develop. External forces that the organization has failed to anticipate or interpret always bring about reactive change. Since reactive change may have to be carried out hastily, it increases the likelihood of a poorly conceived and poorly executed Program.

Planned change is always preferable to reactive change. Managers who sit back and respond to change only when they can no longer avoid it are likely to waste a lot of time and money trying to patch together a last-minute solution. The more effective approach is to anticipate the significant forces for change working in an organization and plan ways to address them. To accomplish this, managers must understand the steps needed for effective change.

A comprehensive model of change

The comprehensive model of change shown in the following figure shows seven steps that can lead to effective change. This model is useful for both planned and reactive change. The seven steps of comprehensive model of change are as follows:

Figure 29 The comprehensive model of change



Recognize need for change

The first step in this model is recognizing need for change. For marketing managers who anticipate needed. Change, recognition is likely to come much earlier, as a result of marketing forecasts indicating new market potential, expert indications about impending socio-economic change or a perceived opportunity to capitalize on a key technological breakthrough. These managers tend to 'initiate change because they expect it to be necessary in the near future in any case'.

Establish goals for change

The manager must then set goals for the proposed change. It is important for the manager to specify goals that the change is supposed to accomplish. The goals can be set to maintain or increase the market standing, to enter new markets, to restore employee morale, to reduce turnover, to settle a strike and to identify good investment opportunities.

Diagnose relevant variables

An important next step is diagnosing organizational variables that have brought about the need for change. Turnover, for example, may be caused by a variety of factors such as low pay, poor working conditions, poor supervision, better alternatives in the job market or employee job dissatisfaction etc. Thus, if turnover is the recognized stimulus for change, the manager must understand what has caused it in a particular situation in order to make the right changes. To carry out this diagnosis, the manager may discuss the situation with employees and other managers.

Select change intervention

After the manager has developed an understanding of the problem and its causes then he must select a change intervention that will accomplish the intended goal. An intervention is a specific change induced in an organization with the intention of solving a particular problem or accomplishing a specific objective. For example, if turnover is caused by low pay, then a new reward system is required and if the cause is poor supervision, then interpersonal skills and training for supervisors is required.

Plan implementation of change

The manager must then carefully plan the implementation of change. Planning the implementation of change involves consideration of the cost of the change, how the change will affect other areas of the organization and the degree to which employees should participate in bringing about the change. Hastily implemented change can result in more harm than benefit. For example, if the change involves the use of new equipment, the manager should not make any changes that rely on the use of new equipment until it has arrived and been installed and workers know how to use it. Moreover, if change is thrust upon them too quickly, their resistance may stiffen.

Implement change

A systematically implemented change is more likely to proceed smoothly and to encounter fewer obstacles than is a change that is implemented too quickly and without adequate preparation.

Evaluate implementation

Finally, after the change has been implemented, the manager should verify that it has accomplished its intended goals. A change may fail to bring about the intended results. This may be due to inappropriate goals or inaccurate diagnosis of the situation or wrong selection of intervention.

Models and dynamics of planned change

Managers are criticized for emphasizing short-term, quick fix solutions to organizational problems. Quick-fix solutions do not really solve underlying problems and they have little staying power. Researchers and managers have thus tried to identify effective ways to manage the change process. The following models have been developed to effectively manage change:

Lewin's Change Model

Most theories of organizational change originated from the landmark work of social psychologist Kurt Lewin. Lewin developed a three-stage model of planned change, which explained how to initiate, manage and stabilize the change process. The three stages are unfreezing, changing and refreezing. Before reviewing each stage, it is important to highlight the assumptions on which, this model is based:

1. The change process involves learning something new, as well discontinuing current attitudes, behaviours and organizational practices.
2. Change will not occur unless there is motivation to change. This is often the most difficult part of the change process.
3. People are the hub of all organizational changes. Any change, whether in terms of structure, group process, reward systems or job design requires individuals to change.
4. Resistance to change is found even when the goals of change are highly desirable.
5. Effective change requires reinforcing new behaviours, attitudes and organizational practices. The following are the three stages of change:

Unfreezing

The focus of this stage is to make organization open to change. In doing so individuals are encouraged to replace old behaviours and attitudes with those desired by management. Managers also need to devise ways to reduce the barriers to change during this stage.

Changing

The focus of this stage is in providing employees with new information, new behavioral models, or new ways of looking at things. The purpose is to help employees learn new concepts to implement change. Role models, mentors, experts, benchmarking organization against world-class organizations and training are useful mechanisms to facilitate change.

Re freezing

The focus of this stage is stabilizing the change during refreezing by helping employees integrate the changed behavior or attitude into their normal way of doing things. This is accomplished by first giving employees the chance to exhibit the new behaviours or attitudes. Once exhibited, positive reinforcement is used to reinforce the desired change. Additional coaching and modelling are also used at this point to reinforce the stability of the change.

Resistance to change

Although organizations initiate changes in order to adjust to the changes in their environments but people sometimes resist them. Therefore, managers need to recognize the manifestations of resistance both in themselves and in others, if they want to be more effective in supporting change.

Sources of resistance to change

The sources of resistance to change within organizations are classified into organizational sources of resistance and individual sources of resistance.

Organizational sources of resistance

According to Daniel Kantz and Robert L Khan, organizational sources of resistance can be divided into following six general groups.

- Over determination or structural inertia refers to the tendency of an organization's rules, policies and structure to maintain the existing conditions and therefore resist change even when change would benefit the organization more than stability.
- When an organization tries to change one of its division or part of the division without recognizing the interdependence of the division with other divisions of the organization, then it is said to have a narrow focus of change. Often a part of division cannot be changed without changing the whole division.
- Group inertia may weaken an individual's attempt to bring about change.
- Resistance may also take the form of threatened expertise if the change lends to weaken special expertise built after years of experience. Organizational restructuring that involves reducing the number of job categories often meets this kind of resistance.
- Any change that may alter the power relationships within an organization may meet the form of resistance known as 'threatened power'.
- Resistance may occur when a change threatens quantum of resource allocation from one part of the organization to another.

Individual Sources of Resistance

According to researchers, individuals have the following reasons for resisting change:

- Simple habits create a lot of resistance. Most people prefer to do their work the way they did it last week rather than learn a new approach.
- Perhaps the biggest cause of employee resistance to change is uncertainty. In the face of impending change, employees are likely to become anxious and nervous. They worry about their ability to meet new job demands therefore, leading to feeling of job insecurity.
- Some people resist change to avoid feeling of loss. For example, many organizations change interventions and alter work arrangements, thus disrupting existing social networks. Social relationships are important to most people, so they resist any change that might adversely affect those relationships. Change may also threaten people's feelings of familiarity and self-confidence.
- People may resist change because their perceptions of underlying circumstances differ from the perceptions of those who are promoting the change.

Overcoming resistance to change

Managers need not abandon planned change in the face of resistance. Before recommending specific approaches to overcome resistance, there are three key conclusions that should be kept in mind. First, an organization must be ready for change. Second, the top management should inform the employees about the process of change. Third, the employees' perceptions or interpretations of a change should be considered.

The following methods of overcoming-resistance to change are as follows:

- **Participation:** Participation is generally considered the most effective technique for overcoming resistance to change. Employees who take part in planning and implementing change are better able to understand the reasons for the change than those who are not involved. They become committed to the change and make it work. Employees who have the opportunity to express their own ideas and to understand the perspectives of others are likely to accept change gracefully. It is a time-consuming process.
- **Education and Communication:** Educating employees about the need for and the expected results of an impending change help reduce their resistance. Managers should maintain an open channel of communication while planning and implementing change. However, it is also a time-consuming process.
- **Facilitation of Change:** Knowing ahead of time that employees are likely to resist change then the manager should do as much as possible to help them cope with uncertainty and feeling of loss. Introducing change gradually, making only necessary changes, announcing changes in advance and allowing time for people to adjust to new ways of doing things can help reduce resistance.
- **Force-Field Analysis:** In almost any situation where a change is being planned, there are forces acting for and against the change. In force-field analysis, the manager lists each set of forces and then try to remove or minimize some of the forces acting against the change.
- **Negotiation:** Where someone or some group will clearly lose out in a change and where that group has considerable power to resist, there negotiation is required. Sometimes it is a relatively easy way to avoid major resistance.
- **Manipulation and Cooperation:** This is followed when other tactics will not work or are too expensive. It can be quick and inexpensive; however, it can lead to further problems if people feel manipulated.
- **Explicit and Implicit Coercion:** This is adopted where speed is essential and where the change initiators possess considerable power. It is speedy and can overcome resistance.

Each of the above methods has its advantages and disadvantages. There is no universal strategy for overcoming resistance to change. Hence, an organization that plans to introduce certain changes must be prepared to face resistance from its employees. An organization should also have a planned approach to overcome such resistances.