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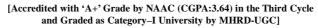[Accredited with 'A+' Grade by NAAC (CGPA:3.64) in the Third Cycle
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KARAIKUDI – 630 003

Directorate of Distance Education

B.Com.

I - Semester

102 11

PRINCIPLES OF MANAGEMENT

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SYLLABI-BOOK MAPPING TABLE
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UNIT - XI: Group level behavioral - 1 (The group) - Concept of Groups - Stages of Group Formation and Group Process - Work Group Behavior - Factors that Affect Group Behavior - Implications of Group Process for Organizations.	**Unit 11:** Group Level Behaviour 1 **(Pages 188-203)**
BLOCK IV: DEVELOPMENT, NATURE OF BEHAVIOUR **UNIT - XII:** Group level behavioral-2 (The team) - Definition and Overview of a Team - Seventeen Characteristics of an Effective Team - Designing a Team - Team Wheel - Key Issues in Team Building - The Seven Step of Intact Team Building, Cross Functional Teams.	**Unit 12:** Group Level Behaviour 2 **(Pages 204-212)**
UNIT - XIII: Group level behavior-3 (Leadership) - Overview of Leadership - Role of Leadership in Contemporary Business - Theories of Leadership - Contingency Theories of Leadership - New Leadership Theories.	**Unit 13:** Group Level Behaviour 3 **(Pages 213-224)**
UNIT - XIV: Power - politics - conflict - negotiation and stress - Power - Politics - Conflict - Negotiations - Stress - Culture and Change - Concept of Culture - Fundaments of Culture - Fundamentals of Change - Eight Steps of John Kotter on Leading Change.	**Unit 14:** Power, Politics and Conflict **(Pages 225-240)**

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INTRODUCTION

A number of developments in managerial thinking have taken place in the last few decades. As you all know, people across the globe have come closer to each other; communication networks and Internet resources have made the world into a 'global village'. Organisations have become multinational, transcending national and geographical boundaries. The workforce has become highly diversified. More women are joining the management ranks and ethical conduct of organisations is being emphasized and monitored. There is a movement towards total quality in products and services and customer satisfaction has become a concern of highest priority. Today's business environment is one of global competition, scarce resources, rapid technological changes, increasing demand for social responsibility and downsized organisational structures. The economic and industrial environments have become more volatile and managements are required to do strategic planning for the near and far future of their respective organisations in order to address fast and dynamic changes as well as the continuously evolving competitive environment.

Today's managers face a complex web of difficult and exciting challenges. No longer does a manager sit in an ivory tower and issue directives from a distance. The traditional authority structure is giving way to employee involvement, work teams, group spirit, participative decision-making, lateral relationships, flexible work structures and more. This book will help you understand how management is becoming more and more aware that an organisation has no life but for the people in it. Accordingly, it is becoming more and more people-oriented as against task-oriented of the previous years. The job of a manager is one of the most rewarding, most exciting and most challenging of professions. Effective managers are effective leaders who can (and do) make significant contributions to society through the output of their industrial or service organisations such as businesses, universities, hospitals, government agencies and so on.

This book, *Principles of Management*, is divided into fourteen units that follow the self-instruction mode with each unit beginning with an Introduction to the unit, followed by an outline of the Objectives. The detailed content is then presented in a simple but structured manner interspersed with Check Your Progress Questions to test the student's understanding of the topic. A Summary along with a list of Key Words and a set of Self-Assessment Questions and Exercises is also provided at the end of each unit for recapitulation.

BLOCK - I

INTRODUCTION AND NATURE OF MANAGEMENT

UNIT 1 UNDERSTANDING AN ORGANIZATION

Structure

1.0 INTRODUCTION

Very few people will disagree that the success of any organization is a direct reflection of its managerial efficiency and effectiveness. A well-managed organization can survive and even prosper during the most difficult economic times whereas business history is full of instances where badly managed companies declared bankruptcy even during economic upturns. Even though organizational vitality depends upon a number of factors such as general state of the economy, management and even luck—which means being in the right business at the right time—it is primarily the managerial ability or inability that determines the success or failure of an organization.

Another factor that plays a pivotal role in the success and failure of an organization is organizational behaviour. It shows the manner in which the people in a particular organization behave and treat each other as team members. The study of organizational behaviour focuses on the basics of employee behaviour in organizations. It also analyses the managerial skills which are applied to evaluate an individual and group's behaviour.

In this modern age of cut-throat competition, organizations have realized the importance of their human resources. They have clearly understood the fact that the behaviour of their employees can make or mar the future of their organization. It is human skills that pose the greatest challenge to management due to the complexity of human psychological processes and unpredictability of human behaviour. Organizational behaviour studies various aspects of individual behaviour, such as personality, values, attitudes, perception and motivation and also examines the behaviour of people working in groups and teams.

1.1 OBJECTIVES

After going through this unit, you will be able to:

- Discuss the concept of organizing
- Describe the organizing process
- Explain an organization's vision and mission

1.2 WHAT IS AN ORGANIZATION?

Corporate development depends on the speed of organizational behaviour, and organizational behaviour is affected by the behaviour of individual employees, their groups and structure. The foremost question arising herewith is, what is an organization. Initially, one can state that an organization is the association of persons for achieving certain objectives.

An organization is a social system wherein its members try to achieve their private goals while achieving the organizational goals. The seemingly contradictory goals are resolved by effective organizational behaviour. The organization, namely a unit, a business house, a government, an army, a charitable institution or any association of persons, has some objectives which are attained by organizing the activities of their member. An organization for business purposes is commonly known as a corporate body or a corporation or a company or formally established business unit. An organization is the foundation upon which corporate management is built and developed. An organization is a structure, a process and a relationship to achieve corporate objectives under the given environment. An organization is not static. It is dynamic and ever changing as per the needs of society, its members, corporate objectives and environmental changes. Men form and develop organizations because they are unable to achieve the desired goals individually. They evolve different forms of organization according to their needs. An organization is a composition of people having different authorities and responsibilities to utilise existing resources for achieving the organizational objectives.

Mooney and Reiley defined "organization" as "the form of human association for attaining common objectives." The authority, responsibilities and the relationships between and amongst the members of an organization are also a part of organizational functions. The definition of an organization cannot include all the nature and functions of the organization. However, attempts have been made to define "organization" as "the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority, and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives." An organization is established for achieving certain well-defined objectives. Once the objectives has been formulated, suitable plans or courses of action are prepared, appropriate structures and arrangements are

decided upon, and the behaviour of individuals and group of people are moulded to achieve the objectives.

Features of an Organization

An organization is just like a human body. It has some essential features, like structure, processes, relationships, authority and responsibility, performance and behaviour of individuals and groups.

Structure

An organization is a structure which is used to arm people with specific relations and authority. Within the structure, people work to achieve the desired objectives. It is the skeleton around which an organization is built. Structure has a formal character. It is an arrangement for relationships, power, roles, functions and objectives. The structure is well-defined and formulated for grouping tasks, jobs, delegating authority, allocating responsibility and accountability, along with the number of persons involved in the managerial hierarchy and at the shop-floor level. The organizational structure helps management tasks to be done easily and smoothly through the identification of different tasks, grouping together of similar activities and assigning tasks to individuals. The allocation, supervision and functions are essentially designed under organizational structure. The formal relationship among persons working at different levels, well- defined authority and responsibility and individual actions and interactions are the bases of the structure of an organization. The structure concentrates on the division of work, specialisation, departmental delegation, formal relations, authority and responsibility, coordination of work, job design, grouping of jobs and work allocation. The structure is formally designed, and work is performed strictly according to the structural format. It has been observed in practice that a flexible organizational framework is formulated so that at the time of need for development and growth, the basic structure need not be changed. The mechanical system of organizational structure is not preferred to the organic system of structure.

The structure of framework of an organization should be adaptable, flexible, problem- solving and professional. The different levels or forms of structure must be interlinked in order to facilitate performing jobs effectively and efficiently. Structure in itself is not a solution. It requires people and their related activities. The structure should be framed considering the nature of the job and the characteristics of people who will use it. Structures are developed for people to work collectively, and not to fit individual personalities.

Process

An organization is an operation within the structure. It is just like a body structure where the functions of each organ of the body are defined and specifically performed. An organization like the human body is an ongoing process of structure. It is a process of managerial function. It aims at organizing work, arranging people

and systems, developing technology, designing communication and providing an organizational climate. The organization is concerned with the organizing process, including the decision of the course of action, division of various activities, assignment of tasks to proper persons, delegation of authority and responsibility, coordination of the various tasks and the decisions of the management. It is a means to an end and is a dynamic and adaptive process to coordinate a suitable process of management functions with the changing environment.   The organizational process includes breaking up the entire work into different segments, assigning a definite role to each person, and coordinating and integrating the different functions to achieve the corporate objective with minimum effort and resources. Many authors have therefore defined organization as "a process of division of labour and function, coordination through authority and responsibility and putting people at place to work."

Relationship

The organization sets up certain forms of relationship to enable workers to perform their jobs harmoniously. Relationships are defined and designed as per the needs of the organization. Functional relations are developed to perform the activities of the organization. An established relationship is useful for training and development of human resources. The organizational relationship is established on the basis of process, geography, department and product. The relationship is developed in such a way that there is a scope of adaptability to the changing environment to avoid complacence, stagnation and inefficiency.

An organization is a group wherein people work. Therefore, person-to-person relationships need to be defined clearly. Superior–subordinate relations, the superior –superior relations and subordinate–subordinate relations are established for the smooth functioning of organizational activities. The group interaction model has direct impact on the motivation and productivity. The organizational structure presents the different types of relationships as a unified whole for achieving the common goal of the organization. Hierarchical relationships bind persons operating at different levels of the organization for achieving the common goals of the organization.

Authority and Responsibility

The structural relationship becomes effective with the allocation of authority and responsibility. Each cadre is specifically assigned the authority and responsibility for the tasks he has to perform. Members of the cadre must know the rights and powers to be exercised to perform their duties. The authority and responsibility is ultimately vested with the top management. Since the Chief Executive cannot perform all the jobs, he has to delegate some of his authorities and responsibilities to the lower cadre. He has to decide what part of his work will be entrusted to his subordinates and what part of the job will be retained by himself.

Organisational structure has well-defined authority and responsibility, explicit or implicit. Organisational rank and cadres are developed to delegate authority and responsibility, based on seniority, title, status and so on, to provide adequate administrative leverage. This is done to ensure clear delineation of authority and responsibility. In the absence of clear delineation, internal conflicts will develop. Moreover, there should be enough scope for human relationships while delegating authority and responsibility.

The organizational authority and responsibility have been exercised in different forms from the 'herd' concept to the 'group' concept from time to time. The herd concept placed exclusive power with the leader and enforced unquestioning obedience on the subordinates. Organisational evolution took the shape of the person-to-person concept thereafter, where the subordinate performs his functions in terms of a direct relationship with his superior. It involves delegation of authority and responsibility from superior to subordinate. The modern concept of organization believes in the development of mutual and harmonial relationships between subordinates and subordinates/and superior.

Performance

The organization, by its performance, tries to achieve synergic results, which infers that the whole organization is greater than the sum of its parts. The organizational structure and process are designed to achieve the goals and objectives through effective performance which is possible with human resource development. Organisational development programmes maximise work motivations and creativity. Job enrichment, job enlargement and job satisfaction also come under organizational performance. Specialisation in particular is the core of an organization. It helps in the effective performance of the job. Discipline, unity of command, giving direction, scalar chain decentralisation and coordination need to be properly exercised to achieve good job performance in an organization.

Behaviour of Group

An organization is a composition of people. The success of an organization depends upon the behaviour of the people and the group. Individual groups and structures are the bases of group behaviour. Relationships on a person-to-person level and subordinate-to-subordinate as well as with the superior are established in a group. Formal and informal organization help in developing proper behaviour of a group. Group behaviour has given birth to team work which has been accepted as the most effective form of organization. Team spirit, team performance, team rewards and team motivation have achieved new dimensions in big organizations in the beginning of the twenty-first century. The concept of family has been implanted into organizations. Groups in an organization have more effective behaviour. They can achieve something more together than what they can achieve individually.

1.3 ORGANIZATIONAL PROCESS

Organizing refers to the process of bringing together physical, financial and human resources and establishing productive relations among them for the achievement of specific goals. It is concerned with building up a stable framework or structure of various inter-related parts of enterprises, each part having its own function and being centrally regulated. The aim of organizing is to enable people to relate to each other and to work together for a common purpose. The organized group of people in a collective sense is known as 'organization'. Organization is a process, which involves the following step:

1. Division of work

The first step in organizing is to identify the various necessary activities that must be performed in order to achieve the organizational objectives. In this step the total work to be done is divided into specific jobs. Each job consists of specialized tasks and objectives of the organization. The job of typing includes typing the letters and other matter as per the instructions. Dividing the total work into jobs is necessary because the entire work cannot be done by one individual.

Division of work facilitates specialization of efforts and skills. While classifying and reclassifying the activities, it should be borne in mind that unnecessary duplication should be avoided.

2. Grouping jobs and departmentalization

The second step in organizing is to group jobs into larger units. Such larger units may be called divisions, departments or sections. This grouping process is called departmentalization. The aim of departmentalization is to facilitate unity of efforts. The departments or work units are linked together on the basis of their interdependence. Divisions are largest units producing a particular type of products. Departments are smaller units within a big unit or divisions. Sections are smallest units, which a department may consist of. Jobs may be grouped into departments in various ways on the functions, products, customers and process basis.

3. Establishing authority relationships

In this step, superior subordinate relationship is created. Channels of communication are also established. Authority and responsibilities of the job holder or job positions are to be defined. The various members of the organization, who perform the

jobs, are linked by authority-responsibility relations. It should be very clear that who will report to whom. This creates a chain of command and superior-subordinate relationship. According to Kimball and Kimball, 'Organization embraces the duties of designating the department and individuals.'

Authority may be defined as the decision making right. While designing the organization structure, authority is allocated to a position. The various managerial jobs grouped into different levels of authority is called a hierarchy. The term hierarchy implies a definite ranking order. In a hierarchy, the ranking of management positions is done by grant of different degrees of authority to different positions.

Top managerial positions have more authority than middle and lower managerial positions. Authority flows from the top managerial positions to the middle managerial positions and below it in a graded manner. As it flows downwards, it decreases in its content gradually.

1.4 ORGANIZATIONAL VISION, MISSION, STRATEGY AND GOALS

When an organizations formulates strategies, there is always a mission and a purpose behind them. Let us understand this in detail.

Strategic Intent

The dream that energizes a company and keeps it going is referred to as the strategic intent. It is the cornerstone of strategic architecture. While strategic architecture shows the way to the future, it is the strategic intent that provides the emotional and intellectual energy necessary for the journey. Strategic intent involves a significant stretch for the organization as the existing skills, capabilities and resources are not considered sufficient for the task. In traditional organizations, efforts are made to ensure a 'fit' between existing resources and emerging opportunities. In contrast, the concept of strategic intent involves the deliberate creation of a 'misfit' between resources and aspirations.

Strategic intent envisages the company's position in the long run. The word 'intent' conveys a sense of direction. Thus, strategic intent furthers a unique point of view about the future giving employees an opportunity to feel excited about the feeling of exploring something new. It brings sense of discovery. Strategic intent also possesses an emotional edge and gives rise to a sense of shared destiny. Therefore, the employees feel that the pursuit of company's goals is a worthwhile experience.

Components of Strategic Management

While finalizing the business strategy, strategic planners keep in mind certain components of strategic management that help them design effective plans for the future of the company. Some of the important components are as follows:

(i) Vision of the company

(ii) Mission of the company

(iii) Profile of the company

(iv) External environment

(v) Strategic analysis and choice

(vi) Objectives: Annual, short-term and long-term

Let us understand these components in detail:

(i) **Vision of the company**

Organizations generally describe their goals and intentions in a broad and general manner. This description roughly expresses what the company is pursuing or what it wants to become or what it wants to achieve. It gives a view of an organization's future direction and course of business activity. It is often communicated through the mission statement. Above all, vision is a powerful motivator and keeps an organization moving towards the intended direction. Although, the vision and the mission of a company may seem overlapping or similar to a layman, the fact is that the vision of a company is not always as specific as the mission statement. Usually, the vision is impersonal and not even written down.

(ii) **Mission of the company**

The mission of a company is very important for a company's successful performance not only for the short term, but also in the long run. The mission of a company is not vague as the vision and is designed to ensure that those belonging to the company work together with a uniform purpose. It is slightly more specific and sets apart one company from the other companies in the same area of business. The mission identifies the scope of the company's operations; describes the company's product, market and technological areas of thrust; and reflects the values and priorities of its strategic decision makers. The mission of a business looks towards an endless future as if the firm were immortal. The mission statement is formulated after thinking a lot and with great caution keeping in mind the basic product of the company, the market it operates in, the technology used, the image of the company as well as its goals and philosophy. However, despite being more specific than the vision, the mission of the company may not provide specific directions or channels for action. The mission statement of a company often reflects social responsibility and addresses issues that concern not just its own employees, customers and shareholders but the local community and the society in general. While formulating the mission statement, the ethics and norms that are to be followed with respect to the general public and the industry as a whole, are also kept in mind.

(iii) **External environment**

All those forces that affect the organization from the outside or all the conditions that affect an organization's strategic options and define its competitive situation, are referred to as its external environment. It consists of three interactive segments

namely the operating environment, the industry environment and the remote environment.

(iv) **Profile of the company**

The profile of a company depicts the quantity and quality of the company's financial, human and physical resources. The profile assesses the strengths and weaknesses of the company's management and organizational structure. It also analyses the company's past successes and traditional concerns in the context of the company's current capabilities in order to identify its future capabilities.

(v) **Strategic analysis and choice**

Strategic analysis enables a firm to identify a range of possible and attractive investment opportunities. Opportunities that are compatible with the company's mission are identified as desired opportunities. If the list of desired opportunities is further weeded out, the potential options or strategic choices can be identified. The entire process of strategic choice is meant to combine long-term objectives, and generic and grand strategies in order to place the firm in an optimal position in the external environment. This is done for the achievement of the company's mission.

Strategic analysis and strategic choice in a single or dominant product business involve the identification of strategies that are most effective for building a sustainable competitive advantage. Such a competitive advantage is based on key value chain activities and capabilities, i.e. the core competencies of a firm. Multi business organizations focus on the best combination of businesses to maximize their shareholder value.

(vi) **Objectives: Annual, short-term and long-term**

Objectives refer to the purpose behind an action or activity. As the name suggests, annual objectives are the objectives that a firm aims to achieve in one year. Objectives can be both short-term as well as long-term and belong to the same areas of business. However, the only difference is that the short-term objectives are more specific as they need to be achieved in a short span of time. The short-term objectives are formed on the basis of long-term objectives. If a firm's long-term objective is to reduce production costs by 20 per cent within the next five years, then the annual objective could be to reduce its manufacturing costs by 5 per cent every year. Therefore, by achieving its short-term objective, the firm will get close to its long-term objective.

Check Your Progress

4. Define organizing.
5. List the components of strategic management.
6. What is the role of strategic analysis in a firm?

1.5 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. An organization is a social system wherein its members try to achieve their private goals while achieving the organizational goals.

2. Some essential features of an organization are structure, processes, relationships, authority and responsibility, performance and behaviour of individuals and groups.

3. The structure of framework of an organization should be adaptable, flexible, problem- solving and professional. The different levels or forms of structure must be interlinked in order to facilitate performing jobs effectively and efficiently.

4. Organizing refers to the process of bringing together physical, financial and human resources and establishing productive relations among them for the achievement of specific goals.

5. Some of the important components are as follows:

    (i) Vision of the company

    (ii) Mission of the company

    (iii) Profile of the company

    (iv) External environment

    (v) Strategic analysis and choice

    (vi) Objectives: Annual, short-term and long-term

6. Strategic analysis enables a firm to identify a range of possible and attractive investment opportunities.

1.6 SUMMARY

- An organization is a social system wherein its members try to achieve their private goals while achieving the organisational goals. The seemingly contradictory goals are resolved by effective organizational behaviour.

- An organization has some essential features, like structure, processes, relationships, authority and responsibility, performance and behaviour of individuals and groups.

- Organizing refers to the process of bringing together physical, financial and human resources and establishing productive relations among them for the achievement of specific goals.

- Organization is a process, which involves division of work, grouping jobs and departmentalization, and establishing authority relationships.

- When an organization formulates strategies, there is always a mission and a purpose behind them.

- Organizations generally describe their goals and intentions in a broad and general manner.

- The mission of a company is very important for a company's successful performance not only for the short term, but also in the long run.

- All those forces that affect the organization from the outside or all the conditions that affect an organization's strategic options and define its competitive situation, are referred to as its external environment.

1.7 KEY WORDS

- **Organizing:** It refers to the relationship between people, work and resources used to achieve the common objectives (goals).

- **Strategic Management:** It involves the formulation and implementation of the major goals and initiatives taken by a company's top management on behalf of owners, based on consideration of resources and an assessment of the internal and external environments in which the organization competes.

- **Strategic Analysis:** It refers to the process of conducting research on a company and its operating environment to formulate a strategy.

- **Organizational vision:** It defines the optimal desired future state, the mental picture, of what an organization wants to achieve over time.

1.8 SELF-ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What do you understand by authority and responsibility in an organization?
2. What is the relationship between the behaviour of groups within an organization and its performance?
3. Write a short-note on strategic intent of an organization.

Long-Answer Questions

1. Describe the features of an organization.
2. Examine the different steps of the organization process.
3. Discuss the different components of strategic management of an organization.

1.9 FURTHER READINGS

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UNIT 2   MANAGEMENT PROCESS

Structure

2.0   INTRODUCTION

Although proper definitions of management have only recently come into being, the act of 'management' has existed since time immemorial. 'Management' as a term refers to a range of activities undertaken in order to successfully complete a task. Simply put, management is all about getting things done. It refers to the process used to achieve a certain target or fulfil a specific goal. No wonder it is said to be an art as well as a science. Organizations across the world, irrespective of whether they are political, cultural, social or business, thrive on their management strategies or skills.

This particular unit will explain the definitions, importance, nature and scope of management. It will also discussion the functions of management and the evolution of management thought. The final section will discuss the systems approach to management.

2.1   OBJECTIVES

After going through this unit, you will be able to:

- Describe the nature and scope of management

- Describe the different functions of management

- Discuss the approaches in the development of management thought

- Assess the role of F.W. Taylor in the development of scientific management

- Examine the contributions of Peter F. Drucker and Henry Fayol in the evolution of management

2.2 MANAGEMENT: NATURE AND SCOPE

Many management thinkers have defined management in their own ways. For example, Van Fleet and Peterson define management, 'as a set of activities directed at the efficient and effective utilization of resources in the pursuit of one or more goals.'

Megginson, Mosley and Pietri define management as 'working with human, financial and physical resources to achieve organizational objectives by performing the planning, organizing, leading and controlling functions'.

Kreitner considers management as a problem solving process. In his book, *Management: A Problem Solving Process* (Houghton Mifflin, 1980), R. Kreitner, defines management as follows:

'Management is a problem solving process of effectively achieving organizational objectives through the efficient use of scarce resources in a changing environment.'

Some of the integral elements of this definition can be separated and briefly explained as follows:

1. **Problem solving process**: One of the most important functions of a manager is to make decisions and solve problems. Some of the major problems that management must continually face include unpredictable economic trends, changing governmental regulations, resource shortages and a severe competition for these resources, employee demands, technical problems, technological developments and so on. There are other problems that are comparatively routine in nature and can be solved by some tried and tested mechanisms.

2. **Organizational objectives**: All organizations have a mission that is the very basic reason for their existence and certain goals and objectives. While the goals are long range and more general in nature, objectives are more specific, tangible and most often quantifiable. The primary objective of most organizations is to provide a service for the public. Of course, such service has to be profitable for the organization in monetary terms, for that is the essence of a capitalist economy. Accordingly, management must plan its activities along these lines. Additionally, it is also the management's responsibility to integrate the personal objectives of the employees into organizational objectives. The personal objectives of employees may include higher remuneration, more challenging tasks and responsibilities and participation in the decision-making process.

3. **Efficiency**: Efficiency, along with effectiveness, is the most common way of measuring organizational performance. Efficiency is the ability to 'get things done correctly.' An efficient manager achieves a higher output with given resources of time, talents and capital so that these resources are fully

utilized without waste. Similarly, effectiveness means 'doing the right things in the right way at the right time.' Accordingly, successful managers would not only be effective in terms of selecting the right things to do and the right methods for getting them done, but they would also be efficient in fully utilizing the resources.

4. **Scarce resources**: The resources of people, time, capital and raw materials are all finite and limited. They are all scarce in nature and not expandable. Additionally, there is a fierce competition for acquiring these resources. Management, basically, is a 'trusteeship' of these resources and hence must make conscious efforts to make the most of these resources.

5. **Changing environment**: The dynamics of the environment is influenced by the changes that have taken place in all areas in the last few years. The advent of computers and telecommunications technology has changed the ways in which the assessment of the environment is carried out for decision-making purposes. Accordingly, management must be prepared to predict these changes and formulate ways to meet these new challenges more effectively.

Nature of Management

No doubt management, as an academic body of knowledge has come a long way in the last few years. It has grown and gained acceptance all over the world. Yet, the term 'management' continues to be the most misunderstood and misused. A study of the process of management reveals the following points about the nature of management:

Management is a universal process

Where there is human activity, whether individual or joint, there is management. The process of management can be noticed in all spheres of life. The basic nature of management activity remains same in all arenas, whether the organization to be managed is a family, a club, a trade union, a trust, a municipality, a business concern or the government. Slight variations in approach and style may be there from organization to organization, but the management activity is basically the same everywhere.

Management is a factor of production

Management is regarded as a factor of production. Just as land, labour and capital have to be brought together and put to effective use for the production and distribution of goods and services, similarly managerial skills have also to be acquired and effectively used for the purpose.

In the modern industrial set-up, qualified and efficient managers are essential to reap the fruits of huge investment in business where the pattern of production has become capital-intensive. In fact, in this scenario, more important would be the role of management.

Management is goal oriented

The most important goal of all management activity is to accomplish the objectives of an enterprise. These objectives may be economic, socio-economic, social and human and thereby management at different levels seeks to achieve these in different ways. But at all times, management has definite objectives to pursue and it employs all the resources as it commands – men, money, materials, machines and methods in the pursuit of the objectives.

Management is supreme in thought and action

Determination of the objectives of an enterprise tests the collective wisdom and sense of imagination of its management. The objectives should be neither too high sounding or difficult to achieve, nor too low pitched to rob the workers of their sense of achievement. But, mere setting of objectives will be of no avail, if there is no vigorous action to achieve them.

Managers set realizable objectives and then mastermind action on all fronts to accomplish them. Managers belong to that rare breed of men who are not only aware of what is to be achieved and how, but also possess the capability and courage to accept the challenges of doing it.

Management is a group activity

An enterprise will not be able to achieve its objectives if only one or a few individuals or departments are efficient and the rest are inefficient. The calibre of each individual and each department needs to be efficient in order to make a project successful.

Management is a dynamic function

Management is a dynamic function of a collective enterprise, which is constantly engaged in casting and recasting the enterprise in the world of an ever-changing business environment. Not only this, it sometimes also initiates moves that reform and alter the business environment. If an enterprise is well equipped to face the changes in business environment brought about by economic, social, political, technological or human factors, it can soon adapt itself to a changed environment or make innovation to attune itself to it.

Management is a social science

Management means getting the tasks done by different people with different qualities. This involves dealing with individuals each one of whom has a different level of sensitivity, understanding and dynamism. In fact, no definite principles or rules can be laid down with respect to human behaviour. These principles change from individual to individual and from situation to situation. No doubt, a manager may seek guidelines from established principles and rules but he cannot base his decisions on them.

Management is an important organ of society

Management shares a direct relationship with society. While the society influences the managerial actions, managerial actions also influence society. By their decisions, management of large undertakings influence the economic, social, political, religious, moral and institutional behaviour of the members of society. This creates an impact on the social and moral obligations of business management which cannot be easily ignored.

Management is a system of authority

It is the job of management to bring about a harmonious arrangement and pattern among the different resources employed in an undertaking. In fact, management's role as a factor of production forces itself to be methodical in plans and procedures and on the other hand systematic and regular in their implementation. For this, it is necessary that the authority vested in the management is to be exercised properly and correctly. Therefore, this calls for well-defined lines of command and delegation of suitable authority and responsibility at all levels of decision making.

Management is a profession

Management makes judicious use of all available means to accomplish certain predetermined ends. To achieve this successfully, managers need to possess managerial knowledge and training. Moreover, they have to conform to a recognized code of conduct and remain conscious of their social and human obligations. Managers are well paid and well provided by the organization for their work. Moreover, they enjoy considerable social prestige too.

Management as a process

Management is an activity consisting of a distinct process, which is known as the management process. This process is primarily concerned with the important task of goal achievement. No business enterprise can achieve its objectives until and unless all the members of the unit make an integrated and planned effort under the directions of a central coordination agency. In management terminology, this central coordinating agency is technically known as 'MANAGEMENT'. The methodology of getting things done is known as 'Management process'. The process, in general, is defined as a series of actions or operations conducted to achieve a goal. The functions that are performed by a manager and the sequence in which they are performed are together called the 'Management process'.

Ordinarily there are two main functions of each manager—decision–making and implementation of the decisions. Collectively, these two fall under the management process. The processes such as planning, organizing and actuating involved in the achievement of business goals together form the management process.

Scope of Management

Although it is difficult to precisely define the scope of management, yet the following areas are included in it:

1. **Subject-matter of management**: Planning, organizing, directing, coordinating and controlling are the activities included in the subject matter of management.

2. **Functional areas of management**: These areas are as follows:

   - Financial management (Including accounting, budgetary control, quality control, financial planning and managing the overall finances of an organization).

   - Personnel management (Including recruitment, training, transfer promotion, demotion, retirement, termination, labour-welfare and social security in industrial relations).

   - Purchasing management (Including inviting tenders for raw materials, placing orders, entering into contracts and materials control).

   - Production management (Includes production planning, production control techniques, quality control and inspection, time and motion studies).

   - Maintenance management (Involving proper care and maintenance of the buildings, plant and machinery).

   - Transport management (Including packing, warehousing and transportation by rail, road and air).

   - Distribution management (Including marketing, market research, price-determination, taking market-risk and advertising, publicity and sales promotion).

   - Office management (Includes activities to properly manage the layout, staffing and equipment of the office).

   - Development management (Involving experimentation and research of production techniques, markets etc).

3. **Inter-disciplinary approach**. For the correct implementation of management, it is important to have knowledge of commerce, economics, sociology, psychology and mathematics.

4. **Universal application**: The principles of management can be applied to all types of organizations irrespective of the nature of tasks that they perform.

5. **Essentials of management:** Management should consider a scientific method, human relations as well as relevant quantitative technique.

6. **Agent of change**: Modern management techniques can be modified by proper research and development to improve the performance of an organization.

2.2.1 Importance of Management

Management is an essential component of all social organizations and is to be found everywhere as a distinct, separate and dominant activity. The importance of management cannot be over, emphasized. The significance of 'Management' may be outlined in the following paragraphs:

1. **Meeting the challenges of change**: In recent years, the challenge of change has become intense and critical. Only scientific management can overcome the complexities of modern business.

2. **Effective utilization of the Seven M's**: There are seven M's in business: men, materials, money, machines, methods, markets and management. Management stands at the top of all these M's. It determines and controls all other factors of business.

3. **Development of resources**: Good management procures good business by creating vital dynamic and life-giving force in the organization.

4. **Providing management directs the organization**: Just as the mind directs and controls the body to fulfil its desires, management directs and controls the organizations to achieve the desired goal.

5. **Integrate various interests**: There are various interest groups that put pressure over other groups for maximum share in the total output. Management balances these pressures and integrates the various interests.

6. **Management provides stability**: In the modern society, management provides stability by changing and modifying the resources in accordance with the changing environment of the society.

7. **Management provides innovation**: Management provides new ideas, imaginations and visions to the organization and necessary life for better and greater performance.

8. **Management provides coordination and establishes team spirit**: Management co-ordinates the activities of the different departments in an enterprise and establishes team spirit amongst the personnel.

9. **To tackle business problems**: Good management serves as a friend, philosopher and guide in tackling business problems. It provides a tool for doing a task in the best possible manner.

10. **A tool of personality development**: Management is necessary not only for productivity, but also for improvement in the efficiency of mankind. Management helps improve the personality of people and therefore attempts to raise their efficiency and productivity.

2.3   MANAGEMENT FUNCTIONS

There are basically five primary functions of management. These are:

1. Planning
2. Organizing
3. Staffing
4. Directing
5. Controlling

The controlling function comprises coordinating, reporting and budgeting. Hence, if this function can be broken into three separate functions coordinating, reporting and budgeting. Based upon these seven functions, Luther Guelick coined the word POSDCORB, which generally represents the initials of these seven functions. All the primary functions are explained and discussed as follows.

Planning

Planning is future oriented and determines an organization's direction. It is a rational and systematic way of making decisions today that will affect the future of the company. It is a kind of organized foresight as well as corrective hindsight. It involves predicting the future as well as attempting to control the events. It involves the ability to foresee the effects of current actions in the long run in future. **Example:** Business planning, project planning, strategic planning (vision, mission) etc. communications plans, research design planning etc.

Organizing

Organizing requires a formal structure of authority and the direction and flow of such authority through which work sub-divisions are defined, arranged and coordinated so that each part relates to the other part in a united and coherent manner so as to attain the prescribed objectives. Thus the function of organizing involves determing the activities that need to be done in order to reach the company goals, assigning these activities to the proper personnel and delegating the necessary authority to carry out these activities in a coordinated and cohesive manner. It follows, therefore, that the function of organizing is concerned with:

1. Identifying the tasks that must be performed and grouping them whenever necessary
2. Assigning these tasks to the personnel while defining their authority and responsibility
3. Delegating the authority to these employees
4. Establishing a relationship between authority and responsibility
5. Coordinating these activities.

Staffing

Staffing is the function of hiring and retaining a suitable workforce for the enterprise both at managerial as well as non-managerial levels. It involves the process of recruiting, training, developing, compensating and evaluating employees, and maintaining this workforce with proper incentives and motivations. Since the human element is the most vital factor in the process of management, it is important to recruit the right personnel. This function is even more critically important since people differ in their intelligence, knowledge, skills, experience, physical condition, age and attitude, and this complicates the function. Hence, management must understand, in addition to the technical and operational competence, the sociological and psychological structure of the workforce.

Directing

The directing function is concerned with leadership, communication, motivation and supervision so that the employees perform their activities in the most efficient manner possible, in order to achieve the desired goals. The leadership element involves issuing the instructions and guiding the subordinates about procedures and methods. The communication must be open both ways so that the information can be passed on to the subordinates and the feedback received from them. Motivation is very important, since highly motivated people show excellent performance with less direction from superiors. Supervising subordinates would give continuous progress reports as well as assure the superiors that the directions are being properly carried out.

Controlling

The controlling function consists of those activities that are undertaken to ensure that the events do not deviate from the prearranged plans. The activities consist of establishing standards for work performance, measuring performance and comparing it to these set standards and taking corrective actions as and when needed, to correct any deviations. All these five functions of management are closely interrelated. However, these functions are highly indistinguishable and virtually unrecognizable in a job. It is necessary, though, to put each function separately into focus and deal with it.

Check Your Progress

1. How do Van Fleet and Peterson define management?

2. What is the most important goal of management activity?

3. What is the subject matter of management?

4. List the primary functions of management.

2.4 EVOLUTION OF MANAGEMENT THOUGHT

Management has evolved and changed considerably over the period of time. Even though the formal scientific management practice began and established itself in the early part of 20th century, the recorded application of organised management dates back to 5000 BC when Sumerians established written records for both government and commercial use.

Industrial revolution

The mid-1700s saw the movement from the cottage industry (where production of items was limited to family and living quarters) to the factory system (where products are produced in a centralized location) and this gave birth to the industrial revolution in Europe and especially in England. This industrial revolution changed the entire behaviour of the civilized world. Adam Smith is known to have established the management principles in the area of division of labour and specialisation around 1776. Eli Whitney in 1800 introduced the idea of interchangeability of parts which led to the standardisation of parts resulting in mass production. These principles were highly utilized by Henry Ford in mass production of automobiles.

Pre-classical Contributors

The phenomenal industrial growth brought in the widespread need to coordinate the efforts of large number of people employed in industries and auxiliary services. A number of individuals began to focus on developments of techniques that would apply to specific situations and solve specific problems. These techniques and strategies laid the ground work for subsequent study of broader management theories. Some of the early contributors, according to Wren and Hay are:

- **Robert Owen** (1771-1858). Robert Owen was a successful British entrepreneur who recognized the importance of human resources. He believed that the returns from investment in human resources would be far superior than the investment in machinery and equipment. He considerably improved the working conditions of his own employees while running a cotton mill in Scotland. He believed that workers should work because they want to work and not because they have to work. He strongly emphasized the need for the manager to take the worker into his confidence and should not only tell him what is expected of him but also why, because an enlightened worker is a better worker. His ideas and philosophy could be considered as a prelude to the development of the behavioural approach to management.

- **Charles Babbage** (1792 - 1871). An English mathematician, he is widely known as the 'father of modern computing'. While he believed in and emphasized the importance of human factor in the success of organisations and suggested that the interests of employees and management are closely linked and advocated the idea of profit sharing and participating decision

making, his major contribution is the introduction of' science and mathematics in. the manufacturing operations. He was the proponent of the division of labour and intelligent organisation of workers. He was perhaps the first to propose that the decision be based upon investigation and accurate knowledge, rather than opinions and intuition. He is also credited with anticipating the mechanism of time and motion study where an operation is performed with minimum number of motions and minimum time in order to simplify operations and reduce costs. According to Garbut, Charles Babbage was a pioneer in operations research and use of quantitative methods and industrial engineering techniques in improving manufacturing operations. He himself expressed his views in his own book entitled *On the Economy of Machinery and Manufacturers*. He laid considerable emphasis on specialisation, work measurement, optimum utilisation of machines and tools, wage incentives and discovery of improved methods for the purpose of reducing costs and improving efficiency.

- **Henry R. Towne** (1844-1924). A mechanical engineer, Henry Towne articulated the need to consider management as a separate field of 'systematic' inquiry on par with engineering. He outlined the importance of management as a science and called for the development of management principles. He expressed his view in his paper entitled *The Engineer as an Economist* that he delivered and discussed at a conference of American Society of Mechanical Engineers in 1886. In it he asserted that engineering skills and management skills went hand in hand in running an organisation effectively. The paper also called for the development of management concepts and skills as a discipline that could be applied across management situations. One person who attended that meeting became highly impressed and was subsequently instrumental in developing management and came to be known as the 'Father of Scientific Management.' His name was Fredrick Taylor.

Even though these pre-classical thinkers laid the groundwork for development of management principles and applications which are current even today, the serious scientific study of management did not begin until early part of this century when Fredrick Taylor's *The Principles of Scientific Management* was published in 1911. This was partly due to the fact that it was an era of technology and the emphasis was more on technical and commercial aspects of running a firm. Managing a company reflected the characteristics of individuals rather than any generalized set of management principles and skills that could be applied across all organisations.

Classical Approach

The classical approach is also known as the functional approach, empirical approach and the management process approach. The main features of this approach are as follows:

- Management is viewed as a systematic network of various functions like planning, organizing, directing, staffing and controlling.

- On the basis of experiences of practising managers, management principles are developed and used as guidelines and form the basis for management training.

- Functions, principles and skills of management are universal. They can always be applied in any situation.

- Formal education and training are emphasized for developing managerial skills in upcoming managers.

- Emphasis is placed on economic efficiency and the formal organization structure.

- People are motivated by economic gains. Therefore, organization controls economic incentives.

Advantages of classical approach

The advantages of classical approach are as follows:

- It focuses on what managers actually do.

- It highlights the universal nature of management.

- It provides a scientific basis for managerial practice.

- It provides starting point for researchers to verify the validity and to improve the applicability of management thought.

Disadvantages of classical approach

The disadvantages of classical approach are as follows:

- It ignores the environmental changes and their effect on management.

- It relies too much on the past experience. The technique or principle found effective in the past may not be effective in the future.

- It is based on oversimplified assumptions. Its principles are ambiguous and contradictory.

- It offers a mechanistic framework that undermines the role of human factors.

The classical approach is based on the following three main pillars:

- Bureaucracy

- Scientific management

- Administrative theory

Bureaucracy

Bureaucracy refers to a type of office organization that is marked by organized procedure, hierarchical division, allocation of responsibilities as per separate levels and impersonal social relationships.

- **Division of work**: There is division of work on the basis of specialization of jobs in bureaucratic organizations. Each employee performs his specialized work in a predictable manner.

- **Rules and regulations**: Detailed rules and regulations regarding work behaviour, rights and duties of employee are laid down. Rules are designed to ensure the consistency and predictability in work performance. In addition to it, procedures are laid down for orderly performance of tasks.

- **Hierarchy of authority**: Hierarchy in organizations is characterized by downward delegation of authority. Each superior exercises control over his subordinates. The authority flows from top level to lower level of management.

- **Technical competence**: The selection and promotion of employees are based on the technical competence of employees. For each job, the qualifications are prescribed. Training is also provided to familiarize the employees with the rules and administrative procedures of the organization.

- **Recordkeeping**: Every decision and action is recorded in its original as well as draft form.

- **Impersonal relations**: Superiors are formal in dealings with their subordinates.

Advantages of bureaucracy

The advantages of bureaucracy is as follows:

- **Specialization**: A bureaucratic organization provides the advantages of specialization because every member is assigned a specialized task to perform.

- **Structure**: A structure of form is created by specifying the duties and responsibilities and reporting relationships within a command hierarchy. Structure sets the pace and framework for the functioning of the organization.

- **Rationality**: A measure of objectivity is ensured by prescribing in advance the criteria for decision making in routine situations.

- **Predictability**: The rules, regulations, specialization, structure and training impart predictability and thereby ensure stability in the organization. Conformity to rules and roles in the structural framework bring about order to cope with complexity.

- **Democracy**: Emphasis on qualifications and technical competence makes the organization more democratic. Officials are guided by the prescribed rules, policies and practices rather than by patronage or other privileged treatment.

Limitations of bureaucracy

The limitations of bureaucracy may be understood under the following heads:

- **Rigidity**: Rules and regulations in a bureaucracy are often rigid and inflexible. Rigid compliance with rules and regulations discourages initiative and creativity. It may also provide cover to avoid responsibility for failures.

- **Goal displacement**: Rules framed to achieve organizational objectives at each level become an end in themselves. When individuals at lower levels pursue personal objectives, the overall objectives of the organization may be neglected.

- **Impersonality**: A bureaucratic organization stresses mechanical way of doing things. Organizational rules and regulations are given priority over individual needs and emotions.

- **Compartmentalization of activities**: Jobs are divided into categories, which restrict people from performing tasks that they are capable of performing. It also encourages preservation of jobs even when they become redundant.

- **Paperwork**: Bureaucracy involves excessive paper work as every decision must be put into writing. All documents have to be maintained in their draft and original forms. This leads to great wastage of time, stationery and space.

- **Empire building**: People in bureaucracy tend to use their positions and resources to perpetuate self-interests. Every superior tries to increase the number of his subordinates as if this number is considered a symbol of power and prestige.

- **Red tapism**: Bureaucratic procedures involve inordinate delays and frustration in the performance of tasks.

Despite its drawbacks, bureaucracy has become an integral feature of modern organizations. It is, therefore, necessary to understand it and to overcome its negative aspects through proper reckoning of individual needs and organizational goals.

The Scientific Management Stage

The first stage of management identified in the United States was scientific management, which was started by Taylor. But there were some precursors to Taylor who made some significant contributions.

James Watt. Jr. and Mathew Rabinson Boulton, who invented and developed the steam engine, were the earliest users of scientific approach to management. They managed the Soho Engineering Foundry in Great Britain and developed quite a number of management systems. They developed the processes of market research and forecasting, planning machine layout and standardization of components. They also developed some important casting systems, training and

development programmes, welfare programmes, productivity based payments and so on.

Robert Owen was another pioneer of the early nineteenth century. He concentrated on the personnel side and carried out many experiments. He is rightly referred to as the 'Father of Modern Personnel Management'. He improved the working conditions and incurred benefits as he thought that these would improve productivity.

It was only with the advent of Frederick W. Taylor and his work, *The Principles of Scientific Management*, published in 1911, that greater attention was paid to scientific management as a separate discipline.

Industrial problems increased due to the advent of large-scale factory systems, mass production and mechanization. People needed some specific principles and methods for solving the problems they faced. The initial impetus in the scientific management movement was Taylor. He was more concerned with the engineering aspect and the problems of workers and productivity-oriented wages.

Then came Henry Fayol, who is known as the 'Father of Modern Operation Management Theory'. He, as a Frenchman, developed management theory and its principles and published his book in French which was translated into English later.

Taylor and Fayol both realized that working towards the problems of personnel and its management at all levels is the key to industrial success. Both applied scientific methods to the problems they faced while dealing with personnel and management. Taylor worked primarily on the operative level moving upward in the industrial hierarchy, while Fayol concentrated on the managing director level and worked downwards. This shows us the difference in the working of Taylor and Fayol. Taylor and Fayol gave France a unified management body more than twenty years before the same ideology began to be realized in Great Britain.

Contribution by F.W. Taylor – Scientific Management

Scientific management which focuses on production efficiency is primarily attributed to the ideas and works of Fredrick W. Taylor. As you learned above, Taylor is well known for his famous work *The Principles of Scientific Management*, published in 1911, which became the foundation of the scientific management movement. He criticized the methods of traditional management which were composed of the following elements:

- Managerial decisions were made on the basis of intuition, feelings, opinions and traditional past experience, rather than scientific investigation.
- Jobs were performed by rule of thumb rather than standard times, methods or motions.
- The prevalent practices were assumed to be correct and no efforts were made to introduce new and novel techniques of management or operations.

- Training was generally under an apprentice system and no formal techniques for skills and professional development existed.

- Management was considered as a group of overall supervisors rather than a group performing unique duties.

Taylor was interested in replacing traditional management by scientific management by developing the most scientific and rational principles for handling people, machines, materials and money and to secure maximum benefits for the employers as well as employees. He offered four principles as basis for scientific management.

a. Every job should be broken into its elements and a scientific method to perform each element should be established.

b. Workers should be scientifically selected with right attitudes for the job and ability and then properly trained to perform the work.

c. Management should cooperate with the workers to ensure that all work is done in accordance with the scientific principles.

d. The work and responsibilities are to be so divided between management and workers that such work assignments result in interdependence between management and the workers. The management should design the work, set up and supervise the work and the workers are free to perform the work.

Scientific management became the accepted management philosophy about the relationship between people and work. It was a complete mental revolution for both management and employees towards their respective duties and towards each other.

Contribution by Henry Fayol

Henry Fayol (1841-1925) provided the ideas for what eventually became administrative management. Fayol observed the organisational functions from a managerial point of view. He believed in the universality of management and reasoned that those who acquire general knowledge of managerial functions and principles can manage all types of organisations. He proposed the breaking of the complex management process into separate interdependent areas of responsibility. He divided the administrative activities into six groups, all of which are closely dependent on one another.

These six areas of operations are:

- **Technical**. This area is concerned with manufacturing products.

- **Commercial**. It involves purchasing of raw materials for the products and selling the finished products.

- **Financial**. This area involves searching for and acquiring capital and allocating it to various functions in an optimal manner and keeping an overview control of the flow of capital.

- **Security**. Security operations are designed to take the necessary and adequate steps for the production and safety of goods and people.
- **Accounting**. This area covers all accounting aspects of the organisation including recording and taking stock of costs, profits, liabilities, assets, preparing balance sheets and compiling accounting statistics.
- **Managerial**. Fayol's primary concern was with the managerial functions of planning, organising, command, coordination and control.

Henry Fayol's Principles of Management

In addition to these areas of operations, Fayol proposed fourteen principles of administration which he believed would be most often applied for more efficient managerial behaviour and more logical organisations. These fourteen principles are summarized as follows:

(a) **Division of labour.** This means that a worker is given only a small element of work, in which he becomes a specialist and the more people specialize, the more efficiently they can perform their work. Division of labour improves productivity by simplifying the tasks required of each worker. This can be applied to all kinds of work, technical as well as managerial.

(b) **Authority and responsibility.** Authority is the right to command and the power to exact obedience in order to get the work done. Responsibility is the accountability of authority so that the official authority is not misused.

(c) **Discipline.** Fayol considered discipline as an 'outward marks of respect' observed in accordance with the employment agreements and organisational rules. These rules and agreements should be clearly specified and understood by all. These rules and regulations should also be enforced fairly and judiciously.

(d) **Unity of command.** Each organisational member should receive orders from only one superior, otherwise conflict and confusion in authority and instructions would result.

(e) **Unity of direction.** This principle states that 'there should be one head and one plan' for a group of activities having the same objective. For example, the personnel department should have only one personnel manager with a specified plan for personnel policies, feeding personnel to all departments.

(f) **Subordination of individual interest to organisational interest.** While the individual interests should be integrated with the organisational interests as much as possible, the interests of the organisation must take priority over the interest of an individual or a particular group, whenever there is a conflict between the two.

(g) **Remuneration of staff.** All employees should be fairly paid with appropriate additional incentives for additional efforts.

(h) **Centralisation.** Fayol believed that while some authority should be given to the subordinates to make operational decisions, al1 major policy decisions should be made at the top management level.

(i) **Scalar chain.** There should be a clear chain of command from the top to the bottom of the organisation and the line of authority should run in the order of rank from the top management downwards. This helps to ensure the orderly flow of information and communication.

(j) **Order.** A place for everything and everything in its place. Materials and people should be in the right place at the right time for maximum efficiency. People in particular, should be in the jobs they are most suited for.

(k) **Equity.** Managers should be both fair and friendly to the subordinates. Equity results when friendliness is coupled with justice. This will help in soliciting loyalty and devotion from subordinates.

(l) **Stability of staff.** Employee turnover should be minimized. Tenure and long term commitment should be encouraged. It results in a sense of belonging to the organisation.

(m) **Initiative.** Employees should be given the freedom to be innovative. They should be encouraged to initiate new ideas and carry out their plans, even when some acceptable mistakes result.

(n) **Esprit de corps.** Employees should work as a team because there is strength in unity and the management should promote this team spirit.

Contribution by Peter F. Drucker – MBO

Peter Drucker was a highly respected management thinker. He was a prolific writer with several books and articles on management practices to his credit. He was so versatile that there is hardly any area in management which has not been touched by him. He drew heavily from his consultancy experience spread over four to five decades. He authored more than thirty books on management including *Concept of the Corporation, the Practice of Management and Management Challenges for 21st Century* which earned him wide acclaim.

Drucker advocated management by objectives (MBO) in the book *The Practice of Management* in 1954. In it, Drucker stressed that, 'business performance requires that each job be directed towards the objectives *of* the whole business'. MBO is the philosophy of management that emphasizes that managers and subordinates work together in identifying and setting up objectives and make plans together in order to achieve these objectives. These objectives should be consistent with the organisation mission and goals.

MBO is both an aid to planning as well as a motivating factor for employees. By its proper use, some of the planning errors can be eliminated or minimized. It is a comprehensive system based upon set objectives in which all members participate.

These objectives are common objectives for all participants and the extent of rewards for each member would be determined by the degree of achievement. This leads to a fair appraisal system. Additionally, a good MBO plan involves regular face-to-face superior-subordinate communication and hence it improves the communication network.

MBO Process

An effective MBO programme requires top management participation and support. It relies on the participative approach to management so that managers at all levels are actively involved. MBO programme cannot succeed if top management in unwilling to accept the philosophy behind it where subordinates take equal part. MBO can only succeed of it has the complete and enthusiastic support of top management.

- **Establish Long-Range Objectives and Plans:** As noted earlier, an organisation's mission is defined in terms of goals and objectives. In consistency with the mission and the philosophy of the organisation, long range objectives and plans are established by the top management after thoughtful matching of the goals and resources.

- **Establish Specific Short-term Organisational Objectives:** Short-term organisational objectives are usually more specific and quantifiable targets, covering such areas as marketing, productivity, profitability and so on. These short-term objectives must be supportive of the long range objectives and plans and must be consistent with the overall purpose of the organisation.

- **Establish Action Plans:** These plans involve establishment of individual performance objectives and standards. While the entire process is that of participative nature, it is at this level that the managers and subordinates work closely in setting their individual goals. They jointly establish objectives with their superiors and subordinates are given sufficient latitude to devise and implement strategies to achieve these objectives. These objectives are usually short-range and specific and primarily indicate as to what the subordinate's unit is capable of achieving in a specified period of time. The subordinates must set objectives in consultation with the individuals who comprise his unit. In this way, everyone gets involved in goal setting.

- **Appraise Results:** The next step is to measure and evaluate performance periodically, in order to determine the degree of progress towards achievement of objectives. The performance appraisal methodology should also be jointly agreed upon. These periodic reviews can reveal if any unanticipated problems have developed. Furthermore, these reviews will assist the manager and the subordinates to modify either the objectives or the methods, if necessary.

- **Take Corrective Actions:** The periodic evaluations would indicate if there are any deviations from the performance standards expected and planned.

It is left to the managers and subordinates to take whatever action is necessary. These actions may include changes in personnel, retraining of personnel, changes in methodologies or even changes in objectives.

2.5 SYSTEMS APPROACH TO MANAGEMENT

In recent years, there has been a growing tendency to recognize organizations as a complex, integrated system of inter-related variables, as against the traditional practice of examining organizational variables separately such as functions, tasks, interpersonal relationships, etc. The systems theory looks at the organization as a whole examining all relevant organizational variables simultaneously. The approach is to identify the parts of the organization and to discover how these parts operate interdependently.

Even though the advent of systems theory dates back to the ideas of Chester I. Barnard, who characterized all organizations as co-operative systems and defined a cooperative system, "as a complex of physical, biological, personal, and social components which are in a specific., systematic relationship by reason of the cooperation of two or more persons for at least one definite end", the father of the general systems theory is considered to be Ludwig Yon Bertalanffy who propagated the idea via his publication "General Systems Theory" in 1969. According to him:

In order to understand an organized whole we must know both the parts as well as the relations between them.

Based on these ideas a system may be defined, "As an orderly grouping of separate but interdependent components for the purpose of attaining some predetermined objective." This definition leads to three important aspects.

1. The management of components must be orderly and hierarchial, no matter how complex the "whole" may be.

2. Since the components of the system are interdependent, there must be communication among them.

3. Since a system is oriented towards an objective, any interaction among the components must be designed to achieve that objective.

Open and Closed Systems

Systems may be characterized as open or closed. A closed system is a set of interacting elements without any interaction with the outside environment. It has no input from outside in any form. As an example, a battery operated digital watch can be considered as a relatively closed system because once the battery is inserted in it, it does not require any element from outside to operate.

An open system, on the other hand, is the one that is dependent on the outside environment for survival. As an example, a human body as a system, composed of many sub-systems, is an open system since it must depend upon outside input and energy for survival.

All organizational systems are open systems, as they always depend upon the outside environment for feedback and resources and for disposal of the finished product. All organizations transform inputs into outputs. The inputs may be human resources, energy, raw materials, equipment, information, etc. and by applying certain conversion processes transform these inputs into output of finished goods, services and information. In this process of conversion, the organization must take into consideration the dynamics of outside environment and must continually interact with external variables. For example, when producing and selling a product, the management must analyze, in addition to internal operations, the external factors of resource availability, current technological trends, .market trends and social changes. The basic foundation of the system theory is that a manager cannot emphasize only one aspect of the organizational management while ignoring other aspects, whether internal or parts of the outside environment.

The Main Characteristics of a System

Some of the main characteristics of a system are:

 I. Every system is comprised of many sub-systems which are interacting with each other.

 2. Every system is a part of a larger one. For example, an organization itself is a system but it is a part of a larger industrial system which in turn is a part of a social system.   .

 3. It is complex and inter-related in such a manner that a change in one variable will effect a change in others.

 4. Every system has a specific purpose to which all its parts and sub-systems contribute for achieving that purpose.

 5. Each entity of the system receives information or energy *from* the other parts within the system and *from* the system's environment.

 6. Each entity processes this information or energy in its own way and sends its output to the rest of the system and to the external world.

 7. A system has a tendency to remain in equilibrium by maintaining a balance among the various forces operating within and upon it.

 8. A system cannot exist in isolation. It must get its inputs *from*, some other system and its outputs become inputs to other systems.

The systems approach to management promises to bring out a new wave of thinking about managerial problems and activities and about the organization's relationships to its own various units as well as other systems in the outside environment. This focus upon the organization as a unified system made up of many inter-related parts provides the necessary perspective for the manager in the planning, organizing, leading and controlling functions.

Check Your Progress

5. What are the other names of the classical approach to management?

6. What does bureaucracy refer to?

7. Define management by objectives (MBO).

8. How can one improve the effectiveness of MBO system?

9. What is an open system?

2.6 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Van Fleet and Peterson define management, 'as a set of activities directed at the efficient and effective utilization of resources in the pursuit of one or more goals.'

2. The most important goal of all management activity is to accomplish the objectives of an enterprise.

3. Planning, organizing, directing, coordinating and controlling are the activities included in the subject matter of management.

4. The five primary functions of management are:
   - Planning
   - Organizing
   - Staffing
   - Directing
   - Controlling

5. The classical approach is also known as the functional approach, empirical approach and management process approach.

6. Bureaucracy refers to a type of office organization that is marked by organized procedure, hierarchical division, allocation of responsibilities as per separate levels and impersonal social relationships.

7. MBO is the philosophy of management that emphasizes that managers and subordinates work together in identifying and setting up objectives and make plans together in order to achieve these objectives.

8. To improve the effectiveness of MBO system, it should be integrated into the overall philosophy of the organisation.

9. An open system is one that is dependent on the outside environment for survival.

2.7 SUMMARY

- Management is a problem solving process of effectively achieving organizational objectives through the efficient use of scarce resources in a changing environment.

- The basic nature of management activity remains same in all arenas, whether the organization to be managed is a family, a club, a trade union, a trust, a municipality, a business concern or the government.

- The most important goal of all management activity is to accomplish the objectives of an enterprise. These objectives may be economic, socio-economic, social and human and thereby management at different levels seeks to achieve these in different ways.

- Planning, organizing, directing, coordinating and controlling are the activities included in the subject matter of management.

- There are basically five primary functions of management. These are: (i) Planning; (ii) Organizing; (iii) Staffing; (iv) Directing and (v) Controlling.

- Although, management has been a daily part of human existence since time immemorial, theories relating to it only began to emerge during the industrial. These pre-industrial theorists included scholars like Robert Owen and Charles Babbage.

- The serious study of management only began with the publication of Fredrick Taylor's *The Principles of Scientific Management* in 1911.

- With the contribution of Taylor's theories the classical approach to management began. In the classical approach, management is viewed as a systematic network of various functions like planning, organizing, directing, staffing and controlling.

- Another management scholar Henry Fayol proposed the fourteen principles of administration which he believed would be most often applied for more efficient managerial behaviour and more logical organisations.

- One of the most important management scholars is Peter Drucker. He advocated the

- Management by objectives (MBO) approach in the book *The Practice of Management.* MBO is an approach that emphasizes that managers and subordinates should work together to identify and set up objectives and make plans together in order to achieve these objectives.

- Systems may be characterized as open or closed. A closed system is a set of interacting elements without any interaction with the outside environment. An open system, on the other hand, is one that is dependent on the outside environment or survival.

2.8 KEY WORDS

- **Bureaucracy:** It is a type of office organization that is marked by organized procedure is known as a bureaucracy.
- **Appraisal:** It is an act of assessing something or someone.
- **Scalar chain:** It refers to a line of authority, a chain of superiors from the highest to the lowest ranks.
- **Equity:** It is the situation in which everyone is treated equally.
- **Staffing:** It is the function of hiring and retaining a suitable workforce for the enterprise both at managerial as well as non-managerial levels.

2.9 SELF-ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What were Taylor's principles for scientific management?
2. What are the characteristics associated with industrial revolution?
3. What are the three main pillars of the classical approach?
4. Define MBO
5. Discuss the nature and scope of management.

Long-Answer Questions

1. Describe various roles of a manager as proposed by Henry Mintzberg. Which of these roles are more important from the organizational behaviour point of view?
2. Give a brief account of the evolution of management thought from the early pioneers to the modern experts.
3. Analyse the contribution of F.W. Taylor to management.
4. Discuss the classical approach of management in detail, thereby explaining its advantages and limitations.
5. Examine the different functions of management.

2.10 FURTHER READINGS

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UNIT 3 PLANNING AND DECISION MAKING

Structure

3.0 INTRODUCTION

Planning is one of the primary functions of management as all other functions depend upon how the organization plans to achieve its objectives. It involves the process of ascertaining objectives and deciding on the process to attain these objectives. It has been established that companies with formal planning consistently perform better than those with none or limited formal planning. A vigorous and detailed planning programme gives the managers some purpose and direction. However, planning can be very frustrating because it requires an extremely detailed, careful and analytical thought process.

Organizational plans are usually divided into two types— standing plans and single-use plans. Standing plans refer to plans that remain roughly the same for long periods of time and are used in organizational situations occurring repeatedly. Single-use plans focus on relatively unique situations within the organization and may be required to be used only once. There are basically three levels of planning associated with the different managerial levels: strategic planning, tactical planning and operational planning.

The unit will also discuss decision making. Decision-making is an everyday process in life. It is the major role of a manager too. The decision taken by a manager has a far-reaching effect on the business. Right decisions have a salutary effect and wrong ones may prove to be disastrous. Decisions may be classified into two categories, tactical and strategic. Tactical decisions are those which affect the business in the short run. Strategic decisions are those which have far reaching effects on the course of business.

3.1 OBJECTIVES

After going through this unit, you will be able to:

- Describe the importance, advantages, potential disadvantages and principles of planning
- Evaluate the various types and levels of planning
- Discuss the concepts of managerial decision making
- Explain factors affecting decision making
- Discuss the models of decision–making

3.2 OVERVIEW OF PLANNING

Planning is a critical managerial activity. It is the process of determining how the organization can get where it wants to go. It is a primary function of management because all other functions depend upon how the organization plans to achieve its objectives.

Planning is a decision-making activity requiring the process of ascertaining objectives and deciding on activities to attain these objectives. In planning, managers assess the future, determine the goals of the organization and develop the overall strategies to achieve these goals. The extent and complexity of planning would depend upon the complexity and multiplicity of objectives.

Planning is particularly important because of scarce resources and uncertain environment with a fierce competition for these resources. The basic purpose of planning is to reduce the risk of uncertainties and to initiate a coordinated effort within the organization for the purpose of organizational success. It also involves the process of preparing for change and the dynamics of the environment.

As such the planning function has three characteristics. First, planning is anticipatory in nature. This means that a decision has to be made now as to what to do and how, before it is actually done. Second, planning is a system of decisions. It involves a process of making decisions, which will define as to what is to be achieved in the future and the formation of action plans for achievement of goals. Third, planning is focussed on desired future results.

It is a means of ensuring that the important organizational objectives are accomplished as and when desired.

3.2.1 Importance of Planning

While planning does not guarantee success in organizational objectives, there is evidence that companies that are engaged in formal planning, consistently performed better than those with none or limited formal planning and improved their own performance over a period of time. It is very rare for an organization to succeed

solely by luck or circumstances. Some of the reasons as to why planning is considered a vital managerial function are given below:

1. **Planning is essential in modern business**: The growing complexity of the modern business with rapid technological changes, dynamic changes in consumer preferences and growing tough competition necessitates orderly operations, not only in the current environment but also in the future environment. Since planning takes a future outlook,it takes into account the possible future developments.

2. **Planning affects performance.** A number of empirical studies provide evidence of organizational success being a function of formal planning, the success being measured by such factors as returns on investment, sales volume, growth in earnings per share and so on.

3. **Planning puts focus on objectives**: The effectiveness of formal planning is primarily based upon clarity and specificity of objectives. Objectives provide a direction and all planning decisions are directed towards achievement of these objectives.

4. **Planning anticipates problems and uncertainties**: A significant aspect of any formal planning process is collection of relevant information for the purpose of forecasting the future as accurately as possible. This would minimize the chances of haphazard decisions.

5. **Planning is necessary to facilitate control**: Controlling involves the continual analysis and measurement of actual operations against the established standards. These standards are set in the light of objectives to by achieved. Periodic reviews of operations can determine whether the plans are being implemented correctly.Well developed plans can aid the process of control in two ways.

    (i) First, the planning process establishes a system of advance warning of possible deviations from the expected performance.

    (ii) Second contribution of planning to the control process is that it provides quantitative data which would make it easier to compare the actual performance in quantitative terms, not only with the expectations of the organization but also with the industry statistics or market forecasts.

6. **Planning helps in the process of decision making**: Since planning specifies the actions and steps to be taken in order to accomplish organizational objectives, it serves as a basis for decision making about future activities.

Advantages and Disadvantages of Planning

A vigorous and detailed planning programme helps managers to be future oriented. It gives the managers some purpose and direction.

However, the planning function is not well executed within the organization, there can be several disadvantages. First, planning is expensive and time consuming. A good deal of time, energy and capital is involved in setting up the planning machinery for the purpose of gathering and analysing data and testing of various alternatives in order to select the one which is most appropriate. Accordingly, the cost of planning and the benefit derived from it must be adequately balanced. Sometimes, proper planning takes up so much time that some useful opportunities can be lost if they require immediate action and such immediate action cannot be taken without proper planning. Second, planning itself can be a hindrance to innovation. In a planned setup, every operation is pre-planned. This means simply proceeding according to plans and following the rules mechanically. This does not leave any provision for manager's innovation and creativity. This problem can be overcome, however, by making the plans more flexible in order to accommodate changes generated by new ideas. Finally, planning can sometimes be very frustrating because it requires an extremely detailed, careful and analytical thought process. Accordingly, it is more of an intellectual exercise. It requires a high level of imagination, and analytical ability in addition to total commitment. The talents required and the maintenance of high quality planning together are difficult to achieve.

The advantages and disadvantages may be summarized as follows:

Advantages

- Planning gives managers some purpose and direction. Sine planning is future oriented, it forces managers to look beyond the present. Also, it creates a unity of purpose, since the objectives are formally expressed and the methods and procedures to obtain these objectives clearly defined.

- Proper planning helps in the process of motivation. If plans are properly communicated to all levels of the organization, then every one can feel involved in carrying them out.

- Planning provides a framework for decision making. Knowing the organizational objectives and the methods to achieve these objectives eliminates ambiguity in the decision-making process. Furthermore, planning provides for feedback, periodic evaluation of programmes and indication for any deviation so that corrective action can be taken and hence making decision making process a little easier.

- Proper planning results in effective utilization of organizational resources. Since planning involves the identification of such resources for optimal utility, there is no waste or minimum waste of these resources.

- Since accurate forecast of future events is an integral part of effective planning, it reduces the elements of risks and uncertainty.

- It improves the competitive strength of the company in two ways. First, since the operations are planned in advance, the company is able to take its time in shopping around for best and competitive rates of raw materials,

equipments and parts and for human resources. Second, proper planning gives the company an advantageous edge if it decides to make changes in its line of products or expansion in its plant capacity or changes in methodology.

- Formal planning forces managers to examine all areas of the organization from all angles and efficiently coordinate the activities of all these areas. Without this process, these managers may ignore or overlook some critical aspect due to time pressures or other factors thus affecting the outcome in a negative way.

Disadvantages

- Planning is expensive and time consuming. A good deal of time, energy and capital is involved in setting up the planning machinery for the purpose of gathering and analysing data and testing of various alternatives in order to select the one which is most appropriate.

- Planning itself can be a hindrance to innovation. In a planned setup, every operation is pre-planned. This means simply proceeding according to plans and following the rules mechanically.

- Planning can sometimes be very frustrating because it requires an extremely detailed, careful and analytical thought process. Accordingly, it is more of an intellectual exercise. It requires a high level of imagination and analytical ability in addition to total commitment.

Principles of Effective Planning

According to Gary Dessler in his book *Framework for Management*, the following nine principles should be followed to ensure effective planning:

1. **Keep aims crystallized**: The aims and objectives must be clear, unambiguous, solid, reasonable and attainable. Badly defined objectives do not lend to accurate and effective planning.

2. **Develop accurate forecasts**: Accurate events and trends in the future are the most important inputs into planning process. Accordingly, the managers making the forecasts must be highly skilled and must use quantitative methods wherever applicable in addition to intuitional judgements to improve the accuracy of the forecasts.

3. **Involve subordinates in the planning process**: This will ensure the acceptance of the plans by those who are going to implement them. Studies have indicated that people, who put the plans into operation, do so much better when they participate in the formulation of the plans than when such plans are simply assigned to them.

4. **Develop a sound plan**: In order for a plan to be effective, it must be based on sound assumptions and correct information.

5. **Do not be over-optimistic**: Objectivity is an essential ingredient of effective planning. Over-optimism is based on feelings, emotions and intuition.

6. **Decide in advance the criteria for abandoning a project**: There is no need to continue to stick to the plan if it is not working out as expected. However, the criteria for abandoning a particular project should be established in the beginning.

7. **Keep your plan flexible**: Keep the progress of your plan under constant review so that it can be revised and modified as the situation demands. The future trends should also be assessed by continuously monitoring economic, social, political, technological and competitive trends. Any changes in these variables may require changes in the original plans.

8. **Review long-range plans on a short-range basis**: Long-range plans are risky due to dynamic environment. Accordingly, long range strategic plans should be split up into manageable periods and the basic assumptions underlying the strategic plan as well as its progress should be measured and reviewed at such set intervals as planned so that any reasons for under-performance or over-performance can be identified and new decisions made relative to the plan.

9. **Fit the plan to the environment**: Assess the current as well as future environment. If the environment is comparatively stable, a plan can be more rigid.

Check Your Progress

1. Why is planning the primary function of management?
2. List one disadvantage of planning.

3.3 PLAN TYPES AND LEVELS OF PLANNING

Organization plans are usually divided into two types, namely standing plans and single-use plans. Standing plans are those, which remain roughly the same for long periods of time and are used in organizational situations that occur repeatedly. The most common kinds of standing plans are policies, procedures and rules. Single-use plans focus on relatively unique situations within the organization and may be required to be used only once. These plans can be subdivided into programme and budgets. These plans are illustrated as follows:

Standing Plans

Let us discuss policies, procedures and rules.

Policies

A policy is a statement and a pre-determined guideline that provides direction for decision making and action taking. Policies are usually general enough to give the manager sufficient freedom to make judgements, while at the same time they are specific enough to establish constraining boundaries. For example regarding employment, a company policy may be to employ personnel on merit alone without regard to race, sex or age and within the bounds of this policy, a manager can make decisions. Policies must be based upon a thorough analysis of objectives and should be consistent with the company's mission and philosophy.

Appropriate policy guideline enables managers to anticipate and take action for a given set of situational variables. There are organizational policies formulated for all types of situations and functions. There may be sales policies, production policies, personnel policies and so on.

According to Newman, Summer and Warren, a policy may:

- Be specific or broad in nature.
- Deal with one or many aspects of a problems or a situation.
- Place wider or narrow limits within which action is to be taken.
- Specify the steps to be taken when a decision is to be made.

Procedures

While policies cover a broad area of action, procedures prescribe the exact manner in which an activity is to be completed. It is a series of steps established to accomplish a specific project. They generally indicate how a policy is to be implemented and carried out. They are more precise guidelines permitting little or no individual discretion. Procedures can be defined as a series of related tasks that make up the chronological sequence and the established way of performing the work to be accomplished.

Rules

Whereas procedures specify a chronological sequence of steps to be performed, a rule is very specific and a narrow guide to action. Rules are plans that describe exactly how one particular situation is to be handled.

A rule is meant to be strictly followed and is generally enforced by invoking penalties.

Single-Use Plans

As already mentioned, programmes and budgets are single-use plans.

Programmes

A programme is a single-use plan designed to carry out a special project, solving a problem or achieving a group of related goals. This project or problem is not

intended to be in existence over the entire life of the organization like the standing plans.

The programme exists to achieve some purpose identified by the organization and this achievement is expected to benefit the organization. For example, an organization may have instituted a management development programme to build special managerial skills such as handling international competition or meeting the management challenges of the next century.

Budgets

A budget is another single-use programme, which is a financial plan that covers a specified period of time. This plan identifies as to how funds will be raised and how these funds will be utilized for procuring resources such as labour, raw materials, information systems and other business functions such as marketing, research and development and so on. Every organization prepares a budget for its various activities. These budgets are usually for a one year period at a time. When a specific budget period ends, the value of that budget as a planning device is finished, even though it may form the basis for the budget for the following period. In that respect, it is a single-use plan.

Levels of Planning

There are basically three levels of planning associated with the different managerial levels.These are as follows:

1. **Strategic planning**: Strategic planning is the process of determining overall objectives of the organization and the policies and strategies adopted to achieve those objectives.It is a process by which an organization makes decisions and takes actions that affect its long-term performance. Top management of the organization is involved in strategic planning, which is long range and has a major impact on the organization. A strategic plan usually covers a time period of upto ten years and involves a major commitment of resources. It deals with the total assessment of the organization's capabilities, its strengths and its weaknesses and an objective and analytical evaluation of the dynamic environment. The planning also determines the direction the company will be taking from where it is and where it wants to be.

2. **Tactical planning**: While strategic planning focuses on where the organization will be in the future, tactical planning, also known as 'intermediate planning' emphasizes on how it will be done. Such planning generally covers a shorter period of time, usually between one and two years and involves middle management, such as functional managers, department heads, product line managers, and so on. They also have the task of polishing the top management's strategic plans. The middle management will have a critical look at the resources available and they will determine the most effective and efficient mix of human, financial and material

factors in order to achieve the organizational objectives in the most efficient manner. They refine the broad strategic plans into more workable and realistic plans.

3. **Operational planning**: Operational plans are the responsibility of lower level and involve unit supervisors, foreman, and so on. These are short-range plans covering a time span of about one week to one year. These plans are more specific and they determine how a specific job is to be completed in the best possible way. Most operational plans are divided into functional areas such as production, finance, marketing, personnel and so on.

Contingency Planning

Contingency planning is an approach, which has become necessary in today's rapidly changing environment. It is the determination of alternative courses of action to be taken if the original plans are disrupted or become inappropriate due to changed circumstances. Contingency planning is proactive in nature and the management tries to anticipate changes in the environment and prepares to cope with the future events. Contingency planning is necessary at each level of management and for strategic, tactical and operational planning.

3.3.1 Steps in Planning

The planning process includes five major stages to perform planning related activities.

Planning can be considered as a series of sequential steps. These steps are as follows:

Step 1. Establish and clearly define the central and overall objectives of the organization. A well-defined objectives can make the difference between success and failure of an enterprise. It clearly defines the product or service as well as the purpose of the company. Along with the overall mission of the company, it is also necessary to establish the specific objectives and goals. For example, the overall objectives of a hospital is to provide quality health care.

Step 2. The second step is to make an assessment of the available resources. This will give an idea of resources that need to be procured.

Step 3. Develop forecasts and future conditions. In order to effectively plan, it is important and necessary to forecast as accurately as possible, the future trends that will affect the company's standing and operations. The factors of forecast will include general economic conditions, changes in consumer attitudes, new technological and product developments, possible competitive strategies and any adverse legal developments.

Step 4. Preparation of derivative plans. Once an overall plan has been adopted, it is necessary to develop other derivative plans for each segment of the company, to support the formal plan. Derivative or sectional plans are developed in each area of the business, but within the framework of the primary plan in order to coordinate and integrate programmes and policies of all sections of the enterprise.

Step 5. Implement the plan and evaluate its results. The success of the plan would depend upon how effectively the plan is implemented. This implementation is going to require a combination of all skills and coordination of all factors. Also in this ever-changing dynamic environment, it is necessary to keep the plan open to evaluation and modification. The plans should be periodically re-evaluated to measure its progress and effectiveness so that any deviations can be corrected and any adjustments can be made.

Check Your Progress

3. What is a policy?
4. What is a budget?

3.4 DECISION MAKING

Decision making and problem solving is a core function of management, because it is an integral part of all other managerial functions such as planning, organising, directing and controlling. It is also on integral part of life because life cannot be managed without making decisions. We are always faced with situations where we have to make choices almost everyday of our lives and making a choice out of many options constitutes a decision. This decision maybe a simple one such as, choosing clothes to wear, selecting food from a menu or deciding general activities for the day or it may be a major decision such as changing a job or purchasing a house.

Rational decision-making and problem solving may be used interchangeably since a problem has to exist and a decision has to be made to solve such a problem. While most decisions indeed involve a problem, some decisions are part of routine and may not involve a problem. For example, decisions as to what to wear or which movie to see or whether to stay or go for swimming are routine decisions and simple choices among available alternatives, requiring common sense and simple qualitative judgement. Problem solving on the other hand is a much more vigorous process which requires rational inquiry based upon unemotional reasoning, identifying the problem, generating feasible solutions for it, choosing the best solution from utility point of view and then applying this solution to see if it works efficiently

and effectively. In general, while decision-making results in a choice from many alternative courses of action, the problem solving results in resolving the disparities between the desired performance and the performance actually obtained.

Decision making is a complex mental exercise in reality. Some of the decisions we make are highly significant with highly important consequences. The more significant decisions very often need the exercise of considerable analytical judgement and the quality of such judgement is the backbone of successful decisions. These judgements must eliminate the root causes of the problems that have necessitated such decisions. Ineffective decisions attack only the symptoms and are only cosmetic in nature. They may solve the problem on the surface or on a short run basis, but in order to find a lasting solution, the problem must be attacked at its roots.

As we all face the future, its unpredictability brings to us certain situations that are unexpected and hence problematic in nature. As we grow older and share added responsibilities, we develop certain characteristics and some intuitional senses that help us solve some of these problems and we also learn some techniques and methodologies through the acquisition of knowledge and skills, which assist us in solving certain types of problems. These problems require decisions that exist at personal, organisational and social levels.

Individuals must make major decisions regarding their careers, their marriage and family and other decisions, which have far reaching personal implications. The organisational decisions involve problems relating to investments, products, marketing, location of production or service facilities, dealing with personnel problems, contributions towards community welfare and so on. Societies, in general, have many problems that affect their very survival such as crime, energy shortages, depletion of finite resources, health services, employment, political conflicts among nations, and so on.

All these problems have to be faced and solved. No person can avoid problems and ignoring a problem is never a solution.

From organisational point of view, the decision making process is such an integral and important part of management that some thinkers propose that management is simply a decision making process. They call it the "decision theory school of management." The basic emphasis of this school is not on people or environmental variables influencing the management behaviour but on the process of decision making and the theory that all management thought could be built around it.

Defining a Problem

Since a problem must exist in order to make a decision for solving it, we must know what the problem is so that we can identify it when it shows up. Being aware of the problem is the first prerequisite for finding a solution. The Webster's Dictionary defines a problem as, "a question raised for inquiry, consideration or

solution." While this definition is not complete or self-explanatory in itself, a problem seems to exist when the symptoms of the outcome of an activity do not seem to be conforming to the expected outcome of the same activity as planned. For example, you are going to your office in the car and on the way, you get a flat tire, then you have a problem since you did not expect this to happen. Similarly, if some one becomes ill, then this is a deviation from the norm of healthy living and this would constitute a problem and the sick person would seek solution to the problem by going to the doctor.

Structure of Problems

According to Harvey G. Brightman, the problems may be of the following types:

1.   Ill-structured versus well-structured problems: The ill-structured problems are unique, unpredicted and unprecedented situations. These problems are ambiguous and poorly understood and defy any cut-and-dry solution. These are generally "one-shot" occurrences for which standard responses are not available and hence require a creative process of problem solving which is specifically tailored to meet the requirements of the situation at hand. Such problems may involve closing of a plant, buying or merging into new company, starting a new business and so on. Because the ill-structured problems do not have well-structured solutions, such solutions generally rely upon skill, intuition, creativity, experience and considered judgement and carry with them consequences of diverse ramifications. Top-level management generally faces these problems because their environment is complex and is involved with high level policy decisions.

Well-structured problems, on the other hand, are clearly defined, routine, and repetitive and respond to standardised responses. They are familiar, complete and easily defined and analysed. These problems are generally faced by lower level and middle level managers who have, at their disposal a set of rules, policies and procedures that can be used to solve these problems so that such problems do not have to be referred to superiors for solutions. For example, if a professor cuts too many classes, the chairperson of the department can use the prescribed rules to discipline him and the issue does not have to be referred to the president of the college. Similarly, it you buy some merchandise and it turns out to be defective, you can take it back for a refund. The management of the company has a well-structured set of rules and procedures to deal with the problem of making refunds for defective merchandise.

2.   Operating level versus strategic level problems: Operating level problems are generally well-structured problems encountered by the organisation on a daily basis. For example, a newspaper shop owner has the problem of reordering the newspapers and magazines every day and he knows when to order and how much to order. Similarly, daily or weekly production levels, inventory levels or sales levels are set and known and standard solutions exist to solve any problems in these areas when they arise. These situations are not new or unique and do not involve any changes in organisational policies or procedures.

On the other hand, strategic level problems are unique and demand high level managerial attention. These problems may involve changes in policies and are important in terms of actions taken or resources committed. While operating level problems do not affect the survival of the organisation, strategic level problems do. Sometimes, if the operating level problems are left unattended, they may become strategic level problems. For example, if no action is taken against a professor who habitually cuts classes, this may affect other professors thus making it a morale problem for the college, which then would be considered a strategic level problem.

3.   Crisis versus opportunity problems: The crisis problems develop suddenly and are totally unexpected at a given time. These may develop within the general framework of expectations so that the management has some types of preparations to handle these crisis situations. For example, a forest fire will create a crisis problem but the government and the community is generally prepared to fight the forest fire. Similarly, a major strike at the plant may not have been expected, but the management generally has made provisions to handle the situation. Solving crisis problems is reactive in nature and requires reacting quickly and aggressively to solve the problem. It may be achieved through task forces, which may try to mould crisis situations into familiar problems for which the solutions are known to exist.

The opportunity problems are more of challenges, which must be exploited for the betterment of the organisation, For example, if an opportunity of a highly beneficial merger arises, and the organisation fails to recognise the potential, it would be considered a lost opportunity. Similarly, a slightly increased rate of employee absenteeism may mean some deeper organisational problem and if the management does not recognise this opportunity to deal with the problem, this missed opportunity may blow up into a crisis. Both the crisis problems as well as the opportunity problems are handled by the central management.

The Problem Pointers

First of all, how do we determine that there is a problem? Even if we know that there is a problem, how do we determine the extent and the seriousness of the problem? According to Miller and Starr, there are certain characteristics that are attributes of problems. One of the major characteristics of the problem is the existence of a deviation between what was expected under a given set of conditions and what actually happened.

Before solutions can be found, the problems must be thoroughly and correctly diagnosed and the decisions concerning solutions to the problems must be dealt with, keeping in view the underlying factors other than the surface symptoms. For example, a doctor prescribing a medicine for a headache as a symptom without looking into the root cause of it, will only provide a temporary relief and not really "solve" the problem. Accordingly, in properly defining a problem, we must ask some critical questions relating to it. Some of these critical questions may be:

- What type of problem is it?

- How large is the deviation from the norm?

- How quickly has this deviation been observed?

- What are the critical factors relating to the problem?

- Why do we want to solve this problem and when?

- Would the cost of solving the problem be justified?

- Who should solve the problem and what particular method is chosen to solve the problem?

These initial questions would indicate the extent of the problem so that we can become fully aware of it and grasp its significance.

It is very important that the problem be diagnosed as early and correctly as possible. For example, cancer, when detected in earlier stages, may be cured, but in advanced stages it can be fatal. The early awareness of the problem is the first prerequisite for dealing with it. However, sometimes we may not even know that there is a problem when in fact it exists until it is too late.

Another problem pointer is a built-in signal in the process of operations so that whenever there is a deviation from expected outcome, it gives out a signal. For example, the Internal Revenue Service computer will create and send a signal to alert an administrator if some tax deductions are excessive in a given tax form so that some action can be taken. Similarly, our organisational accounting system can be set up in such a manner that any changes in the cash flow or demand, increase in the cost per unit produced, excessive and delayed state of accounts receivables, excessive inventories at hand and so on will attract the manager's attention quickly for an appropriate action.

Some problems are pointed out by third parties such as a user of a product or a consumer representative group. The problem of toxic wastes almost became a crisis when various consumer groups started pointing out the problem of the community health to the government agencies. Poloroid instant camera came into existence because of a "consumer complaint," when the consumer happened to be the daughter of the instant camera inventor, who wanted to look at the pictures taken right away. Thus, if a product is faulty, it can be brought to the attention of the manufacturer. The Federal Safety Commission and Food and Drug Administration in America test products to see if they conform to the prescribed standards. If they do not, then there is a problem for which the solution must be found.

There are some problems that come to surface due to sheer idle curiosity. The problem may not be a real one but may be considered a problem if solving it leads to better outcomes. Such a problem is not really the deviation between what is happening and what is expected, but a deviation between what is happening and what is actually achievable.

In general, a problem exists whenever there is a difference between an actual situation and the desired situation. For example, if the total number of incoming students into a college suddenly goes down than what was expected, then this would pose a problem requiring administrative attention and solution.

Factors Affecting Decision Making

Some of the factors and personal characteristics that have an impact on the decision makers are described below. Some factors are more important at higher levels of management and others are more important at lower levels.

- **Programmed versus non-programmed decisions**: As discussed earlier in the types of problems that managers face, programmed decisions are made in predictable circumstances and managers have clear parameters and criteria. Problems are well structured and alternatives are well defined. The problems are solved and decisions are implemented through established policy directives, rules and procedures.

  Non-programmed decisions are made in unique circumstances and the results of such decisions are often unpredictable. Managers face ill structured problems. These problems require a custom-made response and are usually handled by the top management. To start a new business, to merge with another business or to close a plant are all examples of non-programmed decisions. For example, when Steven Jobs and Stephen Wozniak introduced the first Apple microcomputer in 1978, they were not certain about the market for it. Today, Apple Macintosh computer is a major competitor to IBM computers.

- **Information inputs**: It is very important to have adequate and accurate information about the situation for decision making, otherwise the quality of the decision will suffer. It must be recognised, however that an individual has certain mental constraints, which limit the amount of information that he can adequately handle. Less information is as dangerous as too much information. Some highly authoritative individuals do make decisions on the basis of comparatively less information when compared to more conservative decision makers.

- **Prejudice**: Prejudice and bias is introduced in our decisions by our perceptual processes and may cause us to make ineffective decisions. First of all, perception is highly selective, which means that we only accept what we want to accept and hence only such type of information filters down to our senses. Secondly, perception is highly subjective, meaning that information gets distorted in order to be consistent with our pre-established beliefs, attitudes and values. For example, a preconceived idea that a given person or an organisation is honest or deceptive, good or poor source of information, late or prompt on delivery and so on, can have a considerable effect on the objective ability of the decision maker and the quality of the decision.

- **Cognitive constraints**: A human brain, which is the source of thinking, creativity and decision making, is limited in capacity in a number of ways. For example, except for some unique circumstances, our memory is short term, having the capacity of only a few ideas, words and symbols. Secondly, we cannot perform more than limited number of calculations in our heads and it is tough to compare all the possible alternatives and make a choice. Finally psychologically, we are always uncomfortable with making decisions. We are never really sure if our choice of the alternative was correct and optimal until the impact of the implication of the decision has been felt. This makes us feel insecure.

- **Attitudes about risk and uncertainty**: These attitudes are developed in a person, partly due to certain personal characteristics and partly due to organisational characteristics. If the organisational policy is such that it penalises losses more than it rewards gains, then the decision maker would tend to avoid the alternatives that have some chances of failure. Thus a manager may avoid a potentially good opportunity if there is a slight chance of a loss. The personal characteristics of a decision maker regarding his attitudes towards risk taking affect the success of the decision. The risk taking attitude is influenced by the following variables:

  A. **Intelligence of the decision maker**: Higher intelligence generally results in highly conservative attitudes and highly conservative decision makers take low risks. There are others who are more willing to take calculated risks if the potential rewards are larger and there is some chance of success.

  B. **Expectation of the decision maker**: People with high expectations are generally highly optimistic in nature and are willing to make decisions even with less information. The decision makers with low expectations of success will require more and more information to decide upon a course of action.

  C. **Time constraints**: As the complexity of the personal habits of the decision maker and the complexity of the decision variables increase, so does the time required to make a rational decision. Even though there are certain individuals who work best under time pressures and may outperform others under severe time constraints, most people, by and large, require time to gather all the available information for evaluation purposes. However, most people under time pressure rely an "heuristic approach", which relies on satisfactory rather than optimal decisions, thus limiting the search for additional information, considering few alternatives and few characteristics of alternatives and focusing on reasons to reject some alternatives. This approach may also be in use when the cost of gathering information and evaluating all such information is too high.

- **Personal habits**: Personal habits of the decision maker, formed through social environmental influences and personal perceptual processes must be studied in order to predict his decision making style. Some people stick to their decisions even when these decisions are not optimal. For example, Hitler found himself bound by his own decisions. Once he decided to attack Russia, there was no going back even when it was realised that the decision was not the right one. Some people cannot admit that they were wrong and they continue with their decisions even ignoring such evidence, which indicates that a change is necessary. Some decision makers shift the blame for failure on outside factors rather than their own mistakes. These personal habits have great impact on organisational operations and effectiveness.

Social and cultural influences: The social and group norms exert considerable influence on the style of the decision maker. Ebert and Mitchell define a social norm to be "an evaluating scale designating an acceptable latitude and an objectionable latitude for behaviour activity, events, beliefs or any object of concern to members of a social unit. In other words social norm is the standard and accepted way of making judgements." Similarly, cultural upbringing and various cultural dimensions have a profound impact on the decision making style of an individual. For example, in Japanese organisational system, a decision maker arrives at a decision in consensus with others. This style is culturally oriented and makes implementation of the decision much easier since everybody participates in the decision making process. In America, on the contrary the decision making style is generally individualistic with the help of decision models and quantitative techniques.

3.5 MODELS IN PLANNING AND DECISION MAKING

Four models of decision-making process can help us understand how decisions are, and should be, made. These four models are: (1) the econologic model (Harrison 1999); (2) the bounded rationality model, or the administrative man (Simon 1997); (3) the implicit favourite model, or the gamesman; and (4) the garbage can model. Each model differs in the assumptions it makes about the person or persons making the decision.

(a) Econologic Model or Rational Decision-making Model

In the rational decision-making model, it is assumed that people are economically rational and that they are making an attempt to maximize their outcomes in all situations. It is further based on the assumption that when faced with a problem, individuals are aware of all the alternatives and they are also aware of the outcome of each of the alternatives. This model is based on the classical economic theory and contends that the decision makers are completely rational in their approach.

The model suggests the following orderly steps in the decision-making process:

1. Identifying the problem that requires a decision.

2. Determining the criterion to evaluate the alternatives that are going to be generated.

3. Develop and list all the alternatives related to the problem in hand.

4. Evaluate the prospects and consequences of each of the alternatives.

5. Based on the analysis, select the best alternative by evaluating its consequences and comparing it with the criterion generated earlier. Implement the decision.

Given the assumptions of the rational model, it is highly unrealistic. It is not humanly possible to be rationally aware of all the alternatives to solve a problem and neither is it possible to have definite information about the outcomes of each of the alternatives. There are time constraints and limited power of information processing available to the human mind. Though this model represents a useful prescription as to how decisions should be made, it does not adequately portray how decisions are actually made.

As one can possibly imagine, the human mind is simply incapable of executing such transactions at the level and magnitude required for complex decisions. To that extent, this model is unrealistic. However, due to the advent of sophisticated data storage, retrieval, and processing machines, it is now possible to achieve economic rationality to some extent.

(b) Bounded Rationality Model or Administrative Man

An alternative model, one that is not bound by the above assumptions, has been presented by Simon (1997). His decision theory, the bounded rationality model, earned him a Nobel Prize in 1978. This is also known as the administrative man model.

This model assumes that people are bounded by certain constraints most of the time, and though they may seek the best solution, they usually settle for much less because the decisions they confront typically demand greater information-processing capabilities than they possess. They seek a kind of bounded (or limited) rationality in decisions. These constraints force a decision maker to be less than completely rational.

The concept of bounded rationality attempts to describe decision-making processes in terms of three mechanisms:

Step-by-step selection of alternatives

The assumption here is that people examine possible solutions to a problem in a step-by-step manner. They identify the alternatives and evaluate them one by one. If the first alternative fails to satisfy, it is rejected, and then another one is considered.

When an acceptable (that is, "good enough" and not necessarily "the best") solution is found, the search behaviour is discontinued.

Heuristics

A heuristic is a rule that guides the search for alternatives into areas that have a high probability of yielding satisfactory solutions. For instance, some companies continually select management graduates from certain institutions because in the past graduates from those institutions have performed well for the company. According to the bounded rationality model, decision makers use heuristics to reduce large problems to manageable propositions so that decisions can be made rapidly. They look for obvious solutions or previous solutions that worked in similar situations.

Satisfaction

Whereas the rational model focuses on the decision maker as an optimizer, this model sees him as a satisfier. An alternative is optimal if (1) there exists a set of criteria that permits all alternatives to be compared and (2) the alternative in question is preferred, by these criteria, to all other alternatives. An alternative is satisfactory if: (1) there exists a set of criteria that describes minimally satisfactory alternatives, and (2) the alternative in question meets or exceeds all these criteria.

Based on these three assumptions about decision makers, it is possible to outline the decision-making process as seen from the standpoint of the bounded rationality model.

1. Define the problem to be solved.

2. Employ heuristics to narrow problem space to a single promising alternative.

3. After identifying a feasible alternative, evaluate it to determine its acceptability.

4. If the identified alternative is acceptable, implement the solution.

5. Following implementation, evaluate the ease with which goal was (or was not) attained and raise or lower the level of aspiration accordingly on future decisions of this type.

(c) Implicit Favourite Model or Gamesman

A third model deals primarily with non-programmed decisions. It has been mentioned earlier that non-programmed decisions are decisions that are novel or unstructured, such as seeking one's first job.

The implicit favourite model, developed by Soelberg (1967a), emerged when Soelberg observed the job-choice processes of graduating business students and noted that, in many cases, the students identified implicit favourites very early in the recruiting and choice process. However, they continued their search for additional alternatives and quickly selected the best alternative candidate, known as the confirmation candidate. Next, the students attempted to develop decision rules that unequivocally demonstrated that the implicit favourite was superior to

the alternative confirmation candidate. This was done through perceptual distortion of information about the two alternatives and through weighting systems designed to highlight the positive features of the implicit favourite. Finally, after a decision rule was derived that clearly favoured the implicit favourite, the decision was announced. Ironically, Soelberg noted that the implicit favourite was typically superior to the confirmation candidate on only one or two dimensions. Even so, the decision makers generally characterized their decision rules as being multidimensional in nature.

The entire process is designed to justify to the individuals, through the guise of scientific rigour, a non-programmed decision that has already been made in an intuitive fashion. By doing so, they become convinced that they are acting in a rational fashion and making a logical, reasoned decision on an important topic.

(d) Garbage Can Model

Very often, the process of decision making is not as sequential and methodical as has been proposed by earlier models. Sometimes it is haphazard, confusing, and unpredictable. In a garbage can model, decisions are random and unsystematic (Cohen et al. 1972). This model assumes an organization to be like a garbage can in which the problems, solutions, choices, players, and opportunities move around randomly. If these factors happen to confront and connect, the decision is made (March and Oslen 1986). The exact process consists of finding the right solution to the right problem at the right time among the right players.

This kind of decision making may be required at the time of crisis when enough information is not available and the decision is required to be taken without wasting time. It also diverts our attention to the fact that not all the decisions are taken in a logical, step-by-step, systematic manner. In today's environment, with fast-paced situations, managers may be required to take quick decisions with the help of this model.

Check Your Progress

5. Why is decision making and problem solving a core function of management?

6. What are problem pointers?

7. What are programmed and non-programmed decisions?

8. List four models of decision making.

3.6 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Planning is a primary function of management because all other functions depend upon how the organization plans to achieve its objectives.

2. One disadvantage of planning is that it is expensive and time consuming. A good deal of time, energy and capital is involved in setting up the planning machinery for the purpose of gathering and analysing data and testing of various alternatives in order to select the one which is most appropriate.

3. A policy is a statement and a pre-determined guideline that provides direction for decision making and action taking.

4. A budget is a financial plan that covers a specified period of time.

5. Decision making and problem solving is a core function of management, because it is an integral part of all other managerial functions such as planning, organising, directing and controlling. It is also on integral part of life because life cannot be managed without making decisions.

6. Problem pointers are the initial questions that indicate the extent of the problem so that we can become fully aware of it and grasp its significance.

7. Programmed decisions are made in predictable circumstances and managers have clear parameters and criteria. Problems are well structured and alternatives are well defined. The problems are solved and decisions are implemented through established policy directives, rules and procedures. Non-programmed decisions are made in unique circumstances and the results of such decisions are often unpredictable. Managers face ill structured problems. These problems require a custom-made response and are usually handled by the top management.

8. The four models of decision making are:
    (a) Rational decision-making model
    (b) Bounded rationality model
    (c) Implicit favourite model
    (d) Garbage can model

3.7 SUMMARY

- In planning, managers assess the future, determine the goals of the organization and develop the overall strategies to achieve these goals.

- Planning is necessary because it affects performance, puts focus on objectives, anticipates problems and uncertainties, facilitate control and helps in the process of decision making.

- A vigorous and detailed planning programme helps managers to be future oriented. A sound blueprint for plans with specific objective and action statements has numerous advantages for the organization.

- Proper planning helps in the process of motivation employees. If plans are properly communicated to all members of the organization, then everyone can feel involved in carrying them out.

- Planning also has some disadvantages. It is expensive and time consuming. Planning can sometimes be very frustrating because it requires an extremely detailed, careful and analytical thought process.

- The nine principles to be followed for ensuring an effective planning are keeping aims crystallized, developing accurate forecasts, involving subordinates in the planning process, developing a sound plan, being realistic, deciding in advance the criteria for abandoning a project, keeping the plan flexible, reviewing long-range plans on a short-range basis and fitting the plan to the environment.

- Organization plans are usually divided into two types, namely standing plans and single-use plans. The most common kinds of standing plans are policies, procedures and rules. Single-use plans can be subdivided into programme and budgets.

- There are basically three levels of planning associated with the different managerial levels: Strategic planning, tactical planning and operational planning.

- Strategic planning is a process by which an organization makes decisions and takes actions that affect its long-term performance.

- Decision making and problem solving is a core function of management, because it is an integral part of all other managerial functions such as planning, organising, directing and controlling.

- Rational decision-making and problem solving may be used interchangeably since a problem has to exist and a decision has to be made to solve such a problem.

- Decision making is a complex mental exercise in reality. Some of the decisions we make are highly significant with highly important consequences.

- The more significant decisions very often need the exercise of considerable analytical judgement and the quality of such judgement is the backbone of successful decisions.

- The organizational decisions involve problems relating to investments, products, marketing, location of production or service facilities, dealing with personnel problems, contributions towards community welfare and so on.

- From organisational point of view, the decision making process is such an integral and important part of management that some thinkers propose that management is simply a decision making process.

3.8 KEY WORDS

- **Planning:** It is a decision-making activity that requires the process of ascertaining organizational objectives and deciding on activities to attain these objectives

- **Policy:** It is a statement and a pre-determined guideline that provides direction for decision making and action taking.

- **Strategic planning:** It is a process of determining overall objectives of the organization and the policies and strategies adopted to achieve those objectives.

- **Rational decision-making:** It involves following the steps mentioned earlier without any biases introduced into the process at any step.

3.9 SELF-ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. Discuss why planning is a vital managerial function.
2. What are the disadvantages of planning?
3. What is contingency planning?
4. Discuss the importance of planning.
5. List the factors that affect decision making.

Long-Answer Questions

1. Explain the Gary Dessler's principles of effective planning.
2. How would you differentiate standing plans from single-use plans?
3. How does strategic planning differ from tactical planning?
4. Examine the steps in the planning process.
5. Describe the different models of planning and decision-making.

3.10 FURTHER READINGS

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UNIT 4   ORGANIZING AND STAFFING

Structure

4.0 INTRODUCTION

Organizing is the second function of management and involves primarily creating of activities and assigning the suitable workers to complete these activities successfully, efficiently and effectively. Organizational objectives are well defined and the activities are primarily undertaken to achieve these objectives. Activities that are well organized and coordinated result in optimal use of resources and reduce or eliminate waste and idle times of both the machines and the workers. There is a well-structured chain of command and authority that either flows from top to bottom or is properly delegated to the lower levels of the managerial hierarchy. The organizational structure also determines the levels of management. The tendency today is towards fewer levels of management and such organizations are known as lean organizations.

4.1 OBJECTIVES

After going through this unit, you will be able to:

- Assess the importance of organizing

- Describe the different types of organizations

- Evaluate the various facets of organizational structure

- Discuss span of management and its various facets

4.2 IMPORTANCE OF ORGANIZING

An organization is essential for the continuity of the mission and objective for which it is formed. The organizational structure and process guides coordinates and controls business activities. The organization if structured on sound principles will help achieve management objectives. Erroneously designed and makeshift organizations make management functions difficult and inefficient. Organized man is a source of creativity, synergy and coordinated activity. An organization helps its management to perform its activites effectively, in the optimum use of technological improvement, growth and diversification, creativity, effective use of physical resources and development of human resources.

Management function Management functions, viz. planning, organizing, activating and controlling, are performed effectively and efficiently. Sound organization helps perform all the activities smoothly, inadequate organization may discourage managerial activities, coordination and control. Therefore, there is a need to develop a sound organization for effective administration with certainty and continuity. Different activities are clearly divided and defined for performance, and most suitable persons are appointed to manage the respective activities. Research and development, production, transportation, marketing and finance, etc. are the distinctive functions of management which are performed separately with coordinated efforts. Sound organization helps proper delegation of authority and responsibility. Division of work helps employees in performing their activities easily and satisfactorily.

Optimum use of technological improvement Organization helps in the optimum use of technology, since it is flexible and structured to accommodate improvement, extensions and so on. Automatic controls and data processing becomes feasible under a sound organization. The scope for decentralisation makes it possible to incorporate several technological developments and increase in efficiency. A centralised management group takes decisions immediately to augment effectiveness and economy beause it uses new methods, new knowledge and new materials. Automation and the widespread use of computers are important facets of the technological factor. Organization solves the corporate's problems by creative and intelligent application of technology.

Growth and diversification Organization is the base on which the company grows and diversifies its activities.The organizational structure is developed in such a way that expansion and diversification are feasible without wastage. The organization while facilitating day-to-day functions and effective management of all the activities, anticipates the need for change and helps the growth of the corporate body, the branch offices, divisional offices and regional subheads. Offices has immense scope for incorporating growth and diversification of activities. Departmentalisation has further increased the scope of inclusion of management activities, meeting of local demands and helps in exploiting the existing resources.

Divisionalisation develops an inter-competitive zeal for excellence. The Life Insurance Corporation has successfully used the organizational setup for increasing its business and providing expansion of the functions. Many private organizations have developed on the lines of expansion and growth.

Human resource development Enterprises work in a knowledge society and have to function by caring for the labour force. Human resources has demonstrated outstanding ingenuity and adaptability for the survival and growth of the company. Specilisation has increased the speed of production, although it has resulted in monotony and frustration to employees. Therefore, there is need for developing human resource skill. Improvement of the morale and capacity of the employees will enhance productivity.

4.3 TYPES OF ORGANIZATIONS

The various types of organizational structure and processes depend on the social setup of the country and the objectives of the business. Various jobs of the enterprise are integrated into an effective operational system. It defines the duties and responsibilities of people in each cadre. The functional and divisionalised types of company organization are generally prevalent in a company organization. Line, line and staff, staff and committee type of organization are well known in public administration and military organization. Business organization maintains some flexibilities so that the upward and downward movements may be possible at the time of development and decline of the business. This type of organization facilitates decentralisation and choice of product and geographical locations. The types of organization are line, line and staff, staff, functional project and committee organizations.

(a) Line and Staff Organization

A line and staff organization is a mixture of the line as well as staff organization. Line organization points out direct vertical relationships, i.e. superior-subordinate relationship connecting the positions at each level. It forms a chain of command or hierarchy of authority on scalar principles. A line relationship is simply known as a relationship of authority between the superior and subordinates in a hierarchical arrangement. The direct line superior has control over his immediate subordinates. In this case, authority flows downward and accountability goes upward in a straight line. The work also flows in a direct line. The line offices are responsible for accomplishing basic objectives, so that they can issue orders and implement plans and policies with the help of their subordinates. They are authorised to maintain discipline. The line organization maintains direct communication from the higher to lower levels and vice versa. If it is useful for maintaining discipline, it inhibits flexibility and specialisation. It becomes autocratic and dictatorial. It is not used in business organizations.

Staff organization is a specialised organization. It is purely advisory, having no authority of functions. It helps the line organization in the effective and efficient performance of business. Staff organization provides authority of investigation, research and advice to persons at the command of the functions. It provides technical or special advice to line organization in the form of personal assistants, personal secretaries, etc. There may be staff organization pertaining to law, accounting, research and development, quality control, etc.

Line and staff organization is useful in business operations. The advantages of specialisation and of functional activities are available under this organization. The line feature maintains discipline and stability, whereas staff incorporates expert knowledge.

Line organization takes the help of staff organization with reference to law, economy, accounting and specialised policies. Line organization has grown because of the ever increasing role of staff people. The need for staff organization is felt because of the emergence of large-scale enterprises, growing knowledge and technology, specialised services and so on. The socio-economic conditions in the country have been rapidly changing. Enterprises operate amid complexities and dynamic environments. There is a need to secure advice from different fields such as science, technology, mathematics, operations research, systems analysis, psychology, sociology and computer applications for the effective functioning of line activities. The help and advice rendered by the staff is very useful to the line managers who are always busy with routine functions.

The line as well as staff organization work jointly and without friction as the line men usually perform physical functions while the staff perform mental exercises. When these two functions are segregated and looked at from the angles of lower or higher tenets, the problem of friction arises and the joint motto of the two organizations is shattered. Both the types of organization work in corporation, as line specialises in action and staff specialises in contemplation. The knowledge and expertise of the staff organization supplements as well as complements the line organization. The cohesiveness between line and staff has to continue because both organizations have certain advantages. Staff organization has the capacity to think, advise, analyse, research, recommend and supplement knowledge, whereas line organization is authorised to perform, command, execute policies and plans, establish superior-subordinate relationships, and all operational duties and responsibilities. The line organization has authority and is responsible for production, marketing and finance, whereas staff has no authority over the line. When the line organization is unable to cope with the problems of business, the staff organization comes to their rescue. It helps to reduce the costs of production, distribution, advertising, etc.

The line and staff organizations develop conflicts on certain grounds. The staff is viewed as too technical and theoretical by the line, while the latter is considered to be authoritarian and rigid. The staff has the feeling of being neglected

by line managers. The staff is highly knowledgeable while the line is less so, but has more authority. There is need for complete cohesiveness and confidence between the staff and line organizations. It has been observed that companies having staff recognition are growing satisfactory. In many cases, staff performs the duty of personal assistants or personal secretaries to the line managers. They represent the organization, and have more informal authority. Staff is well regarded by line people. The success of an enterprise depends on how the line and staff organizations work with close cooperation and confidence.

(b) Functional Organization

Functional organization is technically called functional foremanship because the function itself becomes a supervisor and the employees automatically perform their respective duties. The emphasis is on operations rather than on management. Functional organization is commonly used in business. The spirit of organization, which involves grouping tasks together and allocating them to genuine employees is observed in functional organization. Functional sets like marketing, finance, production and personal are grouped systematically. Departments and subdepartments are developed according to the requirements of the business. Functional organization is the basic building block or module from which other forms of organization are built.

Functional organization is characterised by functions, sub-goal emphasis, division of work, functional relationship, centralisation and decentralisation, span of control, divisionalisation of product and regionalisation. All employees are not equal; they have distinctive and special interests in different activities, while some of them having similar interests and qualities are grouped together to form a set of similar activities. Their performance and control becomes easy. Effectiveness of the organization is increased with the development of functional organization which may be horizontal or vertical. Horizontal functions include those activities which are performed with the same amount of authority and responsibilities at the same level. In such organizations the higher level has influence over lower-level individuals. People who are connected with formulation of policies, having a high degree of authority and responsibility are termed as General Manager, top manager or top executives. The persons at the lower levels are responsible for carrying out functions to achieve the goals set by the top executives. Persons with innovative thinking, entrepreneurial skills and initiatives are placed at the top, and other persons having skills of performance, supervision, grouping and driving spirit are put at the lower level of management. Similarly, work can be subdivided according to each level of the total activity, and suitable people are entrusted the jobs of performance.

Functional organization is developed for exploiting the specialities of people who concentrate on their specialisation and preference. Sub-unit goals are achieved effectively with specialised functioning. Growth is possible with the use of horizontal and vertical organization. The advantages of line and staff organization can be fully achieved only with the development of functional organization within them.

Performance and achievements are operating goals of organization, which can be attained if the functions, sub-functions and other lower functions are diversified and well-defined, and suitable persons are entrusted with these diversified functions, being held personally responsible for operations and achievements. Although multiple supervisors come into operation, the main functions of organization are not diluted, as functional authority is next to line authority which exists in every type of organization. Functional specialists are endowed with command of functions and their effective performance. The coordination of different functions is done by the line organization. Centralised authority and decentralised functioning are visible in such cases. With a suitable span of management, control of different functions becomes easy under functional organization.

The advantages of functional organization are available in the form of specialisation, coordination, suitability, skill development, economics of scale and flexibilities. When some similar activities are grouped together and developed for meeting the challenges of organization, specialisation comes into the picture. Each manager is concerned with only one kind of job. It develops the hierarchy of skills and retention of functional organization. The specialisation helps in economic use of physical and human resources, increase in quantity and quality and diversification of product functions. If the basic nature of functional organization is retained, specialisation can meet new challenges of markets. Innovation and modernisation will be feasible when some specialised persons are performing selected jobs, and coordination of all functions becomes essential. Individual functions are linked and brought under the umbrella of the corporate objective. If the segregated functions are not properly aggregated, the advantages of specialisation will not be achieved by the company. The top executives control the activities of all the departments, which are allowed to function on specialisation. The coordination helps maintain uniformity, unity of command and standardised functioning. Functional organization is suitable for all sizes of business and production units, as it facilitates their efficiency, product quality and automatic operations. Standardisation has become an essential function of management. It helps in the skill development of employees who are exposed to a range of functional activities in their respective departments. Discipline is maintained by the experts not on an abstract basis, but at an operational level. A functional structure is economical as only one function is given to an employee who performs the job quickly and qualitatively. All the factory plants, machinery, raw-materials and money are utilised effectively and efficiently. The cost of production and distribution per unit is minimised as more production is possible with the existing resources. Functional organization is not rigid; it can increase or decrease along with the line of business operation. Divisionalisation may cover total expansion while the closure of one division will result in the shrinking of business activities. Lower level staff may be promoted to a higher level in case of expansion, and the higher level staff may be given lower level jobs in case of contraction of business functions. Centralised leadership is made flexible in order to incorporate any sort of expansion and contraction in functional organization.

(c) Product Functional Organization

Product functional organization establishes each product or group of related products as an autonomous unit in the framework of the organization.

Each product department has several functions broadly divided into finance, marketing, personnel and production, which are also coordinated with the chiefs of the respective functions. The main advantage of product functional organization is qualitative production under the supervision of expert personnel to produce a particular product. For instance, a company may be producing steel almirahs, soaps, refrigerators, typewriters, computers, etc., which are managed by the respective engineering expert in the areas of their product. Overall control and supervision by higher executives is essential for the maximum utilisation of existing resources without incurring wastage. It means rationalisation is exercised with the use of product functional organization.

Product functional organization necessitates finding out the economic viability of each product. Some of these products are required for image building. For example, Tata is famous for steel although it has entered the consumer markets. There is a need for constant watch and evaluation of the performance of each product. If the company is producing a large number of products, all the products will not form the product organization, because that would be a very uneconomical organizational part of structure. The related products are grouped together and managed under the main product organization. Innovation, interdependence, economy of scale and divergent production are feasible under product functionalisation.

(d) Process Functional Organization

Functional organization becomes effective if each process of production is given autonomy and independence. The nature of production helps decide process organization. For example, a textile company has several departments based on process, namely spinning, weaving, materials management, and so on. Each department is looked after by the expert of the area. They are given functional foremanship based on process functional organization. The office work is separated from shop or plant functions and each of these processes forms the base of the organization.

(e) Geographical Functional Organization

Geographical functional organization involves grouping of the activities according to regional or geographical locations. The territorial divisions become a complete administrative unit to cater to the needs of the localities.

(f) Project Organization

Project organization is used to complete a project or task. The project manager has people from several functional departments such as production, finance,

marketing and so on. Specialists are drawn to perform their respective roles in the total project. The structure is derived not from some principles but from the job requirements. Project organization brings together people of different expertise for the completion of the project. As soon as the project is completed, the experts are returned to their original departments in the head office. For example, in a bridge construction project, the engineers, financial manager, human resources people and other related people are brought to the site of the project where project organization, the structure and process, is developed. The people are organized and allocated specialised jobs by the Project Manager who will be the top person managing the project by utilising all the resources. As soon as the project is completed, the employees are returned to the head office or transferred to another project.

(g) Committee Organization

A committee organization is an association of people set up to arrive at solutions to common problems. The line people are given opportunities to discuss their problems in the committee. This organization is not like line or functional organization, but is similar to staff organization. Its decisions are implemented, whereas staff decisions are not necessarily implemented. It is a formal part of the organizational structure wherein the members are specifically mentioned. For example, the Finance Committee will include all the functional managers, viz. Marketing Manager, Production Manager, Personnel Managers, etc. as members, and the Managing Director as the Chairman. It will decide the financial requirements of each and every department. The decisions taken by the committee are followed by the line people, as the committees are representatives of various functional departments. Committee organization provides integrated ideas of various related people of the company. Participative management in true form is visible under committee organization. It is an incentive to volunteer to form integrated ideas and to willingly follow them. New ideas and solutions of various problems are feasible with the committee organization. It is a very good example of democratic management wherein every member has an equal opportunity to raise his voice and come to a common solution. Flexibility and technical excellence are possible under this organization. The top management is relieved from certain problems. The company can encounter the changing and uncertain environment in a better way. It facilitates high quality and innovative solutions to technical problems. Coordination and control become easy because open discussion is invited in the committee. Ideas and specialised functions are feasible under committee organization. However, committee organization may prove ineffective in some cases because of time consuming and inefficient devices, aggressive attitudes of some persons and the inactive role of a particular group. The committee organization should not be used to supplement or support inefficient managers. An able and competent top manager with the capacity to handle the proceedings of the committee and manage disgruntled employees during meetings can get the maximum benefits out of

committee organization. On the contrary, a weak and submissive manager or chairman may cause a number of problems in committee organization.

Check Your Progress

1. Why is an organization essential?
2. What are functional organizations characterized by?
3. What is a committee organization?

4.4 SPAN OF CONTROL

The number of subordinates a manager can effectively manage is known as span of management. The quality of supervision becomes poor and coordination becomes weak when large number of subordinates work under a single manager. However, if the number of subordinates is too small, then the managerial abilities of the manager may not be fully utilized. A balance between these two extremes needs to be maintained in order to use full potential of the manager. No one can effectively supervise an infinite number of subordinates. A manager can pay attention only to a limited number of subordinates. The optimum number of subordinates that a manager can effectively supervise at a particular time may vary from manager to manager. Hence, span of control is a person-to-person concept.

The number of subordinates that can effectively be managed for supervision and delegation of authority would be finite and depend upon a number of factors. Some of these factors are:

- **Similarity of functions**: If the subordinates are involved in the same or similar activities, then it is possible for the manager to supervise more subordinates. Since the problems that may arise would be similar in nature, these would be easier to handle. Conversely, if these subordinates are involved in diversified operations, the situation would be more complex and hence the span of control would be narrow.

- **Complexity of functions**: If the operations that the employees are performing are complex and sophisticated and require constant supervision, then it would be more difficult for the manager to manage too many employees and hence a narrow span of control would be desirable.

- **Geographical closeness of employees**: The closer the subordinates are to each other in a physical location, the easier it will be for the manager to manage more employees.

- **Direction and coordination**: The span of control would also be determined by the degree of coordination required, both within the units and with units in other departments. If the units need continuous directions and extra time

of managers in coordinating these activities, then fewer subordinates would be better supervised.

- **Capacity of subordinates**: Subordinates who are well trained, professionally developed and experienced, need little supervision in discharging their duties. In such situations, more subordinates can be effectively supervised. These subordinates can further be assisted by providing them with 'standing plans' which are applicable in repetitive operations and routine recurring problems, thus requiring less supervisory assistance.

- **The working staff of the manager**: If the manger has a supporting staff that is equally skilled in handling situations, then it would be possible to manage a wider span of control because the responsibilities of supervision would be shared.

Span of Control and Levels of Organization: Narrow and Wide Span Structure

Organization levels exist because there is a limit to the number of persons a manager can supervise effectively. Evergrowing organizations must add new levels to their structure. Determination of appropriate span of control to suit the levels of organization is very important because the span of control affects the efficient use of superior and subordinate relationships for obtaining better performance. There are two types of span of control structures.

- **Narrow span**: It results in under-utilization of manager's services and over-controlling of subordinates.

- **Wide span**: It may lead to over-straining of manager and lack of effective control over subordinates.

Span of control has an important bearing on the shape of organization structure. While a narrow span results in a "tall" organization, a wide span leads to a 'flat' structure. This can be effectively depicted through diagrams (A and B).

Narrow Span Structure

Narrow span refers to the existence of too many levels in an organization. Following are the advantages of the narrow span structure:

- The main advantage of narrow span is that effective leadership and control can be directly exercised on subordinates.

- Superior can easily communicate and effectively coordinate the efforts of his subordinates since their number is small. Direct contact, close supervision and tight control can help improve the performance pattern.

Organizations with narrow spans suffer from several limitations. Following are the limitations of narrow span structure:

- Too many levels delay two-way communication when a message has to pass through different levels. Its effectiveness may be reduced.

- Large number of managers is required which results in additional salaries and high cost of management.

- A tall structure may have its adverse impact over morale because of the absence of close link between top executive and bottom worker.

Wide Span Structure

To overcome these difficulties of narrow span (tall structure), some of the modern companies have adopted wide span structures. Wide span prevails in flat Organizations. Here, one can find fewer levels of authority. Following are the advantages of the wide span structure:

- It indicates that the chain of command is short. Because of this, communication tends to be quicker and more effective.

- This system allows delegation of authority and development of subordinates.

- Subordinates feel more autonomous and independent in wide span organizational structures.

Despite these advantages, flat organizations also have some disadvantages. Flat structure makes supervision and control to be loose and less effective because a single executive may not have enough time and energy to supervise all subordinates. It is not at all suitable for large manufacturing organizations that have developed business with narrow span structure.

Graicunas Theory

V.A.Graicunas, a French management consultant explains with the help of mathematical calculations, that as the number of subordinates increases arithmetically, the number of relationships among them increases geometrically. Graicunas (Gulick and urwick, 1937) has identified three types of superior-subordinate relationships.

Graicunas paper contains formulas, a table and a chart, all showing the exponential growth in complexity of relationships as the number of reporting subordinates increases. Three basic kinds of relationships were described.

1. Direct single relationships between superior and individual subordinates.

2. Cross relationships between individual subordinates.

3. Direct group relationships between superior and combinations of subordinates.

Direct relationship arises from the direct contacts of the superior with his subordinates. Cross relationship refers to the mutual relationship among the subordinates working under a common superior. The group relationships arise between the superior and subordinates in all possible combinations.

Example: B is a supervisor and has two subordinates, X and Y.

Graicunas calculated the possible number of superior-subordinate relationships as follows:

(i)   Direct relationships =   B – X

                                  B – Y

(ii)   Group relationship = B - X & Y, X with YB

                              B -Y & X, Y with XB

When a third subordinate Z reports to B, several new relationships arise by taking the total number of relationships to 18. The number of various relationships in a particular case can be calculated with the help of the following formula:

$$r = n \, (2^{n-1} + n-1)$$

Where r refers to the total number of relationships and n stands for the number of subordinates on the basis of the above formula, the number of possible relationships with different number of subordinates is summarized as follows:

No. of subordinates	No. of relationships
2	6
3	18
4	44
5	100
6	222
7	490
8	1,080
9	2,376
10	5,210
11	1,04,86,154

The above table illustrates how the arithmetical increase in the number of subordinates results in the increase of the number of relationships in a geometric proportion. Graicunas has prescribed a maximum of six subordinates as the most desirable span of control. But in reality, relationships as per Graicunas formula do not occur daily. To summarize the findings and principles of this theory:

- There is a limit to the number of subordinates that an individual manager can effectively control.

- The exact number of such span depends upon the situation and its fundamental variables like pressure of workload, energy, knowledge and attention of the superior and degree of teamwork.

Criticism

- The span of control cannot be rigid and universal. The actual span of control is determined by a number of factors, which have not been covered by Graicunas theory.

- This theory ignores the frequency and severity of relationships that have not been dealt within this theory.

- This theory explains only superior relationships with subordinates.

Factors Affecting Span of Management

Following are the factors, which affect the span of management:

- **Management policies**: Management has a great influence on span of control. If the policies are clear and comprehensive, this results in increase in the span of control. Clarity in plans, definiteness in fixing up responsibility and use of standing plans reduce the pressure of decision making by the top managers that increases the span control.

- **Nature of work**: If the nature of work is uniform, typical and ordinary, it can be effectively monitored and regulated through programmed decisions. As a result, this leads to increase in the span of control. At the top management level the nature of the work is volatile and complex with high risk-decisions that is why one can find limited span of control at the top level.

- **Line and staff relationships**: If a line manager receives adequate staff help, he can handle high level of workload and can have a larger span of control. Existence of good superior and subordinate relationships based on faith and mutual confidence is an essential prerequisite to widen the span of control. On the other hand, if the superior is tactless in handling the relationships with the subordinates, he will have a limited span of control.

- **Quality of subordinates**: If the subordinates are experienced and well trained in challenges, then they need minimum supervision from the top managers. Hence, the quality of subordinates certainly improves the span of control.

- **Other factors**: The span of control in practice is also affected by other factors such as time availability, degree of decentralization and control practices. These factors are bound to have impact over the size of span. Similarly, wider span of control may prevail when the work of the subordinates can be controlled through written reports.

Limitations of Span of Management

Limitations of span of management are:

1. Existence of too many levels is expensive because the organization has to bear the burden.

2. Too many levels (span) complicate the communication between the manager and its subordinates. Omissions and misinterpretations increase with wide spans.

3. Existence of too many levels and numerous departments create problems even in planning and control process. A well-defined plan looses clarity and coordination as it passed to the lower and lower levels. In a similar way control becomes difficult with too many managers.

4. Handling of superior subordinate relationships on smooth lines is must for the success of any organization. Larger spans and too many managers may complicate the synchronized relationships between workers and management

5. Division of activities among various departments and creation of hierarchical levels are not completely desirable as departmentalization is not an end for achieving effectiveness in organization.

4.5   STAFFING AND ITS IMPORTANCE IN ORGANIZATIONS

There are a number of factors that contribute towards the success of an enterprise. These factors include capital, equipment, manpower etc. While all these factors are important, the human factors is the most significant one, since it is the people who have to use all other resources. Without the productive efforts of its workers, the materials and resources would be of no use. Also if the people who are in charge of these resources are not sufficiently qualified, then the utilization of these resources would not be optimum. Accordingly, the staffing function of management is a very significant one, specially in the light of continuous an dynamic developments in the field of technology, increase in the size of organizations due to expansion, acquisitions, and mergers and due to changes in the social structure which makes the group behaviour of the workers more complicated.

Staffing is the traditional management function of attraction and selection of the best people and putting them on jobs where their talents and skills can be utilized, and retention of these people through incentives, jobs training and job enrichment programs, in order to achieve both individual and organizational objectives. This emphasizes managing human and not material or financial resources. This function is becoming extremely specialized due to unique importance, behaviour and attitudes.

The staffing function is generally handled by Personnel Department where the Personnel Management is concerned with "planning, organizing, directing, and controlling of the procurement, development, compensation and integration of people into the system for the purpose of contributing to organizational, individual and social goals."

4.5.1   Staffing and HR Management

Human resource planning involves objective and systematic assessment of present staffing needs of an organization, identifying the available personnel to satisfy the current needs, forecasting the future demand and supply of employees, formulating staffing strategies with a view to both short range as well as long range strategic plans and continuously monitoring, evaluating and updating these needs, and resources of supply.

In today's complex organizational structure, operating in highly involved and complex economic, political, socio-cultural and technical environment, the most suitable employees are becoming more and more crucial and indispensable assets for effective performance. As a result the price of poor staffing will be very high requiring improved manpower planning as an economic necessity.

Human resource planning is important in providing the following direct benefits to the organizations.

1. It improves the utilization of human resources by helping the management forecast the recruitment needs in terms of both numbers as well as the types of skills required and develop ways to avoid or correct problems before they become serious and disrupt operations.

2. It helps focus the recruitment efforts on the most likely sources of supply. This will cut down the total costs of hiring and training personnel and reduce costs associated with hiring mistakes.

3. It makes provisions for replacement or back-up staff from either inside or outside the organization whenever the need arises either on a temporary or permanent basis. These available sources of supply are important to identify specially in the case of any emergencies that might occur.

4. It helps achieve an integration of personnel plans with other operating as well as strategic plans by making available the personnel management information base to other organizational activities.

The staffing function consists of the following sequential steps:

Step 1. Analyze the job by preparing job description, job specification and job analysis.

Step 2. Actual recruitment. This would explore all the internal and external Sources from where the required personnel can be recruited.

Step 3. Employee selection. This crucial step involves using such techniques as would identify and isolate the suitable people who would eventually be selected.

Step 4. Retention. When the right people have been hired, they must be retained so that they stay with the organization for a long time. This step discusses such factors that are influential in maintaining the work-force.

Step 5. Training and development. This consists of all such programmes that assists in continuous growth and development of employees.

Step 6. Performance appraisal and career development. This step involves devising method that would judge an employee's performance over a period of time and providing opportunities to employees to develop their careers and managerial talents.

Check Your Progress

4. What is span of control?

5. What is staffing?

4.6 ORGANIZATIONAL STRUCTURE OR DIVISION

Organizational structure involves arrangement of activities and assignment of personnel to these activities in order to achieve the organizational goals in an efficient manner. It is a way by which various parts of an organization are tied together in a coordinated manner and it illustrates the various relationships among various levels of hierarchy within the organization as well as horizontal relationships among various functions of the organizational operations. A well planned organizational structure results in better utilisation of resources. In general, "organizational structure" refers to the way individuals and groups are arranged with respect to the tasks they perform, and 'organizational design' refers to the process of coordinating these structural elements in the most effective manner.

A good organizational structure is needed so that:

- Each individual in the organization is assigned a role, responsibility and necessary authority. Each person who is assigned to an activity must know his position, his role and his relationship with others. He is further responsible for efficient execution of his role and his duties and is given the authority to do so.

- The activities of all individuals are coordinated and integrated into a common pattern in order to achieve the organizational objectives. Organization is needed for the purpose of integration of diverse activities in a cohesive manner.

- The optimum use of human skill and efforts is achieved. It is said that half of the work is done when you know what you have to do and how you have to do it. A good organization does that. A good organization assigns the right person to the right job and this avoids misapplication of human resources, thus resulting in optimum utilisation of employee efforts.

Steps in Organizational Structuring

Once the mission of the organization is specified and goals and objectives established and identified, the organization needs to be structured in such a manner that human and physical resources are brought to action to achieve these goals and objectives. The three following steps are taken to build the structure of the organization:

1. **Determination, identification and enumeration of activities**: Once the objectives have been established, the activities required to achieve these objectives are identified. These activities are broken down into sub-activities as far down the hierarchy as possible so that each individual knows as to what part of the activity he is responsible for. Care must be taken so that all necessary activities are taken into account and streamlined. This process applies to both managerial as well as operational activities.

2. **Grouping and assigning of activities**: All similar activities are grouped together and assigned on the basis of divisions or departments. These sets of activities may further be sub-divided into sections or units. These groupings may be done on the basis of primary functions such as production, finance, sales, personnel and so on, or these maybe done on a derivative basis such as types of customers, geographical area and so on. These groups of activities are then assigned to personnel as heads, marketing managers, personnel directors and so on. They in turn delegate and distribute jobs to their subordinates down the line. Care should be taken that the personnel and their jobs are well matched.

3. **Delegation of authority**: Since the persons who are assigned particular activities are responsible for performing these duties in an optimal manner, they must he given corresponding authority to execute their obligations. Responsibility and authority are tied together. Responsibility is really the accountability of authority. Authority without responsibility is a dangerous element. For example, if a marketing manager has the responsibility to increase sales but does not have the authority to hire and maintain a competent sales force, then the responsibility in itself has little meaning.

Benefits of a Good Organizational Structure

While there are many different structures that organizations can adopt, depending upon the type of organization including whether it is a service organization or a manufacturing organization, a well structured organization has many benefits. Some of the beneficial outcomes of optimally designed organizational structures are:

- **Attainment of objectives**: A good organizational structure facilitates attainment of objectives through proper coordination of all activities. It has a built-in system of "checks and balances" so that the progress towards the attainment of objectives is evaluated along the way so that any required adjustments can be made and any new decisions required can be taken.

- **Minimum conflicts**: In a good organizational structure, the conflicts between individuals over jurisdiction are kept to a minimum. Since each person is assigned a particular job to perform and the responsibility of performing that job rests solely with him. It results intraceability of outcomes and the work interdependency of that particular task is reduced to a minimum.

- **Reduction in overlapping and duplication of work**: Duplication exists when work distribution is not clearly identified and the work is performed in a haphazard and disorganized way. Since a good organizational structure requires that the duties be clearly defined and assigned, such duplication of work is eliminated.

- **Reduction in "runarounds"**: The runarounds occur when we do not know who is responsible for what and we are not sent to the right people in the first instance for getting some work done. However, in a well organized

company where the responsibilities are clearly established, this does not occur.

- **Promotions of personnel**: Since the organizational chart clearly pinpoints the positions of individuals relative to one another, it is easier to know as to which level a person has reached at any given time in the organizational hierarchy. Furthermore since each job is well described in terms of qualifications and duties, the promotional stages can be more clearly established.

- **Wage and salary administration**: A fair and equitable wage and salary schedule is based upon the premise that the jobs with similar requirements should have similar benefits. If these requirements are clearly established and the yearly increments or the cost of living increments for each type of job are properly and clearly understood, then compensation administration policies are easier to implement.

- **Easy communication**: It facilitates easy communication at all levels of organizational hierarchy. Since the lines of communication and flow of authority are clearly identified on the organizational chart, the intercommunication is both clearer and easier and it eliminates ambiguity.

- **Effective planning**: A well-structured organization provides a sound basis for effective planning. Since the goals are clearly established and resources clearly identified, both short term as well as strategic planning becomes more focused and realistic and such planning contains the provision to permit changes to be made in the right direction including expansion and contraction of facilities, operations and activities when it becomes necessary.

- **Increased cooperation**: It results in increased cooperation and a sense of pride among members of the organization. An employee is given sufficient freedom within the domain of his responsibility and his authority. Since the authority and the extent of exercise of such authority is known, it develops a sense of independence among employees which in turn is highly morale boosting.

- **Increase in creativity**: Because of a sense of belonging and high morale, that a well-structured organization develops among employees, and also because of clear-cut accountability, recognition of skill and appreciation for their contribution towards organizational growth, the employees develop their own initiative and a spirit of innovation and creativity.

Mechanistic Versus Organic Structure

The organizational structure is designed both from mechanistic as well as humanistic point of view and the structure depends upon the extent to which it is rigid or flexible. Flexible structures are also labelled as "organic."

The mechanistic organizational structure is similar to Max Weber's bureaucratic organization. Max Weber, a German sociologist and his associates

examined many different organizations to empirically determine the common structural elements and emphasized those basic aspects that characterize an ideal type of organization. Weber looked for rules and regulations, which when followed, would eliminate managerial inconsistencies that contribute to inefficiency. He believed in strict adherence to rules, which would make bureaucracy a very efficient form of organization founded on the principles of logic, order and legitimate authority. He strongly believed that every deviation from the formal structure interferes with efficient management.

The basic characteristics of an organization, based on mechanistic structure, are as follows:

- **Division of labour by functional specialisation**: A maximum possible division of labour makes it "possible to utilize" in all links of the organization, experts who are fully responsible for the effective fulfilment of their duties.

- **A well-defined hierarchy of authority**: Each lower official is under the control and supervision of a higher one. Every subordinate is accountable to his superior for his own decisions and in turn, the actions of his subordinates.

- **A system of rules covering the duties and rights of all employees**: These rules should be clear-cut and the responsibility of every member in the organization must be clearly defined, assigned and strictly adhered to.

- **A system of procedures for dealing with work situations**: These procedures must be time tested and equally applicable under similar situations at work.

- **Impersonal relations among people**: Rewards are based upon efficiency rather than nepotism or personal preferences. The functioning of the organization based upon rational and objective standards excludes the intervention of personal considerations, emotions and prejudices. The unbiased approach predictably leads to optimal efficiency.

- **Selection and promotion of personnel**: Employees are selected on the basis of a match between the job requirements and employee capabilities. The system of promotions corresponds to seniority or merit or both. Because of the rules and policies governing the organization, employees are protected against arbitrary dismissal or demotion.

Organic structures also known as 'adhocracies', on the other hand, are sufficiently flexible in order to cope with rapidly changing environments. These structures are more effective if the environment is dynamic, requiring frequent changes within the organization in order to adjust to the new changed environment. It is also considered to be a better form of organization if the employees seek autonomy, openness, change, support for creativity, innovation and opportunities to try new approaches. These organizational structures have the following characteristics:

- **Tasks and roles are less rigidly defined**: There is little emphasis on formal job descriptions and specialisations. The authority to solve problems is given to those who are capable of solving such problems irrespective of their position or status.

- **Decision making is more decentralized**: The decisions are made at the scene of operations so that there is no assumption that people in higher positions are more knowledgeable than people in lower positions.

- **The atmosphere is more collegial**: The employees are more friendly and respectful to each other so that there is more information and suggestions rather than instructions, directions and decisions from higher ups passed on down.

- **Departmental boundaries are flexible**: This flexibility results in cordial horizontal relationships across departments, which are equally important as compared to vertical or chain of command relationships.

Determinants of Organizational Structure

Since organizations have different characteristics and requirements, it would not be possible to identify an ideal organizational structure that would fulfill all these diversified needs. Accordingly, each organizational structure must suit the situation and be optimally useful in meeting the organizational objectives. Good organizational structure is a function of a number of factors including the environment, technology, size of the organization and its life cycle. These four factors would determine the philosophy and strategy of central management, which forms the foundation for the organizational structure.

The four factors mentioned in Figure 4.8 are explained as follows:

1. **Environment**: Organizations are open systems, which continuously interact with the outside environment. The macro-environment of business today has considerable impact on the internal operations of the organization, specially if the organization is a large one. These external factors include the customers, socio-cultural and economic conditions as well as international environment. The organizational structure would depend upon whether such external environment is stable or whether there are dynamic and rapid changes in it.

2. **Technology**: Technology is a combination of tools, techniques and know-how and has a major influence on organizational structure. It would depend upon whether the technology is simple and routine requiring a few repetitive tasks, in which case a mechanistic structure would be more desirable. However, when the technology is advanced, intensive and complex requiring high interdependence among members of the work force, then the organic structure would be operationally more effective.

Woodward and her associates identified three forms of technology that seemed to affect organization design. These are described in the order of their complexity as follows:

(i) **Unit or small-batch technology**: This involves specialized custom made products, which require special equipment and individual craftsmanship. It is not an assembly line production and requires individual attention. Examples would be a tailor shop making customized suits or a company making large stained glass windows.

(ii) **Large-batch or mass production**: This is an assembly line type of production in which a standardised item is produced in large numbers with reasonably sophisticated equipment and the work units depend upon each other in a sequential manner. Basically, the component parts are combined to create finished goods. An example would be the manufacture of cars or air conditioners.

(iii) **Continuous process technology**: This production system is highly sophisticated and automated and requires the use of complex technology as in the case of automated chemical plants. In such situation, the use of robotics and cybernetics is very common with continuous feeding of raw materials and provision for controlling and self-correcting.

These studies concluded that different configurations of organizational design were associated with each technology. In small batch as well as continuous process, the organic structure was considered to bring about better results. In mass production, which is procedurally set and routinely operative, a classical structure is more appropriate.

3. **Size**: Size is another factor that affects organizational design. Size of the organization, as measured by the number of people working in the organization would determine as to which type of structure would be more effective. As the organization grows in size, it increases the number of functional departments, the number of managerial levels, extent of specialisation, number of employees with diversified responsibilities resulting in increase in the degree of coordination required among members of the organization, and this further results in increase in related problems. These elements require a high degree of discipline and formally structured chain of command so that a mechanistic structure would be more desirable.

4. **Life cycle**: An organization's life cycle is related to its size. Some small businesses are formed but soon disappear. Some organizations try to expand too fast without the necessary resources and declare bankruptcy. Others downsize through layoffs or divestiture.

Generally speaking, organizations progress through a four-stage organizational life cycle. The first stage is the stage of "birth" when a company is formed. The second stage, "youth" is characterized by growth and the expansion of all organizational resources. The third stage "midlife" is a period

of gradual growth evolving eventually into stability. Finally, the fourth stage of "maturity" is a period of stability after which, sometimes, a company evolves into decline.

As the organization goes through these stages, the organizational structure changes with the stage of the organization. Thus the organization size and its life cycle and its design are clearly linked and this link is dynamic because of the organizational life cycle.

Types of Organizational Sructures

Organizational structure according to George and Jones, "is the formal system of task and reporting relationships that controls, coordinates, and motivates employees so that they cooperate and work together to achieve an organization's goals." Such a system is primarily influenced by certain contingency factors such as technology used or the organization's size, as discussed earlier. Depending upon the type of the organization and the philosophy of operations, managers can select any one of the various structured designs available.

Line Structure

The line structure is the simplest form of organization and is most common among small companies. The authority is embedded in the hierarchical structure and it flows in a direct line from the top of the managerial hierarchy down to different levels of managers and subordinates and further down to the operative level of workers. It clearly identifies authority, responsibility and accountability at each level. These relationships in the hierarchy connect the position and tasks at each level with those above and below it. There is clear unity of command so that the person at each level is reasonably independent of any other person at the same level and is responsible only to the person above him. All line personnel are directly involved in achieving the objectives of the company. A typical line structure is illustrated as follows:

Because of the small size of the company the line structure is simple and the authority and responsibility are clear-cut, easily assignable and traceable. It is easy to develop a sense of belonging to the organization, communication is fast and easy and feedback from the employees can be acted upon faster. The discipline among employees can be maintained easily and effective control can be easily exercised. If the president of the company and other superiors are benevolent in nature, then the employees tend to consider the organization as a family and tend to be closer to each other and respect each other, which is highly beneficial to the organization.

On the other hand, if it is a rigid form of the organization and there is a tendency for the line authority to become dictatorial, it may be resented by the employees. Furthermore, there is no provision for specialists and specialisation which is essential for growth and optimization and hence for growing companies, pure line type of structure becomes ineffective.

Line and Staff Structure

In this type of organization, the functional specialists are added to the line, thus giving the line advantages of specialists. This type of organizational structure is most common in our business economy and especially among large enterprises. Staff is basically advisory in nature and usually does not possess and command authority over line managers. There are following two types of staff:

1. **General staff**: This group has general background which is usually similar to the background of executives and serves as assistants to top management in one capacity or another. They are not specialists and generally have no direct authority or responsibility of their own. They may be known as special assistants, assistant managers or in a college setting as deputy chairpersons.

2. **Special Staff**: Unlike the general staff who generally assists only one line executive, the specialized staff provides expert advice and service to all on a company wide basis. This group has a specialized background in some functional area and it could serve in any of the following capacities:

Departmentation

Departmentation is the process of grouping related work activities into manageable work units with some logical arrangement. The purpose of departmentation is to make a more efficient and effective use of organizational resources. These work units may be related on the basis of work functions, product, customer, geography, technique or time.

As the organizations grow, supervising employees becomes more and more difficult for one manager or supervisor. Consequently, new managerial positions are created to supervize the work of others. The jobs are grouped according to some logical plan and the logic embodied in such a plan forms the basis of departmentation. Departmentation is practiced not only for division of labour but also to improve control and communications.

Departmentation fits in two general categories, namely, functional and divisional and the divisional structures are based on groupings of different activities.

Functional Structure

The functional design is also known as U-form organization (U stands for unity) and it groups positions into departments according to their main functional areas. Some of the main functions of most organizations are those of production, marketing, finance, human resources, legal, research and development and so on. The type and the number of functions would depend upon the type of organization. For example, a service organization will have some of the functions different than a manufacturing organization. The chain of command in each function leads to a functional head who in turn reports to the top manager.

The functional design enhances operational efficiency as well as improvement in the quality of the product because of specialists being involved in each functional area and also because resources are allocated by function rather than being duplicated or diffused throughout the organization. Another advantage of functional design is that it facilitates ease in communication and coordination within the departments, since the activities are all related, in one way or another, to the same specialized area.

One of the main disadvantages of the functional design is that it encourages narrow specialisation rather than general management skills so that the functional managers are not well prepared for top executive positions. Also, functional units may be so concerned with their own areas that they may be less responsive to overall organizational needs. Another disadvantage of functional design is that coordination across functions is more difficult to achieve and it may seriously delay responses to the dynamics of environment affecting the entire organization because such responses must go through the chain of command.

Divisional Structure

An alternative to the functional structure is the divisional structure which allows an organization to coordinate intergroup relationships more effectively. It involves grouping of people or activities with similar characteristics into a single department or unit.

There are basically following three major forms of divisional structures that companies can choose from.

- **Product structure**: In this type of structure, the units are formed according to the type of product and are more useful in multi-line corporations where product expansion and diversification, manufacturing and marketing characteristics of the production are of primary concern.

In this type of organizational structure, the responsibility as well as accountability is traceable thus making the division heads sensitive to product improvements in response to changing customer tastes.

- **Customer structure**: This type of structure is used by those organizations which deal differently with different types of customers. Thus the customers are the key to the way the activities are grouped. Many banks have priority service for customers who deposit and maintain a prescribed amount of money with the bank for a given period of time. Similarly, business customers get better attention in the banks than other individuals.

- **Geographic structure**: If an organization serves different geographical areas, the divisional structure may be based upon geographical basis. Such divisional structures are specially useful for large scale enterprises which are geographically spread out such as banks, insurance companies, chain department stores and so on. Such a structure groups the activities of the organization along geographic lines.

Organizational Chart

The following Figure 4.1 shows organizational chart is hypothetical for a computer manufacturing company, which manufactures hardware as well as develops software. This company uses each of the more common basis for departmentalization. These are function, product, customers and geography.

Fig. 4.1 *Organizational Chart*

Check Your Progress

6. What is organizational structure?

7. What is a line structure?

8. What is a divisional structure?

4.7   ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. An organization is essential for the continuity of the mission and objective for which it is formed.

2. Functional organizations are characterized by functions, sub-goal emphasis, division of work, functional relationship, centralization and decentralization, span of control, divisionalisation of product and regionalisation.

3. A committee organization is an association of people set up to arrive at solutions to common problems.

4. The number of subordinates a manager can effectively manage is known as span of management.

5. Staffing is the traditional management function of attraction and selection of the best people and putting them on jobs where their talents and skills can

be utilized, and retention of these people through incentives, jobs training and job enrichment programs in order to achieve both individual and organizational objectives.

6. Organizational structure involves the arrangement of activities and assignment of personnel to these activities in order to achieve the organizational goals in an efficient manner.

7. In a line structure, the authority is embedded in the hierarchical structure and it flows in a direct line from the top of the managerial hierarchy down to different levels of managers and subordinates and further down to the operative level of workers.

8. In a divisional structure, people or activities with similar characteristics are grouped into a single department or unit.

4.8 SUMMARY

- An organization is essential for the continuity of the mission and objective for which it is formed. The organizational structure and process guides coordinates and controls business activities.

- The various types of organizational structure and processes depend on the social setup of the country and the objectives of the business. Various jobs of the enterprise are integrated into an effective operational system.

- A line and staff organization is a mixture of the line as well as staff organisation. Line organization points out direct vertical relationships, i.e. superior-subordinate relationship connecting the positions at each level. It forms a chain of command or hierarchy of authority on scalar principles.

- Functional organization is commonly used in business. The spirit of organization, which involves grouping tasks together and allocating them to genuine employees is observed in functional organization. Functional sets like marketing, finance, production and personal are grouped systematically.

- Geographical functional organization involves grouping of the activities according to regional or geographical locations. The territorial divisions become a complete administrative unit to cater to the needs of the localities.

- A committee organization is an association of people set up to arrive at solutions to common problems. The line people are given opportunities to discuss their problems in the committee. This organization is not like line or functional organization, but is similar to staff organization.

- The number of subordinates a manager can effectively manage is known as span of management.

- The quality of supervision becomes poor and coordination becomes weak when large number of subordinates work under a single manager.

- There are two types of span of control structures. These are narrow span and wide span.

- Organizational structure involves arrangement of activities and assignment of personnel to these activities in order to achieve the organizational goals in an efficient manner.

- The organizational structure is designed both from mechanistic as well as humanistic point of view and the structure depends upon the extent to which it is rigid or flexible.

- The line structure is the simplest form of organization and is most common among small companies.

- Departmentation is the process of grouping related work activities into manageable work units with some logical arrangement.

- Divisional structure involves grouping of people or activities with similar characteristics into a single department or unit.

4.9 KEY WORDS

- **Organizational structure:** It refers to the way individuals and groups are arranged in an organization with respect to the tasks they perform.

- **Organizational design:** It is the process of coordinating structural elements in the most effective manner.

- **Span of management:** It refers to the number of subordinates a manager can effectively manage.

- **Narrow span:** It refers to the existence of too many levels in an organization.

- **Wide span:** It means the existence of fewer levels of authority in an organization.

4.10 SELF-ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. Discuss the importance of the organizing function in management.

2. What are project organizations?

3. Discuss the benefits of an organizational structure.

4. Explain the Graicunas theory.

5. What do you understand by departmentation?

Long-Answer Questions

1. Discuss functional organizations in detail.

2. Describe the concept of span of management. What are the advantages and disadvantages of narrow span and wide span?

3. Examine the benefits of human resource planning in organizations.

4. Describe the different determinants of organizational structure.

5. Differentiate between line, functional, and divisional structure.

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BLOCK - II

CONTROL AND BEHAVIOUR OF ORGANISATION

UNIT 5   LEADERSHIP

Structure

5.0   INTRODUCTION

In the previous unit, you learnt about organizing structure and staffing. Here, we will discuss the concept of leading. In management, leading is an important function and it is accomplished by communicating, motivating, inspiring, and encouraging employees towards a higher level of productivity. This unit will compare the concept of leading and directing. It will also discuss the functions and importance of leading in organizations. Finally, the unit will discuss the characteristics of leading.

5.1   OBJECTIVES

After going through this unit, you will be able to:

- Differentiate between leading and directing

- Discuss the importance and functions of leadership

- Describe some of the characteristics found in leaders

5.2   COMPARISON AND CONTRASTING OF DIRECTING AND LEADING

Directing and leading comprise the managerial function of guiding, overseeing and leading people. The primary element in this function is the human element and deals in personal relationships. This area is primarily geared towards leadership, motivation, and communication. Since the human element is the central element in

the art and science of managing, the study of human relations has been of major interest to management.

Direction is concerned with directing the human efforts towards organizational goal achievement. The success of these directional efforts is going to determine the satisfactory or unsatisfactory performance within the organization. Accordingly, the directing function is the action function that will test the managerial capability in running the organization. The satisfactory performance of workers is going to be partly dependent upon the "directional" ability of the management, but primarily it is a function of the organizational environment. If the environment is not conducive to optimum performance, the managerial directing in itself cannot bring in the optimum results. Accordingly, favourable conditions must exist which would provide for enthusiastic cooperation among all people to work together to achieve both individual and group goals.

Since the purpose of directing is to make effective use of employees, it is usually initiated by the higher echelons of management. However, the employee input into directing decisions would be highly useful, thus creating an organizational climate where workers enhance the quality of working life.

Some of the principles of direction are:

1. **Integrated objectives.** Effective directing requires that the goals of the organization and the individuals in the organization should be integrated so that all subordinates develop a sense of belonging to the organization and hence the contributions of the subordinates to the company goals will be maximum.

2. **Direct supervision.** The superiors should maintain direct contact with subordinates; Informal relationships facilitate the function of directing. It also makes communication easier, encourages feedback and faster decisions. Also, when the direction and communication is properly understood and comprehended, there would be fewer misunderstandings and mistakes leading to efficiency in quality and productivity. .

3. **Participative managerial style.** The subordinates' morale will be higher when their views are seriously incorporated into the managerial decision making. This will assist the formation of democratic management. The democratic process makes the direction process easier since the direction, then, is not taken as a command but as a form of guidance for improvements.

4. **Unity of direction.** The direction must be clear and unambiguous and from a single chain of command, otherwise the authority will be undermined resulting in disorder and confusion.

5. **Follow-through.** Effective direction demands achievement of results. The results can only be achieved by being constantly in touch with the developments. This requires continuous supervision, guidance, advice and coaching of subordinates in their activities to attain the desired goals.

The directing function can be conceived as a vector with two dimensions, namely, (1) magnitude and, (2) aim or direction. Hence there must be a. goal to be reached and a movement towards that goal. The management must steer the organization towards that goal by directing the efforts of the subordinates in the right direction with magnitude or efficiency.

Unlike directing, leadership may be defined as the process of influencing the behaviours of employees to work willingly for the achievement of organizational goals. Leadership is an art of inducing subordinates to accomplish their assignment with enthusiasm and confidence. It is a position of power occupied by the individual in a group whereby he exercises interpersonal influence on the members of the group for directing their activities towards the realization of goals. His position in an informal group of power is backed by the acceptance of the members, and his personality traits and qualities. In a business organization, it is backed by authority which is vested in his position. Leader keeps members of the group together, infuses life into it and activates it to seek goals. Though, the leader is a part of group, he maintains his own identity to lead, to guide, conduct, direct and proceed others. Thus, it can be said that a managerial leader influences the attitude and behaviour of his subordinates without using coercion in such a way that they strive towards the achievement of specified goals.

Definitions of Leadership

Some of the important definitions of leadership are as follows:

According to C. I. Bernard, 'Leadership refers to the quality of the behaviour of the individual whereby they guide people on their activities in organized work.'

According to Theo Heiman, 'Leadership is the process by which an executive imaginatively directs, guides and influences the work of others in choosing and attaining specified goal mediating between the individuals and the organization in such a manner that both will obtain maximum satisfaction.'

According to Terry, 'Leadership is the ability of influencing people to strive willingly for mutual objectives.'

According to Robert Tanenbaum, 'Leadership is interpersonal influence exercised in a situation and directed through communication process, towards the attainment of a specified goals or goals.'

According to Barnard Keys and Thomas Case, 'Leadership is the process of influencing and supporting others to work enthusiastically towards achieving objectives.'

Features of Leadership

On the basis of aforesaid definitions, following are the important features of leadership process:

- **Influencing the behaviour:** Leadership is a process whose important aspect is influencing the human behaviour. The influence is exerciser by the leadership followers/group members towards the realization of specified goal in a given situation. 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. Only successful leaders are able to influence the behaviour, attitude and beliefs of their followers. Thus, we can say, 'Leadership is the process of influencing others.' Managerial leadership is the process of influencing a group of subordinates to attain organizational objectives.

- **Continuous interaction:** In the process of leadership, there is a continuous interaction between the leader and followers. The leader influences and guides the followers. Followers also exercise their influence on their leader.

- **Common goals:** Leadership implies achievement of common goals in the interest of individuals as well as the group as a whole.

- **Willingness and cooperation:** It is the process of securing willing cooperation of others by influencing their behaviour.

- **Situational:** Leadership is related to a particular situation. There is no style of leadership, which can be applied successfully in all situations. The style of leadership is determined by various factors, like circumstances, nature of followers, etc.

Difference between Leadership and Managership

Leadership may be defined as the process of influencing other people to work willingly for achieving group objectives. Leadership helps in guiding and inspiring employees to perform well and accomplish the goals. It helps in persuading employees to work cooperatively and enthusiastically towards common goals. The terms 'leader' and 'manager' are not synonymous. A manager is more than a leader. It can be explained on the basis of following points:

Table 5.1 *Difference between Leadership and Managership*

Basis of Difference	Leadership	Managership
1. Organization	Leadership is possible in both formal and informal organizations.	Managership is found only in formal organizations.
2. Authority	Leadership applies informal authority to influence the behaviour of his followers.	Every manager has formal authority or right to issue orders and enforce the obedience on his subordinates.
3. Scope	Leadership is an aspect of the directing function of management.	Managership is a wider term than leadership. A manager is more than a leader.
4. Stability	Leadership is generally unstable.	Managership is generally stable.
5. Importance	Leadership is important but not more than managership.	Professional management is the need of every business organization.

On the basis of above discussion, we can say, 'All managers are leaders but all leaders are not managers.'

Check Your Progress

1. What is direction concerned with?

2. How does C.I Bernard define leadership?

3. List one difference between leadership and managership.

5.3 IMPORTANCE AND FUNCTIONS OF LEADING

Leadership is the most important element of the directing function of management. Importance of good leadership can be discussed as follows:

- **A source of motivation:** Leadership is an important factor which governs success of an organization. A managerial leader directs the potential abilities of employees towards the accomplishment of goals. A leader by exercising his leadership creates an urge in the employees for better performance and helps in the attainment of organizational goals.

- **Willing cooperation:** A manager is successful only when he secures willing operation of his subordinates. The leader manager initiates action, brings about changes when necessary, convinces the subordinates about the specified goals. He persuades the employees to work diligently and achieve the specified goals.

- **Creates confidence:** When individuals fail to recognize their qualities and capabilities, the leader creates confidence among them by his superior knowledge. He guides them and provides psychological support.

- **Improves efficiency:** Effectiveness and efficiency of performance depends on the work environment. Leadership aims at creating and maintaining a satisfactory environment for employees to contribute their maximum effort towards achieving the goals. The leader manager encourages his/her subordinates to take initiative and helps them in their personal advancement.

- **Teamwork:** A leader creates team spirit among the employees. He coordinates the efforts of his subordinates. He resolves the conflict among the employees and harmonies the individual goals with the organizational goals. He encourages them to a common vision and work collectively towards the accomplishment of group goal.

- **Implementation of change:** People tend to resist changes due to uncertainty and inconvenience caused by them. A good leader can easily implement the change in the organization, by persuading people to accept the desired changes.

Functions of Leadership

Some of the major functions of leadership are:

1. Achieving co-operation through team work

A leader, by virtue of his leadership talents emphasizes on follower the utility of team work in successfully achieving common objectives. He, thus, induces followers to work with whole-hearted co-operation; and achieve results which could not otherwise, be obtained. History of the Indian freedom-fighting struggle would bear out this fact as to how the Indians, under the inspiring leadership of Mahatma Gandhi, drove the English out of the country, just working with a sense of co-operation.

2. Emphasizing unity of objectives

A leader would help followers appreciate unity of objectives, i.e., how the individual objectives are united with the common objectives. Once people understand the significance of unity of objectives; it is much likely that they start working for common objectives, with a sense of zeal and devotion.

3. Arousing self-confidence through direction of followers' talents

Self-confidence, is perhaps, the most significant mental asset possessed by an individual; on which he/she can capitalize. A leader can help people develop this asset through imparting excellent direction (or guidance) to them for the best utilization of their talents—patent and latent.

4. Encouraging initiative

A progressive, forward and democratic-minded leader, always encourage initiative, on the part of followers. Through encouraging initiative, the leader can help the organization, avail of the hidden merits of people.

5. Best utilization of manpower—through motivation

A leader primarily operates on the basis of motivation. Motivation is, in fact, an instrument, in the hands of the leader; which is used by him in shaping and molding human behaviour. Through motivation, the leader causes a best utilization of man-power resources.

6. Developing good human relations

Partly through his magnetic personality and partly through ensuring a free-flow of communication, a leader helps in the development of good human relations in his work group.

7. Building and raising morale

Good leadership helps in building morale of subordinates; and raising it further to the highest extent with repeated doses of 'leadership tonic'. As Napoleon has very aptly commented that in war morale is three-fourths of victory; likewise, in the managerial context, this morale is expected to play a similar role.

5.4 CHARACTERISTICS OF LEADING

A leader has certain inherent qualities and traits which assist him in playing a directing role and wielding commanding influence over others. Some of these traits according to Jago are:

1. Energy, drive	2. Appearance, presentability
3. A sense of cooperativeness	4. Enthusiasm
5. Personality-height and weight	6. Initiative
7. Intelligence	8. Judgement
9. Self-confidence	10. Sociability
11. Tact and diplomacy	12. Moral courage and integrity
13. Willpower and flexibility	14. Emotional stability
15. Knowledge of human relations.	

These traits are not universal in nature. Not all leaders have these trait. Not all of these traits work at all times. While some of these traits differentiate successful managers and leaders from unsuccessful ones, it is the behaviour of leaders, either as a result of these traits or otherwise, which is more tangible and obvious and less abstract than traits. The leadership behaviour is directly related to individual worker activity and group activity, absences, turnover, and employee morale. These are indicators, to some degree, of the effectiveness of leadership behaviour.

Many studies have been conducted in order to identify and separate such characteristics and personal traits that reflect the behaviour of successful leaders. These traits then could be set up as standards against which the profiles of leaders could be matched and judged. However, such attempts have not been successful. According to Ralph Stogdill, who studied the subject of leadership most extensively, "A person does not become a leader by virtue of the possession of some combination of the traits, but- the - pattern of personal characteristics of the leader must bear some relevant relationship to the characteristics, activities and goals of the followers.

Check Your Progress

4. How does leadership improve efficiency in an organization?

5. List three traits of leadership.

5.5 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Direction is concerned with directing human efforts towards organizational goal achievement.

2. According to C.I Bernard, 'leadership refers to the quality of the behaviour of the individual whereby they guide people on their activities in organized work.'

3. One difference between leadership and managership is that leadership is possible in both formal and informal organizations, while managership is found only in formal organizations.

4. Effectiveness and efficiency of performance depends on the work environment. Leadership aims at creating and maintaining a satisfactory environment for employees to contribute their maximum effort towards achieving the goals. The leader manager encourages his/her subordinates to take initiative and helps them in their personal advancement.

5. Some of the traits of leadership are:

   • Energy, drive   • Appearance, presentability   • Enthusiasm

5.6 SUMMARY

• Directing and leading comprise the managerial function of guiding, overseeing and leading people. The primary element in this function is the human element and deals in personal relationships.

• Direction is concerned with directing the human efforts towards organizational goal achievement. The success of these directional efforts is going to determine the satisfactory or unsatisfactory performance within the organization.

• Leadership may be defined as the process of influencing the behaviours of employees to work willingly for the achievement of organizational goals.

• The terms 'leader' and 'manager' are not synonymous. A manager is more than a leader.

• Leadership is an important factor which governs success of an organization. A managerial leader directs the potential abilities of employees towards the accomplishment of goals.

• A leader, by virtue of his leadership talents emphasizes on follower the utility of team work in successfully achieving common objectives.

• A leader has certain inherent qualities and traits which assist him in playing a directing role and wielding commanding influence over others. Some of these traits according to Jago are:

1. Energy, drive	2. Appearance, presentability
3. A sense of cooperativeness	4. Enthusiasm
5. Personality-height and weight	6. Initiative
7. Intelligence	8. Judgement
9. Self-confidence	10. Sociability
11. Tact and diplomacy	12. Moral courage and integrity

13. Willpower and flexibility   14. Emotional stability

15. Knowledge of human relations.

5.7 KEY WORDS

- **Directing:** It is said to be a process in which the managers instruct, guide and oversee the performance of the workers to achieve predetermined goals.

- **Leadership:** It is the action of leading a group of people or an organization, or the ability to do this.

- **Morale:** It means the amount of confidence felt by a person or group of people, especially when in a dangerous or difficult situation

- **Teamwork:** It means that people will try to cooperate, using their individual skills and providing constructive feedback, despite any personal conflict between individuals.

5.8 SELF-ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. List the principles of directing.

2. Differentiate between leadership and managership.

3. Discuss the different leadership traits.

Long-Answer Questions

1. Describe the importance of leadership.

2. Differentiate between directing and leading.

3. Describe the major functions of leadership.

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UNIT 6   CONTROLLING

Structure

6.0 Introduction
6.1 Objectives
6.2 Importance and Process
        6.2.1   Feedback Control
6.3 Prerquisites of Effective Control
6.4 Control Technqiues
6.5 IT Enabled Controls and its Challenges
6.6 Answers to Check Your Progress Questions
6.7 Summary
6.8 Key Words
6.9 Self-Assessment Questions and Exercises
6.10 Further Readings

6.0   INTRODUCTION

Control is one of the most important functions of management, second perhaps, only to the function of decision-making. Control has very broad applications both in the personal as well as industrial world, which ensures that events turn out the way they are intended to. Control is a powerful force if applied properly. For example, energies like nuclear power, controlled air and controlled water run machines and industries. Control is a set of mechanisms used to evaluate organisational performance against the set standards. When deviations occur, appropriate steps are taken to correct these deviations to ensure that the organisation stays on course. This unit different aspects of managerial control.

6.1   OBJECTIVES

After going through this unit, you will be able to:

- Define the meaning and importance of managerial control
- Elaborate the creation of standards against which the performance is measured
- Describe various types of performance evaluations
- Explain some of the devices used in measuring performance
- Explain some of the characteristics of effective controls
- Discuss the different types of managerial control techniques
- Describe the Management Information System

6.2   IMPORTANCE AND PROCESS

Control is very important in both organised living as well as 'living' organisations. When things go smoothly as planned, they are considered to be under control. 'Self-control' is a word we are all familiar with and which simply means that we discipline ourselves in such a manner that we strictly adhere to our plans for our lives and generally do not deviate from these plans. Controls are there to ensure that events turn out the way they are intended to. It is a dynamic process, requiring deliberate and purposeful actions in order to ensure compliance with the plans and policies previously developed. This means that the managerial functions of planning and controlling are very closely related. Without proper controls planning itself has little meaning.

The Controlling Process

According to Robert J. Mockler:

> "Management control is a systematic effort to set performance standards with planning objectives, to design information feedback systems, to compare actual performance with these pre-determined standards, to determine whether there are any deviations and to measure their significance, and to take any action required to assure that all corporate resources are being used in the most effective and efficient way possible in achieving corporate objectives."

Mockler's definition divides the process of control into five steps. These steps are:

(I) Establishing Standards

The control process begins with the establishment of standards of performance against which organisational activities can be compared. These are levels of activities established by management for evaluating performance. These standards must be clearly specified and understood by all organisational members without ambiguity. They should be defined in measurable terms, wherever possible, such as physical units produced per period of time, profit to be made per unit and so on. Vaguely worded standards or general goals such as better skills or high profits are difficult to interpret and hence lead to confusion and conflict.

For example, the goal of a real estate broker may be to sell four houses per month. He can then plan the month and monitor his performance. Similarly, a vice-president in charge of production may have a goal of keeping the production cost within assigned budget over a period of time. In attaining such a goal, he will be able to monitor the costs and take corrective action wherever it is necessary. As another example, a college professor may have a goal of covering ten units from a book over a period of one semester. He can plan his schedule of teaching accordingly to meet that goal. These precisely stated standards, goals and objectives facilitate ease in communication to all persons and this makes the control process easier to monitor.

There are situations where it is not possible to quantify standards such as in the case of high morale, community relations, discipline or creativity. In such cases, all efforts should be made to fully understand these qualitative goals and design control mechanisms that would be useful in measuring performance in these situations. Most of these control mechanisms would be subjective in nature and decisions would be made on the basis of experience, analytical observations and intuitive judgments. Some of the quantitative standards against which performance can be measured are:

- **Time standards**: The goal will be set on the basis of time lapse in performing a particular task. It could, be units produced per hour, number of pages typed per hour or number of telephone calls made per day. Managers utilise time standards to forecast work flow and employee output. Standard employee output also determines the extent of financial incentive plans.

- **Cost standards**: These standards indicate the financial expenditure involved per unit of activity. These could be material cost per unit, cost per person, cost of distribution per unit and so on. Budgets are established to reflect these costs and they provide monetary check-points for comparing actual costs with budgeted costs.

- **Income standards**: These relate to financial rewards received for a particular activity. Examples would be sales volumes per month, sales generated by a sales person per year and so on.

- **Market share standards**: This goal would be oriented towards the percentage of the total market that a company wants to retain or further acquire. For example, a company may want to increase its share of the market by four percentage points per year for the next five years.

- **Quality standards**: These standards express levels of quality expected of a product or service. There are quality control programs, which monitor the level of quality of a product. These may be tolerances within which the quality may be accepted. For example, the space shuttle and aircraft manufacturers have zero-defect production requirement while other products may have less stringent quality standards.

- **Productivity**: Productivity or quantity standards are expressed in numerical terms as the expected number of items produced per man-hour or per given activity. These goals are the key to operational efficiency and are set on the basis of past performance, degree of mechanisation, employee skills and training required and motivation of employees.

- **Return on investment (ROI)**: Return on investment is comprehensive and useful standard as it involves all facets of the business such as turnover, sales, working capital, invested capital, inventory levels at given times, production costs, marketing costs and so on. It is a ratio of net income to invested capital. It is superior to market share as a standard because a large market share does not necessarily mean higher profits.

- **Quantitative personnel standards**: The worker morale and dedication can be measured to some degree by some quantitative standards. These standards may be the extent of employee turnover, number of work related accidents, absenteeism, number of grievances, quality of performance and so on.

(II) Measuring Performance

Once the standards have been established, the second step in the controlling process is to monitor and measure the actual performance. Monitoring and measuring is a continuous activity and involves collection of relevant data that represents the actual performance of the activity so that a comparison can be made between what is accomplished and what as intended to be accomplished. The measurement of actual performance must be in the units similar to those of predetermined criterion. The unit or the yardstick thus chosen should be clear, well defined and easily identified and should be uniform and homogeneous throughout the measurement process.

According to Suchman, there are five types of evaluations. These are:

1. **Effort**: Effort reveals the extent of input and the idea is to measure such input to see if it is adequate in meeting the set objectives. For example, the number of courses offered in the Business Department at a university would indicate the extent of the business program. Similarly, the number of patient beds in a hospital would be a measure of input for providing health care. A salesperson's performance may be measured by the number of calls he makes per day. Peter Blau gives an example of an employment agency where effort was evaluated by the number of applicants interviewed and counselled. However, the measurement of input was a poor indicator of results since simply counselling applicants did not mean that they all got jobs. Similarly, the number of beds in a hospital does not necessarily mean quality health care, which is the ultimate goal.

2. **Effectiveness**: As indicated above, the evaluation of input elements does not adequately convey the degree of effectiveness and results. This problem can be eliminated by measuring outputs such as the number of clients placed in jobs, in the case of the employment agency or the number of patients cured in a given period of time in the case of a hospital.

3. **Adequacy**: Adequacy is the ratio of output to need and is a useful measure if the need and the output can be clearly identified and related. If the needs are satisfied then the performance can be considered as adequate.

4. **Efficiency**: Efficiency relates output to input. According to Euske, in terms of efficiency, it is better if more can be done with the same amount of input or same output can be generated with less input. Efficiency measures are useful for comparing the same process at two points in time or two different processes with the same output.

5. Process: It relates to underlying processes that convert effort into outcome or input into output. It treats output as a function of input so that the focus is on evaluation of mechanisms that convert efforts into results, rather than the effort itself. This understanding of mechanism will assist in predicting the output of the organisation for a given input. However, the process must be mechanistic in nature and clearly understood in order to be effective. For example, a sales person cannot know if his presentation will result in a sale even when such a presentation is done well and is well received.

(III) Measuring Devices

One of the most difficult tasks in measuring actual performance is the selection of an appropriate measure. It is very important that all performance measures used in controlling organisational and individual performances be both valid as well as reliable. Validity reflects as to how good the performance measure is and reliability describes as to how consistent such performance measure is in obtaining results. The methods of measurement established would answer the question, "what, how and when" to measure? The type of activity would also determine as to "when" measurement would take place. For example, some professors measure the performance of students only by one final examination while other professors give frequent quizzes during the semester of studies.

Some of the measuring devices used are as follows:

- **Mechanised Measuring Devices**: This involves a wide variety of technical instruments used for measurement of machine operations, product quality for size and ingredients and for production processes. These instruments may be mechanical, electronic or chemical in nature. Some electronic devices are used to check passengers at the airport for carrying prohibited items, some others are used to detect shoplifting and unchecked books from the library. Polygraph tests are used to check people's explanations for certain acts. Computers are becoming increasingly important as measuring devices. They can monitor operations as they occur and simultaneously analyse data so collected. Many retail stores use computerised scanning equipment that simultaneously monitors sales and prices of various items and tracks inventory by department, vendor and branch store.

- **Ratio Analysis**: Ratio analysis is a powerful management tool for measuring various aspects of business operations. It describes the relationship of one business variable to another.

- **Comparative Statistical Analysis**: The operations of one company can be usefully compared with similar operations of another company or with industry averages. It is a very useful and practical performance measuring methodology. For example, farmers can compare output per acre with farmers at other locations. Any differences can be investigated and the reasons for such differences can be ascertained. Similarly, hospitals at one location can measure their medical cost against those of other hospitals,

and the performance of police departments can be measured by comparison of crime rates in their locality with crime rates in other localities. Statistical models can be used for such measurements and such comparisons.

- **Personal Observation**: Personal observation, both formal as well as informal can be used in certain situations as a measuring device for performances, especially the performances of personnel. The informal observation is generally day-to-day routine type. A manager may walk through a store to have a general idea about how people are working. An airline officer may fly incognito to evaluate the performance of in-flight attendants.

  Formal observation is properly planned and requires preparation. For example, professors are periodically evaluated by their peers and their students. The in-flight performance of commercial airline pilots is regularly measured by representatives, of Federal Aviation Agency (FAA).

(IV) Comparing Measured Performance with Performance Standards

The next step in the control process is to compare actual performance to the standards set for such performance. This comparison is less complicated if the measurement units for the standards set and for the performance measured are the same and are quantitative in nature.

Such comparison becomes more difficult when they require subjective evaluations. The comparison tells us if any thing has gone wrong in the process or operations, if there is any deviation, negative or positive and what must be done as a restorative process for correcting such a deviation. Furthermore, this comparison, not only results in the correction of the divergence, but also ensures the application of the preventive steps that could guide the conduct of operations in the future.

Evaluation of deviation: Before a deviation is corrected, a thorough investigation should be undertaken regarding the reasons for such a deviation. The management should look not for symptoms but for the root cause of the problem. Some of the questions to be looked into are as follows:

- Were these deviations due to unrealistic standards set?
- Could the suppliers have shipped faulty materials?
- Are the operators less efficient, dishonest about results or misinformed about applicable standards?
- Is the equipment in poor condition?
- Is the quality control department doing an adequate job?

There are many instances where projects went over budget and over time. In such cases, these projects should be examined in their entirety and from all angles in order to determine the root cause of such a discrepancy.

- **Negative deviations**: Negative deviations are those that have negative repercussions as a result and may be in the form of cost overruns or the project being behind schedule or the quality or quantity of the product being

below the expected levels. This underperformance must be evaluated to determine whether goals should be changed or if any other corrective action is needed. For example, if there has been a delay in completing the project, the reason may be low morale of workers that may be evident by excessive absenteeism or inefficient performance or the persons may not have been well trained for the specific job. A cost overrun could be due to price increases initiated by outside vendors or it could be due to excessive machinery breakdown. These deviations must be detected and properly evaluated.

- **Positive deviations**: Positive deviations indicate that the performance was better than expected and the goals achieved were either sooner than anticipated or less costly than planned.

These positive deviations should also be fully investigated as to why underestimations were made. This will help to establish new revised estimates.

(V) Taking Corrective Action

Once the deviations have been detected and presented to management for consideration, the decision must be taken as to what corrective actions are needed to remedy the situation. However, these corrective actions must be taken within the constraints of acceptable tolerance levels, outside environmental constraints such as those imposed by organisational culture or guidelines, labour unions, political and economic considerations and internal constrains of cost and personnel.

Since the actual results do not always conform to the desired results, some deviations may be expected and thus acceptable and hence no corrective action may be needed. However, when deviations are of sufficiently serious nature, the following guidelines may be adopted for taking necessary action.

- Management must deal with the root causes of the problems and not the symptoms.

- Any corrective action should be taken promptly in order to make it most effective.

- Whenever and wherever possible, the corrective action should be built into the existing operations and these controls should be self-monitoring and corrective actions should be automatic such as in the case of a thermostat in controlling the heat. (This field is known as 'cybernetics').

- It must be understood that the goal itself is not a static phenomenon, but is a function of the dynamics of the environment. Hence, a look into the need for altering the target itself caused by shifts in the environment may be necessary.

6.2.1 Feedback Control

Also known as "feed-back" control, post-action controls measure results from completed actions. The results of the completed activity are compared with

pre-determined standards and if there are any deviations, corrective action can be taken for future activities. For example, a restaurant manager may ask you how you liked the food after your dinner and take your suggestions into account to improve the meals.

These controls help explain as to what really happened during the process of achieving the output. For example, if the actual expenses for office supplies exceed the budgeted expenses for a given year, then the reasons for such a difference can be investigated and in the light of this feedback the budget for the following year can be revised or controlled.

One advantage of feedback control is that it enhances employee motivation. People want information as to how well they have performed and feedback control provides this information.

Check Your Progress

1. Name the steps that are performed in the controlling process?

2. How good is ratio analysis as a measuring device?

3. Discuss the meaning of budgetary control.

6.3 PREREQUISITES OF EFFECTIVE CONTROL

Controls at every level focus on inputs, processes and outputs. It is very important to have effective controls at each of these three stages. Effective control systems tend to have certain common characteristics. The importance of these characteristics varies with the situation, but in general, effective control systems have the following essential characteristics.

1. **Accuracy**: Effective controls generate accurate data and information. Accurate information is essential for effective managerial decisions. Inaccurate controls would divert management efforts and energies on problems that do not exist or have a low priority and would fail to alert managers to serious problems that do require attention.

2. **Timeliness**: There are many problems that require immediate attention. If information about such problems does not reach management in a timely manner, then such information may become useless and damage may occur. Accordingly, controls must ensure that information reaches the decision makers when they need it so that a meaningful response can follow.

3. **Flexibility**: The business and economic environment is highly dynamic in nature. Technological changes occur very fast. A rigid control system would not be suitable for a changing environment. These changes highlight the need for flexibility in planning as well as in control. Strategic planning must

allow for adjustments for unanticipated threats and opportunities. Similarly, managers must make modifications in controlling methods, techniques and systems as they become necessary. An effective control system is one that can be updated quickly as the need arises.

4. **Acceptability**: Controls should be such that all people who are affected by it are able to understand them fully and accept them. A control system that is difficult to understand can cause unnecessary mistakes and frustration and may be resented by workers. Accordingly, employees must agree that such controls are necessary and appropriate and will not have any negative effects on their efforts to achieve their personal as well as organisational goals.

5. **Integration**: When the controls are consistent with corporate values and culture, they work in harmony with organisational policies and hence are easier to enforce. These controls become an integrated part of the organisational environment and thus become effective.

6. **Economic feasibility**: The cost of a control system must be balanced against its benefits. The system must be economically feasible and reasonable to operate. For example, a high security system to safeguard nuclear secrets may be justified but the same system to safeguard office supplies in a store would not be economically justified. Accordingly, the benefits received must outweigh the cost of implementing a control system.

7. **Strategic placement**: Effective controls should be placed and emphasised at such critical and strategic control points where failures cannot be tolerated and where time and money costs of failures are greatest. The objective is to apply controls to the essential aspect of a business where a deviation from the expected standards will do the greatest harm. These control areas include production, sales, finance and customer service.

8. **Corrective action**: An effective control system not only checks for and identifies deviation but also is programmed to suggest solutions to correct such a deviation. For example, a computer keeping a record of inventories can be programmed to establish "if-then" guidelines. For example, if inventory of a particular item drops below five percent of maximum inventory at hand, then the computer will signal for replenishment for such items.

9. **Emphasis on exception**: A good system of control should work on the exception principle, so that only important deviations are brought to the attention of management. In other words, management does not have to bother with activities that are running smoothly. This will ensure that managerial attention is directed towards error and not towards conformity. This would eliminate unnecessary and uneconomic supervision, marginally beneficial reporting and a waste of managerial time.

6.4   CONTROL TECHNQIUES

The process of planning and controlling go hand in hand in the management of any organisation. This necessitates the implementation of certain managerial control techniques that help to determine whether activities are executed according to plans. The various techniques of managerial control can be classified into two categories:

1. Traditional Control Techniques

2. Modern Control Techniques

Traditional Control technique

The traditional control techniques can be further classified into:

1. Budgetary Control

2. Non-Budgetary Control

Meaning of Budgetary Control

Budgetary control is a method that sets performance requirements through the preparation of budgets. It calculates and compares actual results with corresponding budget data and takes necessary actions to correct the deviations. The process consists of preparing and utilising budgets to evaluate actual operations. Budgets can be of several types like production budget, sales budget, cash budget, master budget etc.

Objectives of Budgetary Control

Budgetary control helps the management in operating the business in the most efficient manner. The objectives of budgetary control are:

1. **Planning**: Budgeting provides a definite plan of action to be performed during a specified period. It helps managers to plan their activities in advance and helps in financial planning.

2. **Coordination**: Budgeting creates a coordination by a harmonised integration of different entrepreneurial activities. The master budget for example helps in creating effective cooperation and a coordination among different departments.

3. **Control**: Budgets provide standards to evaluate actual results. Budgetary standards are set in accordance with the goals and resources of the organisation. Significant deviations from the standards can be reported to management. These help to detect shortcomings and avoid waste of time and money thereby keeping the cost under control.

4. **Motivation**: Budgeting offers specific targets that inspire the employees. It provides them the standards by which their performance will be judged and creates a potential motivating force.

5. Efficiency: The vital purpose of budgeting is to bring efficiency in the management of any organisation. A budget is designed to ensure the best possible usage of resources and manpower.

Advantages of Budgetary Control:

Budgetary control has the following advantages:

1. Budgeting makes planning accurate and realistic. By representing plans and policies in quantitative terms, it avoids uncertainty and holds focus on budget targets.

2. Budgeting is a joint venture and calls for participation of all departmental heads in the organisation. This enhances communication, cooperation and understanding among the employees of an organisation.

3. Budgeting allows 'control by exception' and helps to save time and attention. It facilitates executive concentration on off-budgeted performance.

4. There is a maximum use of resources by economical and efficient course of entrepreneurial action.

5. Budgets provide data that can be helpful for organising quotations and tenders.

6. The budgeting process helps managers to learn from past experience. The management can analyse the success or failure of past budgets and provide measures to avoid such failures.

Disadvantages of Budgetary Control:

The disadvantages of budgetary control are:

1. Budgets are estimates and depend on predictions of economic developments that are more hypothetical than real.

2. Budgeting creates inflexibility in the management, as people tend to stick to the budget. This dependence decreases creativity and innovation.

3. Budgeting is a time consuming process and demands expenses.

4. Budgeted goals may be perceived as too high and create tensions and pressures in the organisation. This may further lead to worker inefficiency and creates conflicts between the workers and management.

5. Budget is more a tool of efficient management rather than a substitute for it.

Non-Budgetary Control Techniques:

1. Personal Observation: This is the most effective means of control that helps to avoid unruly situations. Deviations are discovered much earlier and promptly corrected in this technique. It enhances motivation and morale among the employees of the organisation.

2. **Statistical Data**: Data presented in the form of charts, graphs and diagrams provide a quick understanding of the problem. This technique is therefore used more often for managerial control. They are applied specifically in the field of quality control.

3. **Special Reports**: Special reports prepared by experts through special investigation are useful in specific cases. This is because; sometimes, routine statistical and accounting reports are not satisfactory for control.

4. **Internal Audit**: Internal audit provides a recurrent review of the activities and accounts of an organisation by its own staff. It helps to analyse the effectiveness of plans and methods of work in comparison with the organisational activities. It also helps in avoiding mistakes and frauds.

5. **Ratio Analysis**: The control of the total functioning in an organisation becomes possible by an analysis of the profitability, liquidity and solvency ratios.

6. **Break-even Analysis**: The break-even analysis is an analysis of the inter-relationship between cost, volume and profit. The break-even chart graphically represents the relationship between costs, volume and profits. It shows the impact of change in any one of these three on the other two. It helps to decide the profitability of any specific activities. The break-even point is the point at which total revenue is equal to total cost. It is a neutral situation of neither profit nor loss. A position below the point denotes losses and above it denotes profits. The chart also indicates the impact of fixed and variable costs on profits.

Standard Costing: Standard costs refer to predetermined costs used as standards for calculating actual performance. A standard cost helps to distinguish between controllable and uncontrollable costs.

Requirements of Effective Budgeting:

A good budgetary control technique should have the following essential features:

1. **Prompt Feedback**: A good budgetary control technique should be able to give prompt feedback concerning actual performance to the managers. This can enable them to take quick actions to rectify and correct deviations.

2. **Clear-cut Goals**: Budgetary goals should be laid in definite terms for accurate calculation and analysis of results.

3. **Responsibility Accompanied by Authority**: Besides the responsibility to achieve budgetary targets, the concerned employees must be given the required authority to apply the budgetary control technique.

4. **Comparison**: Comparisons between the budgetary targets and functioning results must be carried on from time to time. This facilitates early discovery of deviations and minimises possibility of loss.

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5. **Flexibility**: Budgets should be open to changes and review according to changing market conditions. A good budgetary control technique should permit considerable freedom to the person utilising it.

6. **Harmonious Participation**: As a budget is a unified action, it should be prepared in consultation with employees. This will improve the level of understanding the budget in the organisation.

Modern Control Techniques

With the changing times, many new techniques and methods of managerial control have been developed to enhance the control of complex events. These techniques are based on an integrated approach towards the planning and control functions. The different modern techniques of managerial control are:

1. Return on Investment
2. Human Resource Accounting
3. Management Audit
4. Responsibility Accounting
5. PERT/CPM

1. Return On Investment (ROI)

Alternatively called as Rate of Return, this technique can be used for both planning and controlling objectives. It is derived from a ratio between the total profit and the total investment of an organisation. Return on Investment helps to evaluate the functioning of an organisation in the light of its total profit earned so far. Besides profit planning, this technique is also useful and suitable for capital budgeting in particular and for long-term investment.

Advantages of ROI:

ROI has the following advantages:

1. ROI helps to know whether the resources are employed effectively or not.
2. It concentrates on the basic objective of business, namely profit earning.
3. ROI facilitates decentralisation of authority. By defining a target rate of return for each department, it provides possible autonomy of management to departmental heads.

Disadvantages of ROI:

ROI also suffers from certain disadvantages:

1. In case of frequent price changes, it becomes difficult to calculate it.
2. Being a short-term concept, the aim to increase current ROI makes managers ignorant of long-term investment like research and development, executive development etc. of the organisation.

2. Human Resource Accounting

Most control techniques calculate financial performance in terms of costs, profits, revenue and other such concrete factors. However, the most important contributing factor, viz. human resources, is overlooked in these techniques. The Human Resource Accounting technique by Likert helps in the calculation of human resources. This technique involves:

1. Accounting for people as an organisational resource
2. Involving measurement of the cost incurred in the acquisition and development of human assets and
3. The measurement of economic value of employees to an organisation.

The value of any individual or employee is defined in this technique, in terms of the contemporary worth of the various services he is supposed to provide to the organisation. This value is known as 'Individual's Expected Realisable Value'. (IERV)

Advantages of Human Accounting:

Human Resource Accounting has the following advantages:

1. This technique provides a sound basis for planning and controlling human resources.

Disadvantages of Human Accounting:

The disadvantages of Human Accounting are:

1. No general, dependable standards of human resource measurement are available.
2. The technique tends to reduce human qualities to sheer monetary values.

3. Management Audit

Management Audit can be defined as an independent and critical evaluation of the total managerial process. It records the deviations from the principles and practices of effective management at different levels of organisation. Then the impact of these deviations on the organisation and on end results is noted.

Advantages of Management Audit:

Management Audit has the following advantages:

1. No well-defined principles and procedures are available.
2. There is shortage of well-qualified management auditors.
3. Absence of an objective and independent approach to the audit.

4. Responsibility Accounting

In this technique, costs are accumulated and reported by levels of responsibility. Accounting statements are created for all levels of management. These statements are designed for the operating people, to control their operations and costs.

ResponsibilityAccounting classifies organisational management into responsibility centres. A responsibility centre is an organisational segment such as division, department or section led by a manager who is responsible for specified targets of performance. There are four types of responsibility centres:

1. **Cost Centre**: A cost centre measures financial performance by noting whether the assigned tasks are done within the planned expense amount.

2. **Profit Centre**: A profit centre measures the financial performance according to the achieved budgeted profit.

3. **Revenue Centre**: The revenue centre measures the financial performance by noting if the specific segment has achieved the budgeted levels of sales revenue.

4. **Investment Centre**: In the investment centre a manager is held responsible for effective use of invested capital or for the planned return on investment.

5. Network Techniques-PERT and CPM

Network techniques are recent developments applied in management planning and control of an organisation. These techniques apply the network theory of scheduling problems. In a network, complex projects are divided into a series of activities performed sequentially. PERT and CPM are the two most popular network techniques. The two techniques are based on the same principles yet differ in some respects.

Programme Evaluation And Review Technique (PERT)

PERT is a visual network designed to observe how parts of a programme fit together during the occurrence of time and events. The following steps are involved in developing the PERT diagram:

1. Breaking the whole project into a series of identifiable activities.

2. Determine a logical sequence of the activities.

3. Form a network diagram that shows the sequence of activities. This diagram has a beginning point and terminal point for the project.

4. Prepare three time estimates for each activity; namely optimistic time, pessimistic time and most likely time.

5. Decide the Critical Path i.e. the longest path through the network in terms of time. This path represents the sequence of activities that is critical for the project, hence the name critical path.

6. Update the path with modifications and improvements as the project develops.

Critical Path Method (CPM): The basic steps and principles adopted by CPM method are similar to those of PERT. The main differences are:

1. CPM assumes that the duration of every activity is constant and uses only one time estimate for each activity instead of three time estimates unlike PERT.

2. PERT concentrates mainly on time whereas CPM concentrates on cost.

3. PERT is event oriented while CPM is activity oriented.

Application of PERT/CPM: The PERT and CPM techniques have become very popular and are pursued in an extensive variety of fields like:

1. Large weapon systems

2. Building/construction projects

3. Ship building

4. Airport facilities building

5. Construction of a new plant

6. Launching new products

7. Installation of computer systems.

Advantages of PERT/CPM:

The PERT/CPM techniques has the following advantages:

1. It helps the management to analyse all possible doubts and pitfalls and thus avoid alarming surprises. All factors contributing to the accomplishment of the project are examined in advance. This reduces the possibility of wasting surplus time and money.

2. It helps to predict schedule changes and apply preventive measures thereof.

3. It concentrates on critical activities that are worthwhile to pursue head on. This permits control and most effective use of resources.

4. Regular update and reviewing of the network ensures attention at all levels of managements and creates co-operation between departments.

5. It creates improved communication through graphic representation of tasks. This helps each individual to determine his role in the total task.

6. This system helps to indicate the delay in one activity that may affect all the succeeding activities and thus generates managerial action in advance.

Disadvantages of PERT/CPM:

The PERT/CPM techniques has the following disadvantages:

1. Exact estimates of time and cost are rarely possible and so errors in estimation make this technique unreliable as a control aid.

2. It is more suitable where time factor is more important.

3. It cannot be applied effectively in case of simple routine projects like continuous production processes.

4. It is a time consuming and expensive technique. It becomes complicated when the number of events is large.

Check Your Progress

4. List the characteristics of effective control systems.

5. What are the two categories of managerial control?

6. What do you mean by budgetary control?

6.5 IT ENABLED CONTROLS AND ITS CHALLENGES

Management Information System or MIS is an important IT Enabled Control System. It can be defined as, "a formal method of collecting timely information in a presentable form in order to facilitate effective decision making and implementation in order to carry out organizational operations for the purpose of achieving the organizational goals."

A little more complete definition of MIS has been developed by the Management Information System Committee of the Financial Executive Institute.

An MIS is a system designed to provide selected decision-oriented information needed by management to plan, control and evaluate the activities of the corporation. It is designed within a framework that emphasizes profit planning, performance planning and control at all levels. It contemplates the ultimate integration of required business information sub-systems both financial and non-financial within the company.

Why is MIS Important?

It is very important to set up effective management information systems for the following reasons.

1. Most organizations have grown in size and complexity. This results in management being removed from the scene of the operations and hence must rely on the information provided to them by the line supervisors about any operational problems needing attention. The dynamics of the environment further adds to the complexity of organizational operations. Some of the continuously changing factors affecting the amount and type of information handled are:

    (a) Economic. These include sudden changes in the economic structure in any part of the world, sudden energy crisis, world wide inflation rate, higher interest rates, unemployment rate, changes in GNP. All or some of these factors affect a given organization, thus requiring the organization to process the information in these areas.

(b) *Technological changes.* These include new technical inventions in the area of micro-computers, use of satellites in communications, audio-visual and word processing developments etc.

(c) *Social changes.* These include shifting of work-force from blue collar to white collar work-force, higher level of education, computer use at home, pollution problems, changes in consumer tastes etc.

(d) *Political-legal changes.* Many new laws affecting the organizational systems have been initiated. These include privacy laws, liability laws, anti-monopoly laws, truth in lending, truth in advertising, minimum wage standard laws etc.

2. The second reason for growth in MIS is the need to control management's decisions. More and more, the complex organizations are decentralizing their operations so that more information is needed about the operations of the unit managers. The performance of all units must be closely monitored and steps must be taken, if the performance is below expectations. This means that some new training programs need to be initiated. MIS can be effectively used for measuring performance and bringing about any necessary changes in accordance with the organizational goals and plans.

3. The third reason for the rapid growth in the field of MIS is the widespread use of computer capabilities. The computers are becoming less expensive to operate and have more capacity to store and retrieve more information. This has made information handling easier.

Designing the MIS

A management information system basically is a set of procedures, that are systematic and inter-related for gathering all pertinent data, processing this data into a presentable form of information, so that the management can take necessary actions based upon this information. The system should be designed in such a manner so that:

1. It supplies complete, accurate and timely data, so that it can be used for effective planning and decision making. This would result in elimination of problems associated with inconsistent, incomplete, and inaccurate data.

2. It identifies and quantifies the inter-related operational and performance variables and develops a relationship of these variables which can be projected to forecast future trends.

3. It facilitates control of present costs by merging the financial and production data to produce measures of performance which can be closely monitored.

4. It identifies the separate needs of all units of a decentralized organization in a cohesive manner so that these needs can be attended to without duplication and waste of efforts.

5. It requires that the data to be presented is presented in a summarized form and in a manner so that action can be initiated without further interpretation and analysis. This reduces the time as well as the volume of information required and only the exceptional issues will receive the attention of top management.

6. It provides flexibility so that the system can be changed and adapted to the change, when necessary.

Developing an Effective MIS

Stoller and Van Horn indicate that since the purpose of the management information systems is to provide the necessary information for decision making purposes, the design and development of an effective MIS should start with an analysis of the types of decisions and types of supporting situations in which the managers generally. get involved. These authors further suggest four steps in the process of MIS development. These are:

(a) Defining and analyzing various types of decisions that are made, both operational as well as those related to policies within the organization, to keep the organization going.

(b). Determining the types of existing policies that influence or put constraints on the ways the decisions are being made or should be made.

(c) Identifying and isolating the type of data that is relevant and needed for making these decisions.

(d) Establishing a mechanism and a set of procedures for gathering such data and appropriately processing this data into useful information.

While there may be different approaches to designing an effective MIS, it is necessary to have a central location for processing all the information. This is a kind of Management Information Center. This center has all the hardware, software and all technical help necessary to gather all information at one location and sort it out, so that the managers can find facts, and turn these facts into management information. This information will be used for decision making. Even though, with this information center, the managers themselves sort out the facts in order to formulate information, as against the information being given to them by their subordinates, the basic philosophy of MIS remains the same.

Some key elements and some guidelines for an effective MIS may be considered as follows:

1. The decision system must be thoroughly analyzed. This would require the study of priorities of the decision maker and the levels of the decision makers, so that the appropriate information is directed towards the right decision maker and in order of needed priority. This would require that the operational managers have some input into the designing of MIS, requiring the managers

to understand the structure of the system so that they can make any changes to include any specific activities or measures that they require.

2. Match the costs to the benefits derived out of the system. The design of the system should be such that the benefits outweigh the cost of collecting and presenting information. Thus the information must be relevant, precise and to the point. Depending upon the size of the organization, alternative' means of presenting data should also be studied. However, it must be noted that an effective MIS will not only evaluate information for presentation so that unnecessary data is eliminated, but it will also summarize and condense information so that it can be quickly absorbed and a decision can be taken.

3. The system must be pre-tested and operators properly trained. If the system is not pre-tested before operations, then costly problems can arise and changes at that level may prove to be expensive. Also, the managers should be trained to understand the system, so that they can control it, if it becomes necessary. Only then can the system be most effective.

4. The information should be disaggregated and the similar decisions should be aggregated. All information should be stored in disaggregated data files. New data is added to the existing data in a given category as it is received. Similarly, the different areas of the decision makers should be identified with similar informational requirements, so that similar decisions can be grouped together for a single manager. This would avoid duplication and waste.

5. The actual mechanical methods for information processing are designed and the controls for the system are developed. This involves the establishment of steps for the purpose of collecting, storing, sorting, evaluating, transmitting and retrieving information. Additionally, a system of controls must be developed so as to identify and correct any deficiencies that might occur in the system.

MIS Challenges

MIS and specially the computer based MIS has been hailed as the most important contribution to the process of managerial decision making. However, a decision is as good as the information it is based upon. Hence some steps must be taken to improve upon all areas that provide input to the successful execution of MIS.

Some of the common misconceptions about MIS and some common mistakes and rouses of failure are:

1. *More information is better for effective decisions.* This is a fallacy, since the information to be processed should be relevant and not more. Simply more information will overburden the manager (user) as he will not be able to absorb and then sort out all the data. This process may be further complicated since the manager may not know precisely as to what information he wants and hence he may ask for, "all the available information."

This Problem must be seriously addressed so that the system be designed in such a manner as to assimilate pertinent information from all the data.

2. *Lack of managerial involvement.* Some of the companies who have; successfully utilized MIS have encouraged the manager-user to become involved in the design of their own systems. Also, the system itself must have the top management support. Since computers have become one of the largest single item of capital budgets with utility on all operating systems, it is highly desirable that these facilities be used in an optimal manner in order to save time and efforts.

3. *Failure of proper communication.* More communication does not mean better performance. Excessive inter-departmental communication does not necessarily establish a foundation for more effective decisions. While the managers must be provided with relevant current information, they do not always have to know that other managers and their divisions are involved with. In the other areas of communications the manager and the systems design specialist must work together. The manager must be trained to recognize the basic nature and utility of computers and the computer specialist must design the system specifically to provide information for decision making and not simply generate data for processing purposes. He should become familiar with identifying the information needs of the manager-user so that the communication between them becomes easy and useful.

4. *Computers cannot do everything.* It must be recognized that the computers are not the panacea for all ills. Even though computers have become highly sophisticated, capable of handling tremendous amount of data in a comparatively short time, it does not compensate for managerial judgement. Accordingly, computers can only be utilized as tools and complement the managerial decision-making and action.

5. *Human acceptance.* The success of the MIS program depends upon the acceptance and involvement of the personnel. User attitude is the important factor affecting the MIS development.

Guidelines for Improvements in MIS

1. Involve top management in the design of Management Information Systems. This involvement would mean greater acceptance and commitment resulting in overall commitment to the program by all-level users.

2. Building co-operation between designers and the users of the program. This cooperation will result in proper feedback on the quality of information being received so that any necessary changes in the design can be made. This cooperation will result in improvements in the effectiveness of MIS.

3. Develop a master plan. All planning should be adequate and projected as far into the future as feasible. The master plan should be developed with careful analysis of the current needs and forecasted needs. This plan will

avoid any uncertainties associated with MIS development and serve to focus on MIS objective as well as control the progress towards these objectives.

4. Both designers and users be held responsible and accountable for the success of MIS on a cost-benefit basis. This accountability consistently reminds them to be cost conscious so that benefits achieved must exceed the costs incurred.

5. Consider the social and behavioural aspects of the systems design and implementation. All efforts should be made to ensure that all people accept it as an aid rather than a replacement' and that they do not resist it in any way.

Check Your Progress

7. What is MIS?

8. List some guidelines for improvement in MIS.

6.6 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The steps performed in the controlling process are:

   (i) Establishing Standards

   (ii) Measuring Performance

   (iii) Measuring Devices

   (iv) Comparing Measured Performance with Performance Standards

   (v) Taking Corrective Action

2. Ratio analysis is a powerful management tool for measuring various aspects of business operations. It describes the relationship of one business variable to another.

3. Budgetary control is a method that sets performance requirements through the preparation of budgets. It calculates and compares actual results with corresponding budget data and takes necessary actions to correct the deviations.

4. Effective control systems have the following essential characteristics:

   (i) Accuracy

   (ii) Timeliness

   (iii) Flexibility

   (iv) Acceptability

(v) Integration

(vi) Economic feasibility

(vii) Strategic placement

(viii) Corrective action

(ix) Emphasis on exception

5. Managerial control can be classified into the following two categories:

   (i) Traditional Control Techniques

   (ii) Modern Control Techniques

6. Budgetary control is a method that sets performance requirements through the preparation of budgets.

7. Management Information System or MIS can be defined as a formal method of collecting timely information in a presentable form in order to facilitate effective decision making and implementation in order to carry out organizational operations for the purpose of achieving organizational goals.

8. Some of the guidelines for improvement in MIS are:

   • Develop a master plan

   • Build cooperation between designers and users of the program

   • Involve top management in design of MIS

6.7 SUMMARY

• Control is necessary to make sure that actual results of an activity do not deviate from the expected results of the same activity.

• The function of control is to accomplish organisational goals by implementing previously determined strategies and policies so that whatever needs to be done is done properly. In other words, control maintains equilibrium between means and ends or between efforts and output.

• The process of control involves establishing standards for outcomes of activities, assuring performance of workers in relation to such activities by employing such measuring devices as previously determined to be suitable and relevant to measuring such performance, comparing such measured performance with performance standards previously set, noting any deviations positive or negative and taking corrective actions for any negative deviations.

• Positive deviations should also be investigated to determine as to why underestimations were made so that new revised estimates could be established.

• There are several types of control techniques implemented for effective management of the organisation. The techniques range from traditional to modern ways of managerial control. These techniques have their own

advantages and disadvantages but ultimately provide some guidance to effective controlling.

- An MIS is a system designed to provide selected decision-oriented information needed by management to plan, control and evaluate the activities of the corporation.

6.8   KEY WORDS

- **Management control:** It refers to a systematic effort to set performance standards with planning objectives.
- **Cost standards:** It refers to standards that indicate the financial expenditure involved per unit of activity.
- **Quality standards:** It refers to standards express levels of quality expected of a product or service.
- **Budgetary control:** It is the process of determining various actual results with budgeted figures for the enterprise for the future period and standards set then comparing the budgeted figures with the actual performance for calculating variances, if any.
- **Management information system:** It refers to a computer-based system that provides managers with the tools to organize, evaluate and efficiently manage departments within an organization.

6.9   SELF-ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What is the inter-relationship between the functions of planning and controlling?
2. Explain the requirements of a good budgetary control technique
3. Describe the prerequisites of effective control.
4. Write a short-note on feedback control.
5. Discuss some of the characteristics of effective controls.

Long-Answer Questions

1. Describe some of the quantitative standards against which performance can be measured. Which of these standards would be more appropriate for a medium size industry?
2. Describe the different methods of comparing the actual results with expected results for the purpose of evaluating the effectiveness of control systems.

3. Discuss the traditional techniques of managerial control.

4. Explain the modern techniques of managerial control.

5. Discuss Management Information System. What are its challenges?

6.10 FURTHER READINGS

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UNIT 7   ORGANIZATIONAL BEHAVIOUR

Structure

7.0   INTRODUCTION

Organizational behaviour is a relatively new area of study and research and even though its importance was understood at the same time as that of scientific management proposed by Fredrick Taylor, it emerged as a distinct area of academic and managerial specialization in the late 1950s and early 1960s. There came about a growing awareness that all managerial problems were not technical in nature and that productivity and organizational effectiveness did not depend entirely on the mechanical processes. This awareness focussed on the philosophy that behavioural and social processes have significant impact on the workers in the work place and that an understanding and predictability of human behaviour could help managers make their organizations more effective. Hence, the emphasis shifted to social sciences as well as to psychologists, sociologists, anthropologists and others who had been studying management problems from behavioural perspective and trying to develop a valid and unified body of knowledge concerning organizational behaviour.

7.1   OBJECTIVES

After going through this unit, you will be able to:

* Describe the different approaches to organizational behaviour
* Discuss the relationship between management and organizational behaviour
* Examine the behavioural approach to organizational behaviour

7.2 HISTORICAL PERSPECTIVE

The application of behaviour theory perhaps occurred when human beings organized themselves into family units and when the principle of division of labour was probably applied to improve the chances of family survival as a unit. The concept of family itself required that life be organized and resources of food be apportioned in a manner so as to maximize their usefulness. Taking proper steps to safeguard the family from attacks by wild animals, planning on where to go hunting and whom to go with are all subtle ingredients of management, group dynamics and organizational behaviour. Specialized roles were assigned to individuals who were best able to perform them. This belief suggests the likelihood that gender oriented behaviours emerged in response to certain biological and sociological necessities. While women stayed back to look after and raise the children, men took the role of hunting and providing food and other necessities for the family.

The problems of effectively managing people, which involve some aspect of human and organizational behaviour, have been perennial and the early recorded history shows the application of some management techniques as far back as 5,000 BC when the ancient Sumarians used written records in assisting governmental operations. The Egyptian pyramids built as early as 3,000 BC required the organized efforts of nearly 100,000 people. It would be natural to assume that all functions of modern management such as planning, organizing, directing and controlling, played a heavy and coordinated role in the construction of these monuments, where each pyramid covering 13 acres required 2.3 million blocks, each block weighing approximately 2.5 tons.

An organized development of economic science and management as distinct disciplines began around the beginning of the eighteenth century when there was a movement from the cottage (where production of items were limited to family living and working quarters) to the factory system (where products are produced in a centralized location) and this gave birth to the Industrial Revolution in Europe and especially in England. The Industrial Revolution changed the entire behaviour of the civilized world. Adam Smith is known to have established the management principles in the area of division of labour and specialization in 1776.

Before the advent of scientific management popularized by Fredrick W. Taylor, that put emphasis on productivity in the early 1900s, many management scholars recognized the role and input of workers in the management process. For example, Robert Owen (1771–1858) believed that the returns from investment in human resources would be far superior to the investment in machinery and equipment. He believed that the workers should work because they want to work and not because they have to work. This concept is the fundamental thinking behind the study of organizational behaviour. He believed that the manager should take the worker into his confidence and should not only tell him what is expected of him but also why, because an enlightened worker is a better worker. Similarly, Charles Babbage (1792–1871) believed in the importance of human factor and

suggested that the interests of employees and management are closely linked and further advocated the idea of profit sharing and participative decision- making. Even though he was, perhaps, the first to propose that decisions be based upon investigation and accurate knowledge and pioneered the use of quantitative methods and industrial engineering techniques in order to maximize productivity, his ideas were based upon an intelligent organization of workers with worker participation and this could be considered as a prelude to the development of behavioural approach to management.

7.3 APPROACHES TO AND IMPORTANCE OF ORGANIZATIONAL BEHAVIOUR

The organizing function is extremely important, because once the objectives of the organization and the plans have been established, it is the primary mechanism with which managers activate such plans. "Organizing" is the function of gathering resources, establishing orderly uses for such resources and structuring tasks to fulfill organizational plans. It includes the determination of what tasks are to be done, how the tasks are to be grouped, who is going to be responsible to do these tasks and who will make decisions about these tasks.

Scientific Management

As we have discussed in unit 2, the scientific management school is primarily attributed to the ideas and works of Fredrick W. Taylor, He called for a careful analysis of tasks and offered four principles as basis for scientific management. These principles are:

1. Every job should be broken into its elements and a scientific method to perform each element should be established.

2. Workers should be scientifically selected with right attitudes for the job and ability and then properly trained to perform the work.

3. Management should cooperate with workers to ensure that all work is done in accordance with the scientific principles.

4. Scientific distribution of work and responsibility between workers and the managers. The management should design the work, set up and supervise the task and the workers are free to perform the task in the best possible way.

Scientific management quickly became the mainstay of American business thinking. It helped lay the foundation for job specialization and mass production and resulted in the following specific applications.

1. Maximum utility of efforts, thus eliminating waste.

2. More emphasis on fitting workers to particular tasks and training them further to best utilize their abilities.

3. Greater specialization of activities with proper design of jobs, specification of methods and set time and motion standards.

4. Establishment of standards of performance as average output and maximum output per capita.

5. The role of compensation and other incentives for increase in productivity.

There has been opposition to scientific management from its very inception, both from the workers as well as the management. Dr. Mathur has listed some of these areas of opposition as follows:

1. It promotes individualism rather than team spirit because of the competitive nature of "more work, more pay."

2. Specialization makes the worker unfit for other types of jobs and thus he is at the mercy of his employer.

3. It ignores or excludes the average worker because of tough competition to be more efficient and productive.

4. Specialization makes the work repetitive and monotonous. Workers are merely converted into machines to carry out a set of instructions thus leaving no room for initiative and innovation.

5. It puts in the hands of employers an immense mass of information and methods that may be used to the detriment of workers because all workers are not going to measure up to the set standards.

6. It is anti-democratic in the sense that it separates manager from the worker, since it gives the management the right and the prerogative to manage, while the workers have a duty to work. In a truly democratic situation, the workers and the management are expected to work together to achieve the integrated individual and organizational goals.

The Behavioural Approach to Management

The behavioural approach, also known as human relations approach, is based upon the premise of increase in productivity and managerial efficiency through an understanding of the people. The growth and popularity of this approach is attributable to Elton Mayo (1880–1949) and his Hawthorne experiments. These studies (1927–1932) were conducted at Western Electric's Hawthorne plant near Chicago to determine the effect of better physical facilities on worker output. These studies showed that better physical environment or increased economic benefits in themselves were not sufficient motivators in increasing productivity. Thus, the emphasis of the study shifted to psychological and social forces. These experiments demonstrated that in addition to the job itself, there are other factors that influence a worker's behaviour. Informal social groups, management-employee relations and the interrelatedness of many other facets of work environment were found to be quite influential in improving productivity. Mayo discovered that when workers were given special attention by management, the productivity increased irrespective of actual changes in the working conditions.

The Hawthorne studies represented a major step forward in systematically studying worker behaviour, thus laying the foundation for the field of Organizational Behaviour.

Central to this approach was an increased understanding of the individual worker with emphasis on motivation, needs, interpersonal relationships and group dynamics. These experiments suggested that an office or a factory is not only a work place but also a social environment in which the employees interact with each other. This gave rise to the concept of "the social man" whose interactions with others would determine the quality and quantity of the work produced. It must be understood, however, that in spite of the fact that this social environment is an important factor in improving the quality and output, it does not replace economic benefits for low level salaried workers and indeed it may increase turnover of employees, even if the working conditions are satisfactory.

In support of Mayo's contention and findings, Abraham Maslow presented a theory of individual needs. The basic aim of this approach is to increase the organizational effectiveness of its human resources, which could be achieved by properly taking care of human needs. The human needs could be physiological or psychological. According to Maslow, these needs fall into a hierarchy. At the bottom of the hierarchy are the lower level needs such as the need for food, water and physical comfort as well as security of job and love and affection needs. At the upper level are the needs for respect and self-fulfillment. In general, the lower level needs must be satisfied before the higher level needs arise. Being aware of these needs enables a manager to use different methods to motivate workers. This is important and significant because of the complexity of man's nature. Different people will react differently to the same situation or their reactions may be similar even when the situations are different. Hence the management must be aware of these differences and react accordingly. The level of performance of an employee is a function of his ability and his motivation. The first determines what he "can" do and the latter determines what he "will" do. The ability can always be judged and measured and depends upon background, skills and training. Motivation, on the other hand, is the force within. Wherever there is a strong motivation, the employee's output increases. A weak motivation has opposite effect. Hence management must understand what motivates people towards better performance and take steps to create an environment that induces positive and strong motivation.

The behavioural approach had a major impact on management thinkers right through the 1970s and indeed changed the structure of the organization from the bureaucratic to participative in which the workers have more freedom to participate in the affairs of the organization.

Lately, however, some serious questions have been raised whether man is entirely a "social man" and not an "economic man." Not all employees seek self-actualization as their ultimate goal. While some professionals may be motivated by recognition and a feeling of self-fulfillment, it may not be generally true for blue collar workers for whom the increased economic benefits are the only motivators

and who may not seek additional challenges or higher responsibility. Additionally, the research results generally do not support the contention of behavioural scientists that an increase in job satisfaction alone leads to higher productivity. Since the human behaviour is highly complex, a number of factors may affect the workers' productivity and indeed the importance of feeling of belonging, recognition and participation cannot be minimized.

Contingency Approach

Contingency approach to management and organizational behaviour rejects the notion that a universal set of principles and methodologies can be applied to managing behaviour in organizations. It implies that there is "no one best way" of managing, but the best way depends upon the situation and circumstances. Each situation must be characterized on its own and then managed accordingly. It is necessary to look at all the factors in the situation and then either management should adopt their leadership behaviour to accommodate these different situations or only such managers should be assigned to such situations that are compatible with their leadership styles.

The contingency view of management and organizational behaviour focused on situational analysis and was first proposed by Fred E. Fiedler who stated that management must identify specific responses to specific problems under specific situations. The critics of the situations approach contend that while there are no universal principles applicable to all management and organizational situations, each such situation is not so unique and specific as to require unique and tailor-made responses. Hence, there must be some common grounds and common characteristics of all situations that require well planned and measured responses. Fred Luthans, a researcher in organizational structure and behaviour has identified four contingencies that must be addressed by managers.

These are:

1. An organization's structure of management authority must match the demands of its environment.
2. An organization's structure of management authority must coincide with its system of technology.
3. Individual subsystems, such as departments and work groups, must match their particular environment, and management authority must coincide with the technological requirements of these subsystems.
4. The leadership behaviour of managers in the organization, and in its subsystems, must be appropriate to situational demands.

The contingency approach has its value in the sense that it is highly flexible and has sufficient latitude to accept differences in situations so that appropriate responses to these situations can be formulated.

Another advantage of contingency approach stems from the belief that the organizational environment is highly dynamic and constantly changing. This approach forces managers to learn to adapt to these changes effectively.

7.3.1 Relationship between Management and Organizational Behaviour

1. **Reviewing plans and objectives.** The first step for the management is to reflect on the organizational goals and objectives and its plans to achieve them so that proper activities can be determined. For example, if a high class restaurant is to be opened in an elite area, then the management must establish objectives and review these objectives so that these are consistent with the location of the restaurant and the type of customers to be served.

2. **Determining activities.** In the second step, managers prepare and analyze the activities needed to accomplish the objectives. In addition to general activities such as hiring, training, keeping records and so on, there are specific activities which are unique to the type of business that an organization is in. For example, in the case of the restaurant, the two major activities or tasks are cooking food and serving customers.

3. **Classifying and grouping activities.** Once the tasks have been determined, these tasks must be classified into manageable work units. This is usually done on the basis of similarity of activities. For example, in a manufacturing organization, the activities may be classified into production, marketing, finance, research and development and so on. These major categories of tasks can be subdivided into smaller units to facilitate operations and supervision. For example, in the area of serving customers in the restaurant, there may be different persons for taking cocktail orders, for food orders and for clearing the tables. For cooking food, there may by different cooks for different varieties of food.

4. **Assigning work and resources.** This step is critical to organizing because the right person must be matched with the right job and the person must be provided with the resources to accomplish the tasks assigned. The management of the restaurant must determine as to who will take the orders and who will set as well as clear the tables and what the relationship between these individuals will be. Management must also make sure that adequate resources of food items, utensils and cutlery is provided as necessary.

5. **Evaluating results.** In this final step, feedback about the outcomes would determine as to how well the implemented organizational strategy is working. This feedback would also determine if any changes are necessary or desirable in the organizational set-up. For example, in the case of the restaurant, complaints and suggestions from customers would assist the manager in making any necessary changes in the preparation of food, internal decor of the restaurant or efficiency in service.

7.3.2 Limitations of Organizational Behaviour

There are a few limitations of organizational behaviour. These are discussed below:

- **Behavioural bias:** Organizational behaviour further causes dependence, disenchantment, indiscipline, and irresponsibility.

- **Law of diminishing returns:** It says that beyond a certain point, there is a decline in output even after each additional good or positive factor.

- **Unethical practices:** Manipulative managers can utilize knowledge of motivation and communication to exploit subordinates in a firm.

Check Your Progress

1. What was the argument put forward by Robert Owen?

2. Who is called the father of scientific management?

3. What is the contingency approach to organizational behaviour?

7.4 FRAMEWORK FOR LEARNING ORGANIZATIONAL BEHAVIOUR

The framework for understanding the behaviour of employees in organizations consists of five basic components:

1. The environment
2. Individual processes
3. Interpersonal and group processes
4. Organizational processes
5. Change processes.

Environmental Forces

What happens when organizations suddenly find that the environment in which they have been operating and competing suddenly shifts? The linearity that marked the past no longer applies to the present or the future. As a result of this, within the organization, strategy-making must break with the past and grapple with the unknown, demanding radical changes in both content and processes to formulate the winning strategy for tomorrow, point out Porter (1996) and Hamel and Prahalad (1994).

Due to the changes in the environment, introspective improvements in internal operations are necessary, but no longer sufficient for winning. The older objectives of strategizing so as to seize emerging opportunities must give way to one that focuses on creating these opportunities out of chaos. A new breed of people will play pivotal roles. These people will be the managers who consider work more important than managing, leaders who consider action more important than planning and front-liners who consider knowledge more important than capital. The critical factors of production and competitive advantage will be knowledge and intelligence. In the twenty-first century, winners will be those who stay ahead of the change curve, constantly redefine their industries, create new markets, blaze new trails, reinvent the competitive rules, and challenge the status quo.

If the future is unknowable, the organization that can thrive in it must be one which is capable of changing itself. Those who choose to rethink the future will be able to run and thrive in the turbulent terrain ahead and those who don't will quickly find themselves overtaken by change.

Individual Processes

People make assumptions about those whom they work with, supervise, or spend time with in leisure activities. To some extent, these assumptions influence the person's behaviour towards others. Effective employees understand what affects their own behaviour before attempting to influence the behaviour of others.

Individual behaviour is the foundation of organizational performance. Understanding individual behaviour, therefore, is crucial for effective management. Each person is a physiological system composed of a number of subsystems— digestive, nervous, circulatory, and reproductive; as well as a psychological system composed of a number of subsystems—attitudes, perception, learning capabilities, personality, needs, feelings, and values. In this book, we concentrate on the individual's psychological systems.

Interpersonal and Team Processes

Being inherently social, people generally do not choose to live or work alone. Almost all our time is spent interacting with others. We are born into a family group; we worship in groups; we work in groups; we play in groups. Much of our personal identity is based on the way that other group members perceive and treat us. For these reasons—and because many managers spend more than two-third of their working days in meetings—skills in group dynamics are vital to all managers and employees.

Many organizational goals can be achieved only with the cooperation of others. The history of organizations like Walmart, KFC, Kodak, Boeing, and the Tata Group, Infosys, and Wipro back home clearly illustrates the creative use of teams to improve the quality of life and to satisfy the needs of their employees and customers. The productivity generated by effective team action makes the development of team skills one of the most essential aspects of managerial training. Furthermore, membership in productive and cohesive groups is essential to maintaining psychological health throughout a person's life.

Being an effective team member requires an understanding of the dynamics within and between groups. Team members must be skilful in eliminating barriers to achieving their goals, solving problems, maintaining productive interaction among team members, and overcoming obstacles to team effectiveness. Organizations also need leaders who can integrate employee and organizational goals. The ability of organizations to achieve their goals depends on the degree to which leadership abilities and styles enable managers to control, influence, and act effectively.

How employees communicate with peers, superiors, and others can help make them effective team members or lead to low morale and lack of commitment.

For the reason cited above and because most managers spend considerable amount of time dealing with others, interpersonal communication is a major issue for discussion in the area of organizational behaviour.

Organizational Processes

Individuals enter organizations to work, earn money, and pursue career goals. They do so through the organization's culture, which is the set of shared assumptions and understanding about how things really work—that is, which policies, practices, and norms are important in the organization. Newcomers have to understand the organization's culture in order to be accepted and become productive. Some organizations use formal programmes, some others simply rely on co-workers, and still others use a combination of these methods to teach the newcomer what to do and what not to do on the job.

Employees and managers use power to accomplish goals and, in many cases, to strengthen their own positions. A person's success or failure in using or reacting to power is largely determined by understanding power, knowing how and when to use it, and being able to predict its probable effects on others. Job design and organizational design help us to understand the way the jobs have been designed and the features and shape of the organization. Decision making is one of the important activities to be performed by managers and requires expertise.

Change Processes

The management of change involves adapting an organization to the demands of the environment and modifying the actual behaviour of employees. If employees do not change their behaviour, the organization cannot change. Many things must be considered when undertaking organizational change, including the types of pressure being exerted on the organization to change, the kinds of resistance to change that are likely to be encountered and who should implement change. Six basic strategies for achieving change are:

1. People approaches—using behavioural science techniques to involve employees in diagnosing organizational problems and planning actions to correct them;

2. Cultural approaches—changing the shared beliefs, values, expectations, and norms that comprise the organization's culture;

3. Technological approaches—changing the methods by which work is accomplished;

4. Design approaches—rearranging organizational authority, responsibility and decision making;

5. Task approaches—redesigning individual jobs;

6. Strategy approaches—changing the organization's intended courses of action to attain its goals or select new goals.

Check Your Progress

4. What are the five components for understanding the behaviour of employees in an organization?

5. What is the foundation of organizational performance?

7.5 HUMAN RESOURCE MANAGEMENT RELATIONSHIP

Human resource management (HRM) involves the management function through which managers recruit, select, train and develop organization members. While most large organizations have a separate personnel department with a personnel manager who is responsible for the company's personnel related activities, all managers, in the organization are, in a sense, personnel managers since they all get involved in such personnel activities as recruiting, interviewing, selecting and training.

The human resource management function has become increasingly important in today's fast changing world. Several trends, such as global competition, technological dynamics, increasingly knowledgeable and sophisticated customers and more educated work force, are all forcing companies to organize more responsively.

Some of the factors that have impact an personnel decisions and some of the environmental changes that affect personnel policies are described as follows.

- The social and legal pressure is high to increase the proportion of minority workers. This may sometimes result in less than optimal compatibility of job and the worker.

- The workers are shifting their idea of success. Where success always meant a job with good pay, now it is more and more measured by the degree of challenge at the job, new opportunities, job enrichment and job fulfillment.

- The number of people who prefer to work only part time is increasing. Even the full time workers are trying to get fewer work week hours so that they can have more leisore time.

- Education level of the total work force is rising. This also applies to blue collar workers due to compulsory education to a certain age as well as social awareness about the benefits of a good education.

- There is a shift towards more skilled jobs. Due to advent of mechanization, specialization and technological innovations, the number of unskilled jobs has been steadily decreasing resulting in more skilled jobs requiring training and adaptation.

- Labour unions are becoming stronger and highly protective of the work force. The objectives of the unions are to protect their workers from discriminatory treatment, increase their pay and fringe benefits, improve their working conditions and help all employees in general.

- There are continuous social and technological changes. The social values are constantly changing due to amalgamation of many cultures and ideologies and emphasis on rationalization and analytical thinking rather than adherence to traditional social values. Similarly, automation and computerization of industries have changed the requirements of jobs and employees requiring continuous monitoring of job descriptions and personnel requirements.

7.6 GLOBALIZATION AND ORGANIZATIONAL BEHAVIOUR

Although the United States was the dominant economic power in the world throughout the twentieth century, very few American business houses tried to expand beyond American shores. It was really during the last quarter of the century that businesses began to focus globally. However, it seemed that Japanese firms were seizing centre-stage with phenomenal growth in the world markets during the 1970s and 1980s. Japanese firms such as Toyota and Sony challenged management practices with an emphasis on work team and total quality management (TQM). Through the processes of continuous quality improvement and just-in-time (JIT) manufacturing, Japanese products became the world-class standard of quality and innovation in customer products.

Japan entered the 1990s with a recession that brought about major upheavals in the way business had to be done. The once-assumed sacred practice of lifetime employment within the families of large firms crumbled as managers began to lay off employees to cut cost and scale back to excess production capacity. Further, the breakdown of the Soviet Union in the early 1990s into independent republics shifted the world economic–political order. Europe began a new era of technological and economic growth. Historically protected industries such as telecommunications and banking got transformed through open competition and mergers and acquisitions on a global scale and the European Union became a reality (Rossant 1999). Then in 1998, overheated economies in Asia—Indonesia and Thailand in particular—devalued their currencies and the ripple effect of economic destabilization extended to Latin America and other emerging regions. The United States once again was the clear global leader in political and military influence and in business practice and success. But a major disturbance in 2001, the destruction of the World Trade Center (WTC) as a result of terrorist activities, contributed to American insecurity. This short-term history of world events over the past 30 years emphasizes the wild swings of instability that herald an era of global business, both competition and cooperation. A global view becomes critical to managing in the twenty-first century.

Besides these, due to other changes in the world economy, the entire world has become a single stage for operating business. Hewlett-Packard assembles computers in Guadalajara, Mexico, and 3M makes chemical and electrical parts in Bangalore, India. The reason for these and other organizations choosing international locations for some of their new facilities are complex (Lei and Slocum 1992). These organizations want to establish sophisticated manufacturing and service operations that promise growth, not just exploit cheap labour. New technology and continuing drive for greater profits push organizations to build plants and offices in other countries—plants that require only a fraction of the employees required in plants back home.

The implication of these discussions for organizational behaviour lies in the fact that now we cannot assume that people throughout the world hold the same implicit employment relationship expectations. Nor can we assume that everyone in a globally diverse workforce will embrace work teams, employee involvement, reward systems, and other practices that are widely adopted in some of the developed Western countries.

Globalization emphasizes the need to recognize the contingencies of effective OB practice while dealing with a diverse workforce.

Check Your Progress

6. What does HRM involve?

7. How did Japanese products become world class?

7.7 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Robert Owen believed that the returns from investment in human resources would be far superior to the investment in machinery and equipment.

2. The scientific management school is primarily attributed to the ideas and works Fredrick W. Taylor, who is known as the father of scientific management.

3. The contingency approach to organizational behaviour rejects the notion that a universal set of principles and methodologies can be applied to managing behaviour in organizations.

4. The framework for understanding the behaviour of employees in organizations consists of five basic components: the environment, individual processes, interpersonal and group processes, organizational processes and change processes.

5. Individual behaviour is the foundation of organizational performance.

6. Human resource management involves the management function through which managers recruit, select, train and develop organization members.

7. Through the processes of continuous improvement and just-in-time (JIT) manufacturing, Japanese products became world-class standard of quality and innovation in customer products.

7.8 SUMMARY

- The application of behaviour theory perhaps occurred when human beings organized themselves into family units and when the principle of division of labour was probably applied to improve the chances of family survival as a unit.

- Before the advent of scientific management popularized by Fredrick W. Taylor, that put emphasis on productivity in the early 1900s, many management scholars recognized the role and input of workers in the management process.

- The scientific management school is primarily attributed to the ideas and works of Fredrick W. Taylor, who is known as "the father of scientific management."

- The behavioural approach, also known as human relations approach, is based upon the premise of increase in productivity and managerial efficiency through an understanding of the people. The growth and popularity of this approach is attributable to Elton Mayo (1880–1949) and his Hawthorne experiments.

- Contingency approach to management and organizational behaviour rejects the notion that a universal set of principles and methodologies can be applied to managing behaviour in organizations.

- The framework for understanding the behaviour of employees in organizations consists of five basic components: the environment, individual processes, interpersonal and group processes, organizational processes and change processes.

- HRM involves the management function through which managers recruit, select, train and develop organization members.

7.9 KEY WORDS

- **Scientific management:** It refers to the management of a business, industry, or economy, according to principles of efficiency derived from experiments in methods of work and production, especially from time-and-motion studies.

- **Behavioural Approach:** It is based upon the premise of increase in productivity and managerial efficiency through an understanding of the people.

- **Globalization:** It is the process by which businesses or other organizations develop international influence or start operating on an international scale.

7.10 SELF-ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. Write a short-note on the historical perspective of organizational behaviour.
2. What is the relationship between management and organizational behaviour?
3. Discuss organizational behaviour in the age of globalization.
4. List the limitations of organizational behaviour.

Long-Answers Questions

1. Examine the different approaches to organizational behaviour.
2. Describe the framework for understanding the behaviour of employees in an organization.
3. Discuss the human resource management function.

7.11 FURTHER READINGS

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UNIT 8   INDIVIDUAL LEVEL BEHAVIOURAL VARIABLES 1

Structure

8.0   INTRODUCTION

Personality is an important factor influencing an employee's behaviour. Individual traits and attributes reflect an employee's personality. The relationship between supervisor and employees is reflected in their personalities. Some employees are ambitious, others are silent, anxious and amusing. These qualities make up personalities. The personal quality is well known as personality. Any person has his own physical and mental attitudes and inner feelings. Personality traits reveal various types of persons and therefore predict their behaviour. Personality varies from person to person, depending upon their physical and psychological attributes. Personality is a significant variable of behaviour and includes a large number of qualities which cannot be changed easily. Personality is composed of several characteristics which are comparatively permanent and influence human behaviour. Different variables and characteristics form different personalities that are reflected in behaviour. Personality is influenced by several factors such as family, characteristics, learning, social influences, psychological features, etc. The unit will also discuss perception.

8.1   OBJECTIVES

After going through this unit, you will be able to:

- Define personality and perception

- Discuss the different determinants of personality
- Examine the factors that influence perception

8.2 PERSONALITY: DEFNITION AND DETERMINANTS

Personality is a concept that we use continuously in our day-to-day routine when dealing with people. We talk about people as having a good personality or a bad personality or arrogant and aggressive personality. Sometimes we refer to disagreements among people as being due to personality conflicts. Personality can be reflected in a person's temperament and is a key factor influencing individual behaviour in organizations. Often the wrong type of personality of a superior proves disastrous in terms of worker unrest and protests. Sometimes the personality difficulties are the root cause of labour strikes. No matter how good the superior is in technical knowledge or other behavioural characteristics, it is the "temperament" of the superior that is crucial in cordial interaction with subordinates.

There are several aspects of this definition that need to be considered. The first aspect is that of relative stability of characteristics. These characteristics account for "consistent patterns" of behaviour. If a person's entire personality could change suddenly, then we would not be able to predict his personality traits. For example, if a person is sometimes warm and friendly and at other times he is cold and hostile, then we cannot conclude that his personality is warm and friendly. Accordingly, when assessing a person's personality, we need to look for characteristics that are relatively stable or that change only very slowly over a long period of time.

The second aspect is the "commonalties and differences" in the behaviour of people. We are interested in understanding as to what an individual has in common with others as well as what sets that individual apart from others. Every person is in certain aspects,

- like all other people
- like some other people
- like no other person

Organizationally, a manager must understand that all subordinates are not alike and that each subordinate is unique and may or may not respond to the same stimuli, such as pay raise or reprimands.

Finally, we are interested in such aspects of personality that induce people to behave in a manner as required by social pressures or biological pressures. For example, if your boss wants you to do a job in a certain way, you will do it even if you disagree with your boss. That is a kind of social pressure. Similarly, you will stop working and go for lunch because you are hungry. That is a biological pressure. Hence, these behaviours do not require any explanation in terms of personality factors because the causes of such behaviour are clearly understood.

Type A and Type B Personality

One dimension of personality that is getting attention both from organizational as well as medical researchers is the Type A and Type B behaviour profiles. A person exhibiting Type A behaviour is generally restless, impatient with a desire for quick achievement and perfectionism. Type B is much more easy going, relaxed about time pressure, less competitive and more philosophical in nature. Some of the characteristics of Type A personality are given below.

- Is restless, so that he always moves, walks and eats rapidly.

- Is impatient with the pace of things, dislikes waiting and is impatient with those who are not impatient.

- Does several things at once.

- Tries to schedule more and more in less and less time, irrespective of whether everything is done or not.

- Usually does not complete one thing before starting on another.

- Uses nervous gestures such as clenched fists and banging on tables.

- Does not have time to relax and enjoy life.

Type B behaviour is just the opposite and is more relaxed, sociable and has a balanced outlook on life.

Type A behaviour profile tends to be obsessive and, managers with such behaviour are hard-driving, detailed-oriented people with high performance standards. Such managers have difficulties in creating cordial interpersonal relationships and create a lot of stress for themselves and the people they deal with. They specially feel pressurised if they have to complete a task within a given deadline. Type B persons on the other hand do put in extra effort in order to meet a deadline but do not feel pressurised.

Those persons who are classified as Type A have a strong desire and tendency to control all aspects of the situation and if they are unable to control a situation, they react with anger and frustration. Because of their obsession with perfection, they are more apt to fear of failure and even if their work is good, they tend to underestimate the quality of their work. In the case of negative outcomes, they blame themselves more than the external factors.

Research has indicated that such patterns of behaviour as exhibited by Type A personality profile, lead to health problems, specially heart related illness. In contrast, Type B persons may be hard working but feel no pressing conflict with people or time and hence are not prone to stress and coronary problems.

Major Contributing Factors to Personality

While we know what personality is, we are interested to know how a given personality is formed. What determines an individual's personality? Personality can be compared to a jigsaw puzzle in which we are interested in finding out the sources of all the pieces in the puzzle as well as their interrelationships.

There are two broad categories of factors that influence the formation and development of personality. These are heredity factors and environmental factors. It is debatable as to which of these factors have a greater influence on the structure of personality. Some behaviour scientists argue that personality characteristics are derived from heredity factors and the right type of environment only brings them out. Others feel that the effect of environment is quite strong. According to Maier, "knowledge, skill and language are obviously acquired and represent important modifications of behaviour. Learned modifications in behaviour are not passed on to children, they must be acquired by them through their own personal experience."

The probable consensus is that heredity and environment jointly affect personality development. The full potential of a person may or may not be achieved due to environmental constraints and requirements, but the potential for development, both physically and psychologically is determined by the complex set of genes.

The impact of these factors is explained more in detail:

Heredity

The notion of heredity characteristics as contributing towards personality structure is deeply grained in our minds. Sayings such as "like father, like son", when referring to characteristics has some validity.

At conception, each parent normally contributes twenty three chromosomes containing thousands of genes that seem to be the transmitters of traits in certain combinations. Even two real brothers may have different personality traits. These traits are those of physique, eye colour, hair colour, attractiveness, height and nervous systems. Our personality is formed on the basis of how others react to our appearances and intellect. For example, a short person who is usually laughed at, develops a defense mechanism that is reflected in his personality. Similarly, intelligence or lack of it, creates certain impressions on other people where reactions affect the behaviour of the individual.

Environment

Some of the factors constituting the environment are:

Culture   One of the environmental influences on personality is that of culture within which a person has been brought up. Individuals born into a particular culture are exposed to existing values, beliefs, and norms of that culture concerning an acceptable form of behaviour. Such cultures would also define the processes by which these behaviours are reinforced. For example, a spirit of independence, aggressiveness and competition is rewarded by American cultural environment, while Japanese culture reinforces attitudes of cooperation and team spirit. Similarly, in America, the authority in organizations is more impersonal and functional that is the result of cultural influences, while in Japanese culture, managers take active interest in personal lives of their workers.

The person and his culture are so interwoven with each other that it is difficult to distinguish the individual from his cultural context. On the basis of cultural upbringing, the attitudes will differ concerning such subjects as work habits, risk taking, introducing and accepting change, material gains, attitudes towards women and so on.

Culture has been defined by Hoebel as "the sum total of learned behaviour traits which are manifested and shared by the members of the society." It is a unique system of perceptions, beliefs, values, norms, patterns of behaviour and a code of conduct that influences the behaviour of individuals in a given society.

While the impact of culture on personality and similarly in behaviour patterns is well recognized, there is no linear relationship between personality and culture so that individuals within the same culture can differ in their behaviours and personality formats. This is partly due to the existence of sub-culture within culture. For example, the Protestant work ethic is usually associated with Western culture. However, there are extreme differences among individual behaviours within this culture and these differences are based upon socio-economic classes, ages, education, professions and geographic regions. Similarly, blue collar workers are not influenced by the same culture as managers, and skilled workers have different behaviour patterns than unskilled workers. Hence, management must recognise these differences when dealing with people in the organizational context.

Family The immediate family plays an especially important part in the early personality development. The nature of such influences depends upon the socioeconomic level of the family, family size, birth order, race, religion, parent's educational level, geographic location and so on. For example, a person brought up in a poor family has different experiences and attitudes towards life than persons coming from rich or stable families. Similarly, being an only child exposes him to different type of environment than being raised with seven brothers and sisters. Studies have shown that first born children are more responsible, rational and view the world as more predictable. In addition, they are likely to be more independent, ambitious and more sensitive to social acceptance. This may be due to the fact that the eldest child in the family is made to be responsible for other members of the family during the absence of the father. Parents usually serve as role models with which the children strongly identify.

A substantial amount of empirical evidence indicates that the home and family environment, created by the mother and the father as well as their own behaviour is highly influential on personality development of the child.

It would be natural to assume that the most common element in the histories of maladjusted persons is the maladjustment and friction between their mother and father.

Social Social influences relate to a person's interaction with other people throughout his life, starting with playmates during childhood. While the interaction with environment in the earlier years has a more lasting influence on patterns of

behaviour and personality, the social contacts and group belonging in later years continue to have considerable impact on the person's life. As it is said correctly, "A man is known by the company he keeps."

In addition to family members, such factors as friends, peers at work, associates, groups to which an individual belongs, all influence a person's behaviour. Much of the behaviour is an outcome of respect for norms and laws of the society in which the individual exists. Norms are unwritten rules and informal expectations about how people behave in certain social situations. For example, standing in the back of a line for a service is expected behaviour from people. Any person jumping the line will be ridiculed and perhaps not allowed to do so. These norms are useful in standardizing behaviour of all people in a particular environment.

A person's personality is reflected by such behaviours, and the social influences, both within the work environment as well as outside, continue to influence people's personalities and behaviours throughout their lives.

Situation   It is often said that "Life is nothing but a collection of experiences." Each individual's life is unique in terms of events and experiences that he goes through. These events and experiences can serve as important determinants of personality. Some traumatic experiences can sometimes change the structure of the entire personality. There are a number of stories in Hindu scriptures where a dacoit or a killer came to a religious temple and a single interaction with the priest changed him into a saint. Many "born again" Christians can testify that the change in their life styles occurred due to a single but traumatic incident. Sometimes, certain incidents reveal the personality of a person that was so far hidden. For example, a shy and timid person may spontaneously perform heroic actions in saving other people's lives without regard to his own safety. Similarly, some of the most religious and law abiding citizens have indulged in unethical or illegal behaviour due to situational pressures and constraints. The role of psychiatrists in personality shaping and changing is well known.

Check Your Progress

1. Define personality.
2. List one environmental influence on personality.
3. What are social influences?

8.3   PERSONALITY TRAITS

There is an enormous number of human traits. It has been estimated that there may be as many as 5000 adjectives that could be used to describe personality traits. As has been discussed before, personality is a set of relatively stable characteristics or dimensions of people that account for consistency in their

behaviour in various situations. Some of the more important dimensions of personality that are closely linked with interpersonal and organizational behaviour are discussed as follows:

Authoritarianism   Authoritarianism refers to blind acceptance of authority. Authoritarian people believe in obedience and respect for authority. They adhere to conventional values, are generally conservative, endorse strong parental control in keeping the family close and together, are concerned with toughness and power, are closed minded and generally less educated.

Because of their beliefs in hierarchical order, they make good followers, work better under directive supervision and are more productive within authoritarian organizational structure.

Bureaucratic personality   A bureaucratic person differs from an authoritarian person in that his respect for authority is not total and blind, but is based upon respect for organizational rules and regulations. A bureaucratic person values subordination, rules, conformity, orderly processes in the organization, and impersonal and formal relationships. They are generally not innovative, do not take risks and are at ease in following established directives. Bureaucratic managers are better supervisors in types of work that are routine, repetitive and procedurized.

Machiavellianism   Machiavellianism is a term associated with Niccola Machiavelli, a sixteenth century author who identified personality profiles of noble men of the day. This personality believes in manipulating others for purely personal gains and keeping control of others. People with Machiavellianism have high self confidence and high self-esteem. They are cool and calculating and have no hesitation in using others or taking advantage of others in order to serve their own goals. They believe that ends justify means and do not feel guilty in using unethical means to serve their own interests. They are skilled in influencing others and they approach the situations thoughtfully and logically. They would not hesitate to lie if necessary and they are not easily swayed by a sense of friendship, trust or loyalty. They are specially successful in exploiting structured situations and vulnerable people.

Problem solving style   Individuals have their own style of making decisions and this style reflects their personality in certain ways. Some people are very thorough, meticulous and detail oriented. Others are impulsive and are easily swayed by what seems to be obvious. The problem solving style has two dimensions. One is the information gathering that involves getting and organizing data and the second dimension is the evaluation of such data and making decisions. Further, there are two styles involved in information gathering. One style is known as sensation. Sensation oriented people prefer routine and order, structured situations, and put emphasis on precise and well-defined details. The second style known as intuitive style, involves individuals who dislike routine, dislike repetition and prefer new problems. They enjoy learning new skills but follow their instinct and jump to conclusions. Such a person often enjoys fantasy, daydreams a lot and thus is subject to greater error of fact. They change their minds quickly and often do not finish what they start before going to a new project.

Evaluation involves making judgements on the basis of the information so gathered. The evaluation style also has two dimensions. One style involves more emphasis on feeling while the other involves more emphasis on thinking. Feeling type people are sensitive to conflict and try to avoid issues that might result in disagreements. They are emotional and spontaneous and base their decision on how they feel about the situations. They do not like to hurt other people and friendly relationships to them are more important than efficiency or achievement. Feeling type managers find it hard to reprimand their subordinates for inadequate performances and would rather advise, guide and help them.

Thinking type people are more logical, analytical and use reason when solving problems. They are unemotional and are unsympathetic to other people's feelings when making judgements. They are very stubborn about defending their "principles" and what they believe is right. They are organized and well-structured and they carefully consider all options before making decisions.

When the two dimensions of information gathering and the two dimensions of evaluation are combined, it results in four problem solving styles. These are:

1. *Sensation-feeling style*. These people are dependable, friendly, social and approach facts with human concern. They are pragmatic, methodical and like jobs that involve human contact and public relations. Some suitable areas of jobs include teaching, customer relations, social workers, sales people.

2. *Sensation-thinking style*. They are practical, logical, decisive, sensitive to details and prefer bureaucratic type organizations. They are not highly skilled in interpersonal relations and are more suited to such technical jobs as those of production, accounting, engineering and computer programming.

3. *Intuition-feeling style*. These people are enthusiastic, people oriented, charismatic and helpful. Some of the professions suitable for this style are public relations, advertising, politics and personnel.

4. *Intuition-thinking style*. These people are creative, energetic, ingenious, and like jobs that are challenging in terms of design and analysis such as system design, law, research and development, top management and so on.

Locus of control   Locus of control is the extent to which the individuals believe that:

- they control their own lives, or
- external forces control their lives that are beyond their control.

A person with a strong "internal locus of control" believes that he controls events concerning his own life and that his internal traits determine what happens in a given situation. He believes that he is the master of his own destiny. One the other end, a person with a strong "external locus of control" feels that outside forces are affecting the events in his life and he is at the mercy of destiny, chance or

other people. He believes that "whatever will be, will be" and everything happens by the Will of God.

Research has indicated that "internals" are highly confident of themselves and seek out situations where they would use their own wisdom and energies to direct the events and control the outcomes such as starting their own companies.

Research has further shown that internally oriented persons hold jobs of higher status, advance more rapidly in their careers and prefer intrinsic rewards such as feeling of achievement while externally oriented persons are more interested in job security and other extrinsic rewards.

8.3.1   Personality Attributes Affecting OB

The type of personality an individual has decides his behaviour in an organization. One dimension of personality that is getting attention both from organizational as well as medical researchers is the Type A and Type B behaviour profiles. We have discussed these earlier.

Check Your Progress

4. Differentiate between bureaucratic personality and authoritarianism personality.
5. What is locus of control?

8.4   DEFINITION AND IMPORTANCE OF PERCEPTION

The psychological processes that allow an individual to adjust his behaviour is called perception. The behaviour of an individual is influenced by his personality, motives and efforts.The behaviour and performance provides satisfaction to the employee who gets stimulated to work more and develop his personality and work quality.

Behaviour is a victim of the environment, which is observed in the form of stimuli. The sensory organs perceive the stimuli as per their learning and personality. The reverse functions are also correct. The perceptions, if modified through adequate and qualitative stimuli, helps to develop learning and personality. Improved behaviour has better performance and rewards which provide more satisfaction to the employees. A satisfied employee tries to learn and work effectively. An organization grows with the developed employees. Perception is therefore an important and initial step for developing an organizational behaviour. It is a cognitive process which selects, organises and interprets the stimuli. It paves the base for behaviour. Although perception may not be a real-world presentation, it is an imaginary understanding of the situation. The behaviour of an individual is guided

by perception. People perceive differently as per their learning and personality.The perceptual world of a manager is different from the perceptual world of employees. Social factors also influence the perception process. Employees coming from a poor family have different perceptions of an organization from those coming from rich families.The levels of education, family background and political situation have a direct impact on the perception level.

Definition

Perception may be defined as "a cognitive process by which people attend to incoming stimuli, organise and interpret such stimuli into behaviour." Perception can also be defined as "a process by which individuals organise and interpret their sensory impressions in order to give meaning to their environment."

The environment is a stimulus to influence behaviour, because the stimuli are attended, organised and interpreted to arrive at certain forms of behaviour. The sensory organs, i.e. eyes, nose, ears, skin and tongue, are used to change the stimuli into behaviour through their attention, recognition and interpretation processes. The information or stimuli are not accepted by individuals unless they are evaluated and interpreted by the mental processing system. Individuals attend to the stimuli, recognise and translate them into meaningful information, which inspire them to act and perform the job. These processes are known as perpetual process. When employees get satisfaction through their performance, either by meeting their physical or mental needs, they perceive the organization in the right perspective. It helps them understand the functions and achieve satisfaction.

Components of Perception

Perception is a process of sensory organs. The mind gets information through the five sense organs, viz. the eyes, ears, nose, tongue and skin. The stimulation coming to these organs may be through action, written messages, oral communication, odour, taste, touch of the product and people. The perception starts with the awareness of these stimuli. Recognising these stimuli takes place only after paying attention to them. These messages are then translated into action and behaviour.

Stimuli   The receipt of information is the stimulus which results in sensation. Knowledge and behaviour depend on senses and their stimulation. The physical senses used by people are vision, hearing, touch, smell and taste. Intuitions and hunches are known as the sixth sense. These senses are influenced by a larger number of stimuli which may be action, information, consideration and feelings, etc. The stimuli may be in the form of objects or physical commodities. The human body itself is developed through the acceptance of the stimuli. The mind and soul are the victims of these stimuli occurring in the surroundings of the people. The family, social and the economic environment are important stimuli for the people. The physiological and psychological functions are the result of these stimuli. The intensive and extensive forms of stimuli have a greater impact on the sensory organs. The physical work environment, socio-cultural environment and other factors have

certain stimuli to influence the employee's perception. Perception begins only when people confront stimuli; that is, stimulating factors give information about the situation.

Attention Stimuli are selectively attended to by people. Some of the stimuli are reacted to while others are ignored without being paid any attention. The stimuli that are paid attention depend purely on the people's selection capacity and the intensity of stimuli. Educated employees pay more attention to any stimuli, viz. announcement of bonus, appeal for increasing productivity, training and motivation. The management has to find out suitable stimuli which can appeal to the employees at the maximum level. If the attention of the employees is not drawn, the organization cannot expect proper behaviour from the employees. An organization should be aware of all those factors which affect the attention of the employees. During the attention process, sensory and neural mechanisms are affected and the message receiver becomes involved in understanding the stimuli. Taking employees to the attention stage is essential in an organization for making them behave in a systematic and required order.

Recognition After paying attention to the stimuli, the employees try to recognise whether the stimuli are worth realising. The messages or incoming stimuli are recognised before they are transmitted into behaviour. Perception is a two-phase activity, i.e. receiving stimuli and translating the stimuli into action. However, before the stage of translation, the stimuli must be recognised by the individual. The recognition process is dependent on mental acceptability. For example, if a car driver suddenly sees a child in front of his running car, he stops the car. He recognises the stimuli, i.e. the life of the child is in danger. His mental process recognises the danger after paying attention to the stimuli. If he does not pay attention to the stimuli, he cannot recognise the danger. After recognising the stimuli, he translates the message into behaviour.

Translation The stimuli are evaluated before being converted into action or behaviour. The evaluation process is translation. In the above example, the car driver after recognising the stimuli uses the clutch and brake to stop the car. He has immediately translated the stimulus into an appropriate action. The perception process is purely mental before it is converted into action. The conversion is translation. The management in an organization has to consider the various processes of translating the message into action. The employees should be assisted to translate the stimuli into action. For example, the announcement of bonus should be recognised as a stimulus for increasing production. The employee should translate it into appropriate behaviour. In other words, they should be motivated by the management to increase productivity. During the translation period, psychological mechanism commonly known as sensory and mental organs are affected. They influence perception. The incoming stimuli are interpreted and perception is developed.

Behaviour Behaviour is the outcome of the cognitive process. It is a response to change in sensory inputs, i.e. stimuli. It is an overt and covert response. Perceptual behaviour is not influenced by reality, but is a result of the perception process of

the individual, his learning and personality, environmental factors and other internal and external factors at the workplace. The psychological feedback that may influence the perception of an employee may be superior behaviour, his eye movement, raising of an eyebrow, the tone of voice, etc. The behaviour of employees depend on perception which is visible in the form of action, reaction or other behaviour. The behavioural termination of perception may be overt or covert. The overt behaviour of perception is witnessed in the form of physical activities of the employees and covert behaviour is observed in the form of mental evaluation and self-esteem. The perception behaviour is the result of the cognitive process of the stimulus which may be a message or an action situation of management function. Perception is reflected in behaviour which is visible in different forms of employees' action and motivation.

Performance Proper behaviour leads to higher performance. High performers become a source of stimuli and motivation to other employees. A performance–reward relationship is established to motivate people.

Satisfaction High performance gives more satisfaction. The level of satisfaction is calculated with the difference in performance and expectation. If the performance is more than the expectation, people are delighted, but when performance is equal to expectation, it results in satisfaction. On the other hand, if performance is less than the expectation, people become frustrated and this requires a more appealing form of stimulus for developing proper employee work behaviour and high performance. It is essential to understand the factors that influence the perception process and mould employees' behaviour towards the corporate objectives and self-satisfaction.

Several stimuli are observed everyday by individuals. They confront these stimuli, notice and register them in their minds, interpret them and behave according to their background and understanding. Employees confronted with stimuli select only a few stimuli of their choice and leave other stimuli unattended and unrecognised. Factors influencing the selective process may be external as well as internal, organizational structures, social systems and characteristics of the perceiver.

8.5 FACTORS INFLUENCING PERCEPTION

No doubt stimuli do play a significant role in the perception process as various factors relating to the perception process have been noticed by behavioural experts. The factors influencing perceptions are the perceiver's characteristics, object and situations. However, they can be analysed under specific heads such as the perceiver's characteristics, personal factors, internal factors, organizational structures and social conditions.

Perceiver's Characteristics

Perception depends on how an individual views the objects and situations. Some employees may perceive the workplace as incorporating favourable working

conditions, while others may perceive it as a place of good pay. The perception is not actual reality, but it is the viewing of the reality which differs from person to person according to their respective characteristics. Perceptions of the object are influenced not only by individual's characteristics but also by the characteristics of other employees, the manager's personality and employee's views from their perception of the workplace. The characteristics of employees, viz. attitude, motives, interests, habits, experience, expectations, learning and personality, have a greater influence on perception formation.

Attitude   The attitude and aptitude of employees influence perception formation. If they have positive attitudes towards the management, they directly perceive the stimuli given by management. In case of negative attitudes, the employees suspect the management's approach. Employees of high aptitude have a desire and attitude for growth. They behave positively towards the management of an organization.

Motives   The motives and desires of employees cause them to view stimuli differently as per their level and angle. Helpful motives of the employees will always assist the management. If they desire to develop themselves and the organization, they will perceive objects and situations positively. Employees having low motives will not work sincerely. The perception will differ depending on different types of motives. An indecisive manager perceives his supervisors differently. Personal insecurity of a manager results in doubtful perception about his supervisors, irrespective of their intentions. People who are dubious are prone to see others as dubious persons. Motives are reflected in actions based on perception.

Interest   The interest of individuals draws more attention and recognition to stimuli. Less attention and recognition lowers the impact of stimuli or objects on behaviour. If employees lack interest, behaviour pattern will be less effective, and the perception will be weak. Managers cannot influence the employees in their work culture. Since individual interests vary from person to person, the perception is also different. However, the management tries to create interest among the employees to have higher perception of the organization.

Habits   Habits die hard and therefore individuals perceive objects, situations and conditions differently according to their habits. Many employees learn quickly. Others are slow in perceiving a stimulus. Some employees are not bothered about the management. They do not perceive the object correctly. Some people work by smoking or chewing pan. Thus, the habits of people have different perception levels.

Experience   The experience of employees results in different levels of perception. A young employee takes time to understand the object and situation. Experienced employees generally understand objects quickly and correctly. However, in contradictory situations, it is difficult to correct aged persons, whereas the young are easily moulded towards achieving the objectives of the organization.

Expectation   Expectations distort perceptions. People see what they expect to see. If they see the object and the situation differently from their expectations, they

get frustrated. They are unable to modify their behaviour. The employees may expect more pay and so they perceive the management from that angle. The real stimuli are not properly perceived if expectations exist there on. The management has to evolve expectations for proper perception.

Learning   Learning levels of employees have a great impact on their perceptions.It is an important factor influencing perception formation. Educated persons have higher perceptions than the less educated persons. Attitudes are developed according to the learning levels.

Personality   Personality has different levels of perception. The personality of a perceiving person considerably affects the stimuli transformation behaviour process. Young people perceive objects and situations in the original form. Experienced persons perceive the objects as per their personality levels. Perception influences learning which is a developing factor of personality. The personality has a wider impact on the perception process too. Persons can view objects and situations as per their personality levels. The age, sex, motivation, learning levels, etc. influence perception.

External Factors

The perception process is influenced by external factors which may be objects and situations. The external points related to objects and situations have great influence on the perception process. The external factors may be the size, interest, contrast, repetition, motion, familiarity, novelty and others.

Size   The size of the object or stimulus has a greater impact on the perception process because the size influences attention and recognition in a more effective manner. Employees are greatly influenced by tall and well-built managers as compared to the normal-sized individuals. The engineering department pays more attention to big and attractive machines. Big-sized objects have a natural attraction and get more attention.

Intensity   Researchers on human behaviour have revealed that the more intense the stimuli, the higher the attention and recognition in the perception process. A strong- voiced manager has more impact on supervisors and employees. It is observed that managers use voice modulation to get the attention of employees. Bright letters and strong appeal have more impact on people than normal letters and low appeal. More attention results in a higher recognition and behaviour pattern. The intensity varies as per the needs of the organization. The same type of intensity may not be useful for all the situations and objects.

Contrast   Contrasting objects have more impact on behaviour. Employees pay more attention and recognition to contrasting objects and situations. Machines making noises are hardly noticed, but a machine coming to a halt is immediately noticed because of contrast stimuli. Normal communication and performance have less impact than abnormal and contrast communication. The purpose of contrast stimuli is to attract more attention and recognition. However, if the contrast

is not helpful in drawing more attention, it should be avoided and more attention-drawing stimuli should be exercised for gaining a real perception of work behaviour.

Repetition Repeated stimuli have more impact on performances than a single statement. Repetition has the advantage of being attention-catching. When stimuli are waning, repetition generates fresh attention and recognition. Supervisors repeat orders several times to have them followed by employees.

Motion People pay more attention to the moving objects than to stationary objects. This is just the impact of eyes on the mind. Workers are more attentive towards working machines than stationary machines. The video films of some training programmes create more of an impact on employees than others.

Familiarity Employees would like to hear and see those programmes with which they are familiar. Training programmes demonstrated in the language of the employees are highly attended and recognised. Examples which are known and easily understood are used for motivating employees.

Novelty Novel actions get more attention. New ideas and model preaching will draw the attention of the perceiver. Changing jobs reduce monotony. Novel objects and situations are recognised clearly by the perceivers.

Situations Situations have a great influence on people's perceptions. A favourable work environment develops a positive attitude and work culture because the perception process is easily channelised and rightly directed. The management style and functioning of the organization influences the employee's mental state through attention and recognition. Work relations also have some impact on perception forces.

Objects Objects are external factors influencing the perceiver because he has no control over them. The physical and internal attributes of objects are influencing factors of perception. The physical and time proximity, complex nature of objects, presentation of messages and the territorial approach of the management have great impact on the perception.

Internal Factors

Internal factors are within the personal control of the perceivers. They use these factors when they so desire. They are based on the individual's psychological setup, economic and social background, learning, personality and motivation.

Psychological setup Factors such as attitude, interest, preferences, likings and other psychological bent of mind distort the perception process. People perceive what they like to perceive because of their attitudinal and mental approaches. These factors are the outcome of not only the self factors of the individuals but their actions and interaction with other people. People working with employees help in the foundation of the psychological setup. One person's problem may be another person's satisfaction. For example, giving a higher bonus is a state of satisfaction to employees, but becomes a problem for managers.

Economic and social background   The employee perceptions are based on economic and social backgrounds. The employee's level of understanding depends upon their economic and social backgrounds. Socially and economically developed employees have a more positive attitude towards development rather than less developed employees. However, developed employees are prone to decision-oriented functions. Conflicts between managers and employees will increase in this case. The problems can be resolved only through proper perception processes.

Learning The state of learning influences the perception process. Highly educated persons can easily and rightly perceive the management's problem. They cooperate in problem solution. On the contrary, less educated employees are less concerned about the management. They perceive the management as a separate and superior part of the organization, who tend to exploit the labour, irrespective of the reality. People perceive as per their levels of learning. It is therefore essential for the organization to make its employees knowledgeable and educated for their effective performance and behaviour. The learning of managers and workers is a twin requirement.

Personality   The personality of the perceiver as well as the stimulator have an impact on the perception process. The age, sex, race, dress, facial expressions and body postures of both the persons have a direct influence on the perception process. If the perceiver is female and the stimulator is male, the perceiver gets some influences only if she prefers males. Otherwise, the perception process will be distored. The ethnic personalities have some influence on perception. Physical and mental characteristics, work pattern and age similiarities affect the perception process.

Motivation   The pattern of motivation in an organization helps to develop perception building. Motivated people have the right perceptions about the stimuli, whereas the loco-profiled workers are doubtful about the message given by the management for the development. The approach of the female managers to problems is given more attention and recognition. Motivational theories have revealed the perception processes of particular categories of employees. Attention is drawn towards their needs, satisfaction and achievement desires. The mental state of motivational desire influences the perception process.

Stimuli based on external factors receives varied degrees of attention and recognition. Internal factors, i.e. factors related to employees and managers, have different degrees of impact on the attention and recognition process while being translated into behaviour which results in performance.

Organizational Structure

The perceptual process is influenced by the organizational structure and process. The perceptual structure, perceptual grouping, constancy, context, defence, workplace and process have been recognised as important factors influencing the perceptual process.

Perceptual structure   The organizational structure influences the perception of employees and other people related to the organization. The departmentalisation, decentralisation, delegation of authority and other structural frameworks have important bearings in the mind of employees. An adequate amount of decentralisation makes employees feel that the organization is welfare-oriented. Similarly, too much centralisation gives rise to the feeling of suspicion in the minds of employees. Structure itself becomes a flowchart of perception. Work relations and the decision-making authority provide an important understanding of organizational perception. If the structure is viewed positively by the employees, they willingly contribute to the development of the organization.

Perceptual grouping   The manager generally groups all the stimuli together to influence the employees. The grouping is done based on closure, continuity, similarity and proximity. The closure doctrine of grouping is based on the Gestalt Principle of psychology wherein the individuals perceive the whole object although the whole unit does not exist. For example, the manager perceives that all the members cooperate with him in achieving computerisation, whereas some members really oppose mechanisation. The manager tries to close the disagreement and maintains uniformity in agreement for mechanisation. On the other hand, if the members do not withdraw their disagreement, they observe their individual perceptions.

The continuity principle emphasises that the stimuli should continue to make an impact on the perceiver. Discreet stimuli may however distort the perception process. The continuity principle is different from the closure principle as missing stimuli are applied in the latter case, whereas a continuous link is maintained in the former case. It is observed that only continuous and related stimuli are easily attended and recognised. The obvious and continuous flow of stimuli may produce the desired behaviour.

The similarity principle assumes that similar stimuli are easily attended, recognised and perceived. The similarity has its own impact on the employees. For example, employees wearing special clothes at the workplace automatically carry the message of the organization. Similarity in age, sex, education and other characteristics have a direct impact on the employee's perception.

The proximity principle refers to the grouping of the segments into one unit. Nearness of stimuli will be perceived as wholesome for the group. All the stimuli are considered one because of physical proximity. For example, all the employees in one cadre will be considered as one group which is stimulated by the proximity of stimuli. Departmental employees are considered as a single group employees because of proximity. They are motivated on the basis of proximity stimuli.

Perceptual constancy   Perceptual constancy plays an important role in the perception process. The stability and unchangeability of objects help in the constant perception process of people. The constancy of stimuli helps in easy perception because people become accustomed to the stimuli. The size, shape, place and colour of objects and situation are easily observed if they are constant. Constant stimuli make the perception process easy and effective.

Perceptual context The context of the stimuli with reference to objects and situations has a meaningful impact on the perceiver. If the perceiver has the confidence that the stimuli are relevant to their work and awards, they may pay more attention to the perception process, policies and objectives relevant to employees. Welfare is paid more attention. Verbal communication in the relevant context is given more perceptual consideration.

Perceptual defence The defensive role of the management is well recognised by the employees. There are many areas where employees develop conflicts which are resolved by the management. Such functions which provide defence to conflicting views are given more importance by employees. People like to defend their professions, work and work relations, if they are satisfied. On the contrary, dissatisfied workers criticise their own work and workplace. Many workers perceive conflicts as not being very serious. They only perceive conflicts as casual and to be expected, without any significant features. Some employees however find conflicts alarming. They react to warning signs and perceive the situation differently. Managers can find different perceptions for their actions because they view the situation from the angle of defence.

Perceptual workplace The perceptual process is affected by the workplace too. The climate temperature, noise, smoke and other factors have a direct bearing on the perception and psychological traits of employees. Consequently, the perceptual process is different for different employees. Some employees develop a positive perception while others develop a negative perception of the workplace. All employees perceive the same situation and object differently because of the varied nature of their workplace.

Perceptual process The relationship between employees and managers is crucial in the perceptual process. Employees may perceive a low output with pleasure to influence their supervisor. The management has a different perception of performance and evaluation. Some may perceive a self-fulfilling prophecy by the management, when they have too high or too low expectation from employees. High expectation inspires managers to motivate their employees positively. Managers develop subjective attitudes many times about the performance and process. Besides, the employees' efforts are also considered for performance and process valuation. During the work process, some employees are troublemakers and some are loyal. The perceptual process is an important factor for the perception process of management and employees.

Social Factors

Social conditions have much influence on the perception process. Perceivers and the perceived objects have complex characteristics. They are perceived differently in different situations. The attributes of objects are important considerations influencing the selectivity process of perception. Attributes of objects, the subject, the situations and the perceiver have become so important that a separate theory known as attribution theory has been developed under the perception theory.

Social factors consider how one person behaves towards the other person and how other people behave towards him. The interaction between the manager and his subordinates is considered under social factors which include the stereotyping effect, the halo effect, contrast effect and projection.

Making Judgements about Others or Sterrotyping

Stereotyping effect   The perception process takes the shortest method in some cases and considers only routine effects. Stereotype judgement is based on an ideal situation or the type of impression formed about the group. It is the consideration of individual's characteristics as being representative of the whole group. If an employee is found well behaved, the whole group of employees is considered to be good. If, in an organization, a manager is helpful, it is generalised that the organization is very helpful and sympathetic towards employees. It is an inductive method wherein conclusions are aggregated from individual performance; that is, it accumulates particular cases to arrive at general conclusions. Stereotyping is generalisation which has the advantages of being time saving, accurate and common. For example, assume that the management has previously found that sportsmen and athletes have been very successful workers in the factory. They were ambitious, hardworking and can easily overcome adverse situations. In future selection process, the management may appoint such sportsmen and athletes without undergoing many selection procedures. Similarly, many decisions are taken on the basis of the stereotyping effect. The generalisation may prove disastrous if it is relied on heavily without proper scrutiny and examination of individual characteristics. The most important stereotyping effects are observed in the form of age, sex, nationality and social status.

The stereotyping effects under social perception consider the attributes, traits and other qualities of a member of a social organization. These qualities are generalised as the qualities of the social organization or group. However, there may be perceptual errors, because the generalised attributes and qualities may not be found in all the cases. Therefore, the perception process takes into consideration the amount of perceptual errors when deriving conclusions based on stereotyping effects. Favourable and unfavourable traits are always calculated and evaluated to find their impact on the behaviour or decision taken. Stereotyping has become an important factor of social perception, which is based on ethnic groups—socio-economic groups, demographic groups and so on. The individual difference in the group is recorded to evaluate the perceptual errors in arriving at stereotyping effects.

The belief factor in stereotyping effects has become an important tool to arrive at certain decisions. One can conclude that an organization has a democratic manager. The common characteristics are the basis of belief. If a manager belongs to the said democratic organization, one can believe that he will also have the same characteristics. The errors may be there in belief because of ignoring variations in characteristics and holding mistaken beliefs. The beliefs or sterotyping effects

are modified from time to time to arrive at correct perception behaviour and decisions.

Check Your Progress

6. Define perception.

7. List two factors that influence perception formation.

8. What is stereotype judgement based on?

8.6 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Personality is a stable set of characteristics and tendencies that determine those commonalties and differences in the psychological behaviour (thoughts, feeling and actions) of people that have continuity in time and that may not be easily understood as the sole result of the social and biological pressures of the moment.

2. One of the environmental influences on personality is that of culture within which a person has been brought up.

3. Social influences relate to a persona's interaction with other people throughout his life, starting with playmates during childhood.

4. A bureaucratic personal differs from an authoritarianism persona in that his respect for authority is not total and blind, but is based upon respect for organizational rules and regulations.

5. Locus of control is the extent to which the individuals believe that:
   • They control their own lives
   • External forces control their lives that are beyond their control

6. Perception may be defined as a cognitive process by which people attend to incoming stimuli, organise and interpret such stimuli into behaviour.

7. The attitude and aptitude of employees influence perception formation.

8. Stereotype judgment is based on an ideal situation or the type of impression formed about the group.

8.7 SUMMARY

• Personality is a stable set of characteristics and tendencies that determine those commonalties and differences in the psychological behaviour (thoughts, feeling and actions) of people that have continuity in time and that may not

be easily understood as the sole result of the social and biological pressures of the moment.

- A person exhibiting Type A behaviour is generally restless, impatient with a desire for quick achievement and perfectionism. Type B is much easier going, relaxed about time pressure, less competitive and more philosophical in nature.

- There are two broad categories of factors that influence the formation and development of personality. These are heredity factors and environmental factors.

- Authoritarianism refers to blind acceptance of authority. Authoritarian people believe in obedience and respect for authority.

- Introvert persons are basically shy, prefer to be alone and have difficulty in communicating. Extroverts are outgoing, objective, aggressive and relate well with people.

- Perception may be defined as "a cognitive process by which people attend to incoming stimuli, organise and interpret such stimuli into behaviour."

- Perception can also be defined as "a process by which individuals organise and interpret their sensory impressions in order to give meaning to their environment

- The factors influencing perceptions are the perceiver's characteristics, object and situations. However, they can be analysed under specific heads such as the perceiver's characteristics, personal factors, internal factors, organisational structures and social conditions.

- The perceptual process is influenced by the organisational structure and process. The perceptual structure, perceptual grouping, constancy, context, defence, workplace and process have been recognised as important factors influencing the perceptual process.

8.8 KEY WORDS

- **Perception:** It is the organization, identification, and interpretation of sensory information in order to represent and understand the presented information, or the environment.

- **Attitude:** It is a feeling or opinion about something or someone, or a way of behaving that is caused by this.

- **Stimuli:** It is a thing or event that evokes a specific functional reaction in an organ or tissue.

- **Authoritarianism:** It is the enforcement or advocacy of strict obedience to authority at the expense of personal freedom.

- **Machiavellianism:** It is the employment of cunning and duplicity in statecraft or in general conduct.

8.9 SELF-ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. Differentiate between Type A and Type B personality.
2. What do you understand by authoritarian personality?
3. What is stereotyping effect?
4. What are the different components of perception?

Long-Answer Questions

1. Examine the different contributing factors to personality.
2. Discuss the different personality traits.
3. Describe the different factors that influence perception.
4. What are the different personality attributes that affect organizational behaviour?

8.10 FURTHER READINGS

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BLOCK - III
GROUP AND INDIVIDUAL BEHAVIOUR
OF ORGANISATION

UNIT 9   INDIVIDUAL LEVEL BEHAVIOURAL VARIABLES 2

Structure

9.0 Introduction
9.1 Objectives
9.2 Values
9.3 Attitude
9.4 Definition and Concept of Emotions
9.5 Emotional Intelligence
        9.5.1   Indian Perspective on Emotional Intelligence
9.6 Answers to Check Your Progress Questions
9.7 Summary
9.8 Key Words
9.9 Self-Assessment Questions and Exercises
9.10 Further Readings

9.0   INTRODUCTION

This unit will discuss attitudes, values and emotional intelligence. Attitude is a collection of the type of personality, feelings towards the outside world, confidence within self and more. On the other hand, values refer to the basic convictions which lead to formation of conduct or social preferences. Values are a combination of different attitudes and attributes of individuals. On the other hand, the capacity to be aware of, control, and express one's emotions, and to handle interpersonal relationships judiciously and empathetically is known as emotional intelligence.

9.1   OBJECTIVES

After going through this unit, you will be able to:

- Describe the concept of attitude and its relation to organizational behaviour
- Explain the relationship between values of an individual and organizational behaviour
- Discuss the concept of emotional intelligence and its characteristics

9.2   VALUES

Employees have certain values in life. They view life from different angles which are reflected in their work performance. Learning helps them develop high values towards their jobs and the organization. Values refer to the basic convictions which lead to formation of conduct or social preferences. Values are a combination of different attitudes and attributes of individuals. They help employees decide what is right, good, desirable, favourable and so on. One value may be useful for a person, but may not be effective for others. The intensity attribute or value system has relative importance. Values are a code of conduct developed by an individual and the social system. Honesty, self-respect, equality, sincerity, obedience, truthfulness, etc. are various examples of values.

Values are significant in organizational behaviour. Employees behave properly if they give importance to values. Learning may help provide opportunities for development of values. Employees would be aware of what ought to be done or what ought not to be done by giving importance to values. Behaviour is modified only if people are aware of right or wrong things which are the deciding components of values. Learning aims to develop values so that employees can perform and behave properly. Values influence objectives too, because values shape the attitude and behaviour of employees. For example, obedient employees perform efficiently without creating any problems for the management. Disciplined employees feel directed towards objectives. Learning helps employees develop high values and favourable behaviour.

Sources of Values

People develop values from different sources, e.g. parents, friends, teachers, society, religion, workplace and national characteristics. Parents are the initiators of values. Mother and father always tell us what is right or what is wrong. They ask their children to do right things and avoid wrong things. Every family has certain values which are inculcated in the children. Brothers and sisters play significant roles in developing values. Parental guidance paves the value system on which children develop their attitude and behaviour. That is why it is said that children of a good family will be good and hard workers. Parents talk about society, friends, nations and work values, and these values are incorporated by children in their attitudes and behaviour.

Friends influence each other to resort to particular behaviour. Good company helps develop good values. Teachers teach several good values to be adopted by students. Teachers are real instructors of value to learners. Society has a great impact on shaping the inter-behaviour of people, which provides value formation. Club members encourage different values depending upon their respective characters. Values are learnt and developed through religious factors. God, universe, fortune and suffering are attached to value application in behaviour. For example, righteous behaviour pleases god and vice-versa. A pleased god showers fortune

and a displeased god gives suffering, as per several examples of religious and cultural beliefs. Indian society believes that good values are related to godly pleasure which give satisfaction to people. Workplaces teach honesty, responsibility, diligence, endurance and so on. People should be honest and responsible while performing a job. Good values have become strong forces for good behaviour whereas bad values destroy social and economic ties. Misery, suffering and dissatisfaction are associated with bad values. Good values give satisfaction as they help one to perform better. National characters have a great impact on the values exercised by the people. Warring nations have been developing warring and fighting values as real factors for satisfaction. Peace-loving nations develop peace values in people. Based on different sources of value formation, values are different. Learning strengthens good values and avoids bad values through positive and negative reinforcements respectively. The social learning process helps develop varied values.

Types of Values

Values may be of different types, depending upon their sources of formation, namely family values, economic values, social values, religious values and national values. Family values preach methods of living in a family. The behaviour of family members with each other depends on the values developed. For example, the relationship between parents and children, brother and sister and so on have certain behavioural values. A father will treat his children affectionately. Similarly, children are expected to honour and respect their parents. There are different family values which are bases of satisfaction and happiness in the family.

Economic values give importance to money, financial resources and property formation. If an employee is unable to develop himself and his family, he has not given due importance to economic values. In the modern age, people recognise economic values more than other values. Economic well-being is considered a symbol of status and satisfaction. Social values refer to the methods of behaviour in society. Social recognition and social satisfaction are related to social values. If a friend helps other friends, he values friendship and selflessness. Religious values are often observed in India where large sections of the people are governed by religious values and acceptances. Religious leaders shape lives of people through the preaching of religious values such as having faith in god, non-interference in others' lives, job fulfillment, being active, non-attachment, etc. The aim of life is told to them and this incorporates several relevant values to shape the behaviour of people. It is also referred to as a terminal value. People practice instrumental values for the development of family and society. Values at the workplace are covered under economic values, whereas values of behaviour accepted in the organization are known as instrumental values for achieving satisfaction. National values are preached by national leaders. Mahatma Gandhi preached some significant values to the people of the nation. Truth and non-violence were the two important values preached by him. Different values are attached to particular generations. The modern generation below the age of 30 are more free, leisure-minded, flexible and so on.

Learning programmes should be designed in such a way that the employees can develop high values for corporate development and their satisfaction as well. Instrumental values of honesty, responsibility, ambition, courage and independence may achieve the terminal values of self-respect, security, accomplishment, happiness and self-satisfaction. Older people are conservative, loyal and quality-oriented whereas the younger generation is flexible, leisure-liking and believes in building up relations. Good values are to be explored, initiated and developed for the modification of performance behaviour in an organization. Learning has a great role to play in achieving this objective.

Check Your Progress

1. What are values?

2. Who are the initiators of values?

3. What are instrumental values for achieving satisfaction?

9.3 ATTITUDE

Attitude is a collection of the type of personality, feelings towards the outside world, confidence within self and more.

Characteristics of Attitude

Attitudes have four basic characteristics—direction, intensity, salience and differentiation. The direction of an attitude is favourable, unfavourable or neutral. We may like, dislike or be neutral in our views about a person, a job or a situation. The intensity of the attitude refers to the strength of the effective component. For example, we may dislike a person but the extent of our disliking would determine the intensity of our attitude towards him. Such dislike may range from weak to strong. In general, the more intense the attitude, the more persistent will be such behaviour. Salience refers to the perceived importance of the attitude. Some people may not like to work with computers as they may not perceive it to be as important as a student in computer information systems for whom the knowledge of computers is mandatory for a career. Finally, attitudes can be high or low in differentiation depending upon how strong the supporting beliefs and values of the person are.

Components of Attitude

The attitudes, irrespective of what they are, generally consist of three major components. These are:

(i) **Evaluative component:** The evaluative component of attitude is a function of how we feel about something. It refers to our liking or disliking for a particular person, any particular event or any particular situation. Such person,

event or situation becomes the focus of our attitude and is known as *attitude object.* For example, you may feel positively or negatively about your boss, about your friend, about the movie you have seen or about anything you happen to see.

(ii) **Cognitive component:** Feelings, however, do not simply and automatically develop. Most often they are based on knowledge. For example, if you know that your friend is talking ill about you behind your back, such knowledge would result in negative attitude towards your friend. Similarly, you might believe that your supervisor does not know much about the job. This belief is based upon your knowledge of how the supervisor is handling the job. These beliefs, which may or may not be justified comprises the cognitive component of attitude.

(iii) **Behavioural component:** What you believe about something and how you feel about it would determine your behaviour regarding that particular person, event or situation. For example, if you believe that your boss is embezzling company funds, and you feel negatively about it, you are likely to behave with little respect for such a boss. You may either inform his superiors about it or you may want to look for another job. Such predisposition to act in a certain way contributes the behavioural component of the attitude. Such a predisposition may not actually predict your behaviour. For example, if your boss is embezzling company funds, you may take some steps or you might simply ignore it by convincing yourself that it does not directly concern you. In other words, your intention to behave in a certain way dictates how you actually do.

Based upon these components, attitudes can be defined as relatively stable clusters of feelings, beliefs and behavioural predispositions. By including the words *relatively stable,* we are referring to something that is not permanent nor fleeting. In other words, once attitudes are formed, they tend to persist and can only be changed by strong outside or inside forces. For example, your attitude towards someone may be negative but may change if situations or circumstances change.

Attitude and Behaviour

It is assumed that the relationship between the attitude of a person and his behaviour is causal in nature, meaning that the attitudes that people hold determine their behaviour and what they do. Logic also suggests such a relationship. For example, people watch television programs that they like, that is, their attitude about such programs is positive. Research conducted in the late sixties concluded that the relationship between attitude and behaviour is, at best, minimal. More recent studies have indicated that there is indeed a measurable relationship if moderating contingency variables are taken into consideration. The moderating variables which have been found to be most powerful include:

- Importance of the attitude

- Specificity of the attitude
- Accessibility of the attitude

Additionally, they have been also linked to existence of any social pressures on the individual and the direct experience of the attitude. Attitudes that are considered important by the individual tend to be strongly related with behaviour. Similarly, attitudes that are specific are more predictable of behaviour. For example, if someone really likes his job, it can be predicted that he will stay with the company for a longer period of time. Attitudes that are frequently expressed are more reliable and more accessible to the memory and hence greater predictors of behaviour. Social pressures have a strong influence on attitudes and behaviour. For example, a member of a group may not agree with the group on certain issues but may go along, because of the social pressures within the group. Finally, the personal experiences with people and situations affect strongly the attitude and behaviour of a person. Positive experiences result in positive attitudes and negative experiences result in negative attitudes. For example, a student who has taken a course with a professor is in a much better position to evaluate him as compared to someone who has not taken his course.

The relationship between attitude and behaviour is well documented. However, debate is still going on as to whether the changes in attitudes affect the changes in behaviour or whether the changes in behaviour affect the changes in attitudes. In other words, it is not clear as to which one is the cause and which one is the effect.

Attitudes and Productivity

There are two key work attitudes, which determine the importance of attitude behaviour relationship with respect to productivity. These are job satisfaction and organizational commitment. Equally important are the complex relationships between job satisfaction and job performance.

Often, we assume that a happy employee is a productive employee. To some degree, this assumption is valid. Job satisfaction is defined as a positive feeling about one's job. A high degree of job satisfaction reflects a high degree of happiness and a high degree of happiness with the job generally results in higher dedication to work and higher productivity. A job is more than just an activity. There are different job elements that may be responsible for determining the satisfaction and dissatisfaction level of the employees. However, it may be a complex process to identify the different job elements such as interaction with co-workers and superiors, following organizational policies and rules, meeting performance standards, and so on.

It can be safely assumed that generally speaking, people are satisfied with their jobs. This assumption is based on the observation that a dissatisfied person can always change jobs. Of course, professional people are more satisfied than routine blue collar personnel such as factory workers. This can be due to the fact

that professionals have more challenging and exciting jobs than manual workers who have routine and monotonous jobs. Management is interested in measuring job satisfaction because low job satisfaction can result in costly turnover, absenteeism and tardiness—elements that result in poor productivity. Studies have shown that the level of overall workforce, job satisfaction and organizational performance are linked. This indicates that the effectiveness of an organization increases with the satisfaction level of the employees. Therefore, the more the dissatisfied employees in an organization, lesser is the organizational effectiveness. As satisfaction is a result of satisfactory work experience, high levels of dissatisfaction help to identify organizational problems that need attention and redressal.

Check Your Progress

4. Name the four basic characteristics of attitude.

5. What is the evaluative component of attitude?

6. What are the two key work attitudes which determine the importance of attitude behaviour relationship with respect to productivity?

9.4 DEFINITION AND CONCEPT OF EMOTIONS

Etymologically the word emotion is derived from the Latin word **Emovere** which means to **stir up, to agitate** or to excite. RS Woodworth (1945), by making use of this explanation has defined emotion in this way, 'Emotion is a **moved** or **stirred up** state of an organism. It is a stirred up state of feeling, that is, the way it appears to the individual himself. It is a disturbed muscular and glandular activity—that is the way it appears to an external observer'.

According to Crow and Crow (1973), an emotion 'is an effective experience that accompanies generalized inner adjustment and mental and psychological stirred up states in the individual, and that shows itself in his own behaviour'.

William McDougall (1949) says, 'An instinct is an inherited or innate psycho-physical disposition which determines its possessor to perceive and to pay attention to, objects of a certain class, to experience an emotional excitement of a particular quality upon perceiving such an object, and to act in regard to it in a particular manner, or, at least, to experience an impulse to such an action'. This statement gives us the nature of emotions as well. According to McDougall, an instinctive behaviour has three aspects:

(i) Cognitive or knowing or the perceptual aspect.

(ii) Affection or feeling or emotional effects.

(iii) Conative or doing or striving or executive, active or the behavioural aspect.

Chief Characteristics of Emotions

There are several characteristics associated with humans and emotions. Some of these important ones are given below:

1. Emotional experiences are associated with some instincts or biological drives.

2. Emotions, in general, are the product of perception.

3. The core of an emotion is feeling that which is essentially linked with some sort of urge or impulsive act to do. There is only a difference of degree between feeling and emotion.

4. Every emotional experience involves several physical and psychological changes in the organism. Some of these changes, like bulge of the eyes, flush of the face, flow of tears, pulse rate, are easily observable. Also, there are internal physiological changes like circulation of blood, impact on the digestive system and changes in the functioning of some glands.

5. Emotions are frequent.

6. Emotions are expressed in relation to concrete objects or situations.

7. Emotions are temporary.

8. Emotional expressions in early childhood are intense irrespective of the intensity of the stimulus.

9. Small children fail to hide their emotions and express them indirectly through different activities like crying, nail-biting, thumb-sucking and speech difficulties.

10. Emotions are prevalent in every living organism.

11. Emotions are present at all stages of development and can be aroused in young as well as in old people.

12. Emotions differ from person to person.

13. The same emotion can be aroused by a number of different stimuli—objects or situations.

14. Emotions rise abruptly but die slowly.

15. Emotions are subject to displacement. The anger aroused on account of one stimuli gets transferred to other situations. The anger caused by the rebuking of the officer to his subordinate may be transferred in beating of his children at home.

16. One emotion may give rise to a number of likewise emotions.

9.5 EMOTIONAL INTELLIGENCE

Recently, a growing group of psychologists has come to the conclusion that old concepts of I.Q. revolved around a narrow band of linguistic and mathematical

skills and is most directly a predictor of success in the classroom but less so as life's paths diverged from academe. Psychologists like Sternberg and Salovey have taken a wider view of intelligence, trying to reinvent it in terms of what it takes to lead life successfully. Salovey subsumes Gardner's personal intelligences in his basic definition of emotional intelligence—"Emotional intelligence is the process of learning to understand our own emotions, learning to understand the emotions of others, gaining proficiency in positive emotional responses in oneself, and recognising and accepting the emotional responses of others." According to Goleman, emotional intelligence includes self-control, zeal, persistence, and the ability to motivate oneself. Emotional intelligence, once developed, can create the avenue for a productive, rewarding and fulfilling life. Peter Salovey has identified following the characteristics of emotional intelligence:

(1) Self-Awareness

Self-awareness is a key stone of emotional intelligence. It means recognising a feeling as it happens. The ability to monitor one's feelings from movement to movement is crucial to psychological insight and self-understanding whereas inability to notice our true feelings leaves us at their mercy. Self-awareness has three important aspects:

(*a*) **Physical self-awareness** which includes all that is tangible such as one's looks, clothing, hairstyle, jewellery and what kind of home he/she lives in.

(*b*) **Academic self-awareness** relates to understanding how well one does with regard to academic achievement and concept understanding. When a student has very little academic success, his academic self-concept suffers. However, this low academic achiever is fully aware of his weaknesses and is functioning in a cognitively conscious state; he is more open to strategies to increase academic performance.

(*c*) **Social self-awareness** indicates how one relates to other people whether they are peers, co-workers, family members or strangers. Honesty with oneself and a cognizant effort to perceive feelings in others is the key to self-awareness.

People having greater certainty about their feelings are better masters of their lives. They are autonomous and are in good psychological health. According to Goleman (1997), we may be born with a predisposition toward optimism or pessimism, but our negative or positive outlook can be learned.

(2) Managing Emotions

It is concerned with handling feelings and is based on self-awareness. A life without emotions would be a dull wasteland, cut off and isolated from the richness of life itself. What is wanted is appropriate emotion, feeling proportionate to circumstance. People who have poor ability to manage their emotions are in constant distress, whereas those who excel in it can bounce back for more quickly from life's setbacks and upsets.

(3) Motivating Oneself

It means marshalling emotions for the attainment of a goal is essential for paying attention, for self-motivation and mastery, and for creativity. Emotional self-control means delaying gratification and stifling impulsiveness—underlies accomplishment of all sorts. Such people are highly productive and effective in whatever they undertake.

(4) Recognising Emotions in Others

Empathy is a fundamental 'people skill'. Empathy builds on self-awareness. The more open we are to our own emotions, the more skilled we will be in reaching feelings. The failure to register another's feelings is a major deficiency in emotional intelligence, and a tragic failing in what it means to be human. People who are empathetic are more attuned to the subtle social signals that indicate what others feel, need or want. They are more successful in caring professions, teaching, sales and management.

(5) Handling Relationships

The art of relationships is, in large part, skill in managing emotions in others. These are the abilities that strengthen popularity, leadership and interpersonal effectiveness. People who excel in these skills do well in anything that relies on interacting smoothly with others; they are social stars.

From the perspective of emotional intelligence, having hope means that one will not be given into overwhelming anxiety, a defeatist attitude or depression in the face of difficult challenges or setbacks. Optimism is an attitude that prevents people against falling into apathy, hopelessness, or depression in the face of rough going. According to Seligman, optimism means how people explain to themselves their successes and failures. Optimistic people see failure as due to something that can be changed so that they can succeed next time, while pessimists take the blame for failure, ascribing it to some lasting characteristic they are helpless to change.

People who have high emotional intelligence are socially poised, outgoing and cheerful, not prone to fearfulness or worried ruminations. They have a notable capacity for commitment to people or causes for taking responsibility and for having an ethical outlook. They are sympathetic and caring in their relationships. Their emotional life is rich. They are comfortable with themselves, others and the social universe they live in.

9.5.1 Indian Perspective on Emotional Intelligence

Emotional Intelligence is a concept that is not new to the Indian mind. Though there is hardly any serious research on emotional intelligence from the Indian perspective, anyone who has read through the ancient Indian literature will be aware that emotional intelligence is embedded in every text. The Indian philosophic tradition stresses on the powerful nature of emotions, which have to be harnessed

for a harmonious life. References to the description and functions of the human mind can be found in the Rig Veda, Yajur Veda, and the texts of Ayurveda.

Check Your Progress

7. How does R.S. Woodworth define emotion?

8. What is self-awareness?

9.6 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Values refer to the basic convictions which lead to formation of conduct or social preferences. Values are a combination of different attitudes and attributes of individuals. They help employees decide what is right, good, desirable, favourable and so on.

2. People develop values from different sources, e.g. parents, friends, teachers, society, religion, workplace and national characteristics. Parents are the initiators of values.

3. People practice instrumental values for the development of family and society. Values at the workplace are covered under economic values, whereas values of behaviour accepted in the organization are known as instrumental values for achieving satisfaction.

4. Attitudes have four basic characteristics—direction, intensity, salience and differentiation.

5. The evaluative component of attitude is a function of how we feel about something. It refers to our liking or disliking for a particular person, any particular event or any particular situation.

6. There are two key work attitudes, which determine the importance of attitude behaviour relationship with respect to productivity. These are job satisfaction and organizational commitment.

7. According to R.S. Woodworth, 'Emotion is a moved or stirred up state of an organism. It is a stirred up state of feeling, that is, the way it appears to the individual himself.

8. Self-awareness is a key stone of emotional intelligence. It means recognizing a feeling as it happens.

9.7 SUMMARY

- Values refer to the basic convictions which lead to formation of conduct or social preferences. Values are a combination of different attitudes and

attributes of individuals. They help employees decide what is right, good, desirable, favourable and so on.

- Values are significant in organizational behaviour. Employees behave properly if they give importance to values. Learning may help provide opportunities for development of values.

- People develop values from different sources, e.g. parents, friends, teachers, society, religion, workplace and national characteristics. Parents are the initiators of values.

- Values may be of different types, depending upon their sources of formation, namely family values, economic values, social values, religious values and national values.

- Attitude is a collection of the type of personality, feelings towards the outside world, confidence within self and more.

- Attitudes have four basic characteristics—direction, intensity, salience and differentiation. The direction of an attitude is favourable, unfavourable or neutral.

- The evaluative component of attitude is a function of how we feel about something. It refers to our liking or disliking for a particular person, any particular event or any particular situation.

- Attitudes that are frequently expressed are more reliable and more accessible to the memory and hence greater predictors of behaviour.

- The most common and frequently used method of measuring attitude is by simply asking people about their attitudes towards various issues, people and factors. This is accomplished by attitude surveys and questionnaires.

- Emotions play an important role in life and contribute to the personal and social development of an individual.

- According to Goleman, emotional intelligence includes self-control, zeal, persistence, and the ability to motivate oneself.

9.8 KEY WORDS

- **Values:** It refer to the basic convictions which lead to formation of conduct or social preferences.

- **Emotional Intelligence:** It is the capacity to be aware of, control, and express one's emotions, and to handle interpersonal relationships judiciously and empathetically.

- **Self-Awareness:** It means to have conscious knowledge of one's own character and feelings.

- **Emotions:** It means a strong feeling deriving from one's circumstances, mood, or relationships with others.

9.9 SELF-ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What is attitude? What are its characteristics?

2. Write a short note on attitude and productivity.

3. Discuss the sources and types of values

4. What do you understand by emotions? Discuss its characteristics.

Long-Answer Questions

1. How can attitude determine the behaviour of an individual?

2. Discuss the relationship between attitude and organizational behaviour.

3. 'Values are significant in organizational behaviour.' Discuss.

4. What is emotional intelligence? Discuss its characteristics.

9.10 FURTHER READINGS

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UNIT 10 INDIVIDUAL LEVEL BEHAVIOURAL VARIABLES 3

Structure

10.0 INTRODUCTION

This unit will discuss learning and motivation. Learning has become an important tool of individual behaviour in an organization. Learning from a particular phenomenon depends upon one's personality, perception and situation. The learning process and its outcome are motivating factors in an organization. It is the process by which individuals acquire the knowledge and experience to be applied in future behaviour.

The force of motivation is a dynamic force setting a person into motion or action. The word motivation is derived from motive that is defined as an active form of desire, craving or need that must be satisfied. All motives are directed towards goals. New needs and desires affect or change your behaviour that then becomes goal oriented. For example, if you ordinarily do not want to work overtime, it is likely that at a particular time, you may need more money (desire) so you may change your behaviour, work overtime (goal oriented behaviour) and satisfy your needs.

10.1 OBJECTIVES

After going through this unit, you will be able to:

- Discuss learning
- Explain the meaning and importance of motivation
- Assess the various types of motivation

- Describe the importance of motivation
- Examine the various theories of motivation

10.2 LEARNING AND ITS APPLICATIONS IN ORGANIZATIONS

Learning has been defined by several authors in different ways. All of them have accepted that learning shapes human behaviour. Employees may learn knowingly or unknowingly in the organisation. Tim R. V. Davis and Fred Luthans have defined learning as a cognitive and modeling process for acquiring knowledge and experience. They have analysed different theories of learning for explaining the learning process. Robbins has stressed upon learning as a 'relatively permanent change in behaviour that occurs as a result of experience.' He has opined on experience only, although an employee might change his behaviour as a result of a social process. Learning is a process of observation, action, reaction and response to some stimuli. Learning is a process of change in behaviour. The outcome of learning is a permanent change in behaviour. Therefore, learning is a permanent change in behaviour as a result of a cognitive process. A temporary change in behaviour is not learning because it is purely reflexive. Change in behaviour is the necessary outcome of learning. If it is purely theoretical or attitudinal, it would not be learning. A cognitive change process in the mind of an employee resulting in behaviour is learning.

Learning is the process by which an activity originates or is changed by reacting to an encountered situation, provided that the characteristics of the change in activity cannot be explained on the basis of native response tendencies, maturation or temporary states of the organism.' This definition includes almost all the attributes of learning. It reveals that learning is the inferred process which influences behaviour. The learning is an original activity for the employee. He gets new things or may change his process as a result of observation and cognitive processes. The learning can take place only when the employee reacts to the stimuli, evaluates and accepts the stimuli for changing his behaviour. Learning must be deliberately accepted. It does not include maturity, temporary changes in behaviour and the natural process of behaviour. Behaviour is learned through a cognitive process. It is not a spontaneous and natural process. A child knowing the language of her mother is not learning, because it is a natural process. Children learn good habits and sports on account of their environment which is a stimulus of learning. The learning process starts with motives and continues with cues, responses and reinforcements until the learner acquires the required changes in behaviour permanently. Learning to drive a car is a good example of a learning process.

Learning Process

The learning process includes the following:

(i) **Stimuli:** Stimuli are any objects and language which draw the attention of people. Employees get stimuli from the actions of their superiors. Superiors tell and advice employees who pay attention to these stimuli. All the stimuli may not be fully attended to. Literary works are also stimuli which are given attention by educated employees. Stimuli are provided at jobs by perks and scores. Universities and colleges also impart stimuli for learning. Stimuli provides quality performances. Practical training and vocational teaching are forceful stimuli. The stimuli available at work are numerous. Social, political, cultural and geographical factors provide varieties of stimuli for learning.

(ii) **Attention:** The degree of attention depends upon the nature of stimuli. All stimuli are not paid attention to. Technical and interesting stimuli are highly attended. Career oriented stimuli are generally accepted by employees. The personality levels of employees influence their desires to learn, motives for need fulfillment and tension reduction. Employees having more values of life pay more attention to the stimuli for acquiring more knowledge and experience. People's creative attitude are favourable factors for learning and paying more attention to available stimuli.

(iii) **Recognition:** Attention-paid stimuli are recognised as acceptable factors of improvement and new life styles. Employees paying attention to stimuli are recognising the stimuli for learning purposes. The levels of recognition depend upon the levels of values, preferences, needs and desires of the employees. When objectives are unclear, employees do not pay attention and do not recognise the training as a fruitful process of improvement. In the learning process, unambiguous activities must be observed for recognition by employees as useful factors for their well-being and satisfaction.

(iv) **Translation:** Recognised stimuli are evaluated at the mental level to eliminate the irrelevant points for accepting a part of the stimulus for changing behaviour. The evaluation and appraisal of the recognised stimuli helps in reinforcement. An activity will not take place unless it is found useful by employees. The translation and evaluation process is a crucial point for implementing the stimuli in behaviour through reinforcement. Employees behave properly through attitude changes, objectivity, mental and physical development. It is observed in better performances.

(v) **Reinforcement:** Reinforced perception is learning. The perception process includes stimuli, attention, recognition, translation and behaviour. Perception leads to learning, but perception itself is not learning unless it is reinforced. Repeated action is reinforcement. Reinforcement may be positive, negative, punishment and extinction. Learners learn as per their perception levels. Generally positive reinforcement is more effective for making permanent changes in behaviour.

NOTES

(vi) **Behaviour:** Learning changes behaviour through reinforcement of perceived knowledge. It makes permanent changes in behaviour. A temporary change in behaviour is not learning. Positive behaviour gives rewards to employees.

(vii) **Reward:** Employees expect rewards for learning. If the translated behaviour provides a reward, it is accepted, otherwise it is not accepted. Employees develop their behaviour into habits. Rewards may be monetary or non-monetary. A non-monetary reward includes job satisfaction, status recognition and task achievement. Professional satisfaction is attached to the behaviour which influences the form of reward. The behaviour of employees decides the level and form of reward. The reward reinforcement makes employees learn more than positive reinforcement behaviour.

(viii) **Habits:** A permanent change in behaviour becomes a habit which helps continuous improvement in behaviour and performance. Employees develop the habit of self-appraisal and development. It helps to instill creativity and confidence in employees who are encouraged to behave properly again and again. Right behaviour is reinforced repeatedly. Habits help the development of capability and capacity of employees. Habits translate theoretical knowledge into practice. Skill development requires habitual performance.

(ix) **Motives:** Motives depend on the level of satisfaction. Employees getting more satisfaction through learning develop high motives. Less satisfied learners have low motives. Learning is complete only when motives are fully realised and translated into efforts.

(x) **Efforts:** Habits help achieve good efforts and performance. This is a continuous process. Efforts are the automatic outcome of good habits which are acquired through the learning process. Self-development is possible through self-effort. Employees willing to develop themselves are self-motivated and effort-oriented. Efforts become the stimuli for learning after development of the standard of employees. Self-learning has been observed when employees have developed good habits and right motives. The learning process itself provides all these opportunities.

Check Your Progress

1. What is learning?

2. What type of process is learning?

10.3 DEFINITION AND IMPORTANCE OF MOTIVATION

The term 'motivation' has been derived from the Latin word *movere*, which means to move. Motivation may be explained as the process of stimulating people to

action to accomplish desired goals. It involves arousing needs and desires in people to initiate and direct their behaviour in a purposive manner. Motivation includes creation and sustenance of the desire to work for certain goals among the employees in an organization. Motivation is a complex task because the factors that motivate employees to work are complicated. Financial incentives may be important for some workers and non-financial incentives may be important for others. The managers must determine what motivates the personnel behaviour at work.

Definitions of Motivation

Some of the important definitions of motivation are as follows:

- According to Dalton E. McFarland, 'Motivation refers to the ways in which urges, drives, desires, aspirations, striving, aspirations or needs direct, control or explain the behaviour of human beings.'

- According to W. G. Scott, 'Motivation means a process of stimulating people to action to accomplish desired goals.'

- According to Michael J. Jucius, 'The act of stimulating someone or oneself to get a desired course of action, to push the right button to get a desired reaction.'

- According to Fred Lathan's, 'A goal in the motivational cycle can be defined as anything which will alleviate a need and reduce a drive.'

Importance of Motivation and its use in Organization

Motivation causes goal directed behaviour. The needs of individuals serve as driving force in human behaviour. The management tries to govern the behaviour of employees by satisfying their needs. Any act or promise which induces an individual to respond in a desired manner is called an incentive. Incentives are necessary to motivate the employees by satisfying their needs. Effectiveness of motivation contributes a real deal to the success of an organization.

- **Motivation creates willingness to work:** The utilization of physical and financial resources depends on the ability and willingness of the human resources. Motivation puts human resources into action. It creates the will to work among employees. It enables the management to secure the cooperation of the workers and the best possible utilization of all resources.

- **Improves the efficiency:** The level of performance of employees depends not only on individual's abilities but also on his willingness to achieve a high level of performance. Motivation induces employees to work better and use their full potential. Thus, it helps in increasing productivity and overall efficiency.

- **Ensures achievement of organizational goals:** Management can achieve goals effectively by motivating subordinates. The motivated employees contribute to the fulfillment of the assigned tasks with their best efforts. If a satisfactory system of motivation exists in the organization, the workers

cooperate voluntarily with the management towards the accomplishment of the goals of enterprise.

- **Creates cordial relationships:** Motivation brings about employee satisfaction through monetary and non-monetary incentives. It leads to cordial and friendly relationship between the employer and the employees. Industrial disputes are reduced and morale is improved. Effective motivation helps management to overcome resistance to change. Motivated employees support all changes that are in the organizational interest as they identify their own advancement with the prosperity of the enterprise.

- **Leads to stability in the work force:** Motivated employees are sincere and loyal to the organization. The rate of absenteeism and labor turnover is reduced. This results in maintaining a stable work force. Existence of a satisfactory motivation system builds a better image of the organization. It helps in attracting qualified and competent people.

- **Increase in work efficiency:** When workers are motivated for satisfaction of their needs, they work towards satisfying the organizational needs also. This increases the efficiency of organizational activities.

- **Communication:** Motivation promotes communication between managers and workers. Both try to understand each other's needs and satisfy them as much as possible.

Nature of Motivation

The nature of motivation is described below.

- **It is an internal force:** The degree of motivation cannot be measured in quantitative terms. It can only be observed through action and performance of employees. Motivation is an internal force or feeling of a person.

- **Effect of environmental factors:** Internal organizational factors play important role in motivating the employees. Poor working condition, labour management conflict, autocratic style of management may affect individual's initiative to work. Conversely, a clean and a quiet environment, healthy and cordial relationships encourage workers to contribute to organizational output.

- **It is an ongoing process:** The process of motivation, observing human needs, behaviour and action is continuously followed by managers. Since human needs keep on changing, managers constantly watch the needs-behaviour-action of the employees.

- **It is a pervasive function:** Motivation is required at all levels of management. Both managers and non-managers need to be motivated to accomplish the organizational goals and through them their personal goals.

- **It is a complicated process:** Since understanding human needs is a difficult task, motivation is a complicated or complex task.

- **Skilled managers:** Managers have to be skilled in motivating their employees. Unless they understand human needs, right motivators cannot be adopted. Of all the skills that managers must have, the skill of motivating employees was greatly emphasized upon in a study conducted on motivation.

Motivational Tools in Organization

Important motivational techniques used by the managers:

- **Financial techniques:** Incentives in terms of cash emoluments, fringe benefits, security of job tenure, and conditions of services are some of the financial techniques which may be adopted by management to motivate the employees. Since money is not an end but a means of purchasing ends, it can fulfill both physical (food, shelter, clothes etc.) as well as safety needs.

- **Job based technique:** To satisfy the social and psychological requirements of employees some job based techniques like job simplification, job enrichment, job enlargement and working relation may be pursued as a motivator. It helps in making the environment vibrant and conducive and employees develop the sense of belongingness and responsibility.

- **MBO technique:** The core concept of MBO is planning, which means that an organization and its members are not merely reacting to events and problems but are instead being proactive. MBO requires that employees set measurable personal goals based upon the organizational goals. For example, a goal for a civil engineer may be to complete the infrastructure of a housing division within the next twelve months. The personal goal aligns with the organizational goal of completing the subdivision.

- **Leadership technique:** Autocratic, democratic and participative styles of leadership have their own implications for employee motivation, morale and productivity in the short term and in the long term.

- **Sensitivity training:** The technique of training is given to groups of managers themselves, so that they may behave with and motivate their subordinates better. The sensitivity training helps in developing the better understanding, become open minded, to know the motives, needs of employees, to develop insight about group process, situations, develop scientific process of thinking, and acquiring behavioural skills for dealing with subordinates.

Check Your Progress

3. What do you understand by the term 'motivation'?
4. How can the degree of motivation be measured?

10.4 THEORIES OF MOTIVATION

A number of theories have been developed by keeping in view the importance of motivation on the working behaviour of employees as well as the productivity. A lot of research work has been done. Some of them are discussed below.

Need Theories of Motivation

Human behaviour is a need based phenomena and greatly influenced by it. The need based theory of motivation is based on the assumption that an individual behaves in a particular manner to satisfy his needs. These theories are also known as content theories and focus on inner needs that motivate behaviours of the employees. Therefore, provisions to reduce or satisfy their needs would force them to behave in a particular way. Some of the important need theories are as follows:

1. Maslow's Need Hierarchy Theory

Influencing human behaviour requires knowledge of various types of needs and wants of human beings working in the organization. To motivate the employees, a manager has to identify their needs and satisfy them. After satisfaction, employees will feel happy and do their jobs with their best efforts. This theory of motivation has received more attention from the managers than any other theory of motivation. Abraham H. Maslow, a famous psychologist, developed a theory of motivation, called the 'need hierarchy theory'. According to him:

- Man's needs depend completely on what he already has. For this reason, satisfied needs do not motivate behaviour. A manager has to look out for the unsatisfied needs of the individuals in the organization so that he can take proper steps to motivate them by providing opportunities for the satisfaction of such needs.

- Needs are arranged in a hierarchy of importance, i.e., they follow a definite sequence. As soon as needs of a lower level are satisfied, those of a higher level emerge and demand satisfaction. Maslow classified human needs into following five categories in order of priority:

- **Physiological needs:** These needs are related to the survival and maintenance of human life. They include such things as food, clothing, shelter, air, water and other necessities of life. The need for these things is felt not for oneself, but also for the members dependent on the employee. These are also called economic needs as these cannot be fulfilled without money.

- **Security needs or safety needs:** These needs are related to the safety and security of life and future. Human beings want physical security, economic security as well as social security. Physical security means protection from fire, accident, and crime, etc. It may require satisfied working conditions.

Economic security means assured regular income to fulfill basic needs. It may include security of job, i.e., protection against arbitrary dismissal from service. Social security means assured income in case of illness, partial or full incapacity or old age. When physiological needs are satisfied, people want to satisfy their security needs.

- **Social needs:** The employees have social needs. These needs include need for love, affection, exchange of feelings and grievances, companionship, belongingness, etc. Such needs can be satisfied through friendship on the job. Family and community relationship outside work. Organizations should encourage team spirit and provide opportunities to interact socially.

- **Esteem needs**: Esteem needs arise when social needs are fulfilled. These needs arc concerned with prestige and status of the individual. They include needs for self-respect, competence, knowledge, recognition and respect from others. Techniques of proper promotion and delegating authority help the individuals in satisfying self-development and self-esteem needs.

- **Self-actualization needs:** Such needs arise when esteem needs are satisfied, these needs relate to the desire for personal achievement and to become what one is capable of becoming. Such needs refer to need to grow and self-fulfillment. It is very difficult to identify and satisfy such needs.

2. Herzberg's Two Factor Theory

Herzberg was a behavioural scientist who developed this theory after surveying hundreds of accountants, engineers and other managerial personnel. He advocated that the employee's motivation is the outcome of their job satisfaction. It is advocated that the satisfied employees are motivated from within to work harder and dissatisfied employees are not self-motivated. Since Herzberg has discovered two sets of factors associated with satisfaction and dissatisfaction of the employees, therefore, it is known as the Herzberg two factor theory. The first set is of hygiene factors and the other is that of motivators. The elements of hygiene and motivators can be better understood from the following table.

- **Hygiene factors:** The hygiene factors are dissatisfying because if all of them are adequately met with in a work situation, people will not be dissatisfied. Their adequacy hence does not really motivate people. However, if any of the hygiene factors is not attended to properly in a job, dissatisfaction can occur. For example, lower pay, bad supervision, a hazardous or uncomfortable workplace can create substantial dissatisfaction among employees.

- **Motivating factors:** These factors are aspects of the task or work itself. They include challenge, chance for personal growth and performance feedback. In other words, as viewed by the employee, a job with these characteristics means it bears the motivational factors. These factors contribute heavily to the satisfaction of the employee and have a positive effect on their performance.

3. McGregor's Theory X and Theory Y

Douglas McGregor, a behavioural scientist, has developed approach to manage and motivate on the basis of various assumptions relating to human behaviours. It has been formulated as theory X and theory Y. Both these theories are based on certain assumptions regarding human behaviour. Though, he was a great critic of classical approach of management. But his theory X is related to philosophy of traditional management, assumptions about employees and the way to manage them. Theory Y is based on humanistic assumptions about employees and describes the approaches to manage and motivate them. The assumptions of the theories are as follows:

Theory X

- Average employee in the organization is lazy, dull, self-centered, resists change and does not want to share responsibility.

- He has limited number of needs, mostly physical needs and to some extent security needs.

- Average employee lacks responsibility and has little ambitions.

- Thus, the responsibility of getting things done by others for achieving organizational goals lies on the managers and the managers must use coercive measures to control the workers and they must be threatened and punished as to get them to work.

- To get things done by the employees, McGregor suggested rigid, bureaucratic and rule based organization.

- Narrow span of management, one way communication, close supervision, more concentration on monetary incentives and centralization of managerial authority should be followed.

- It was also considered necessary to guide, direct and control the employees in a strict manner and the approach of carrot and stick should be used for motivating them.

Theory Y

- Work is as natural as play or rest for the workers.

- Average employee or workers like work. They are cable of assuming responsibilities and accepting challenges.

- They are ambitious, achievement oriented, and capable of exercising self-control.

- They have wide range of needs, both economic and non-economic.

- They have potential to learn, to accept and seek responsibility. They have imagination and creativity that can be applied to work.

- In view of these assumptions, the role of management is to develop potential and help the employees to use it for achieving common objectives.

- Organizational structure should be marked by open communication, flexibility, informal relation, and decentralization of authority.

- The approach of management should include participative management, supportive supervisory style, self-direction and control, opportunity for developing and using creativity and innovativeness and package of both monetary and non-monetary incentives.

4. Vroom's Valence-Expectancy Theory

According to this theory, a person's motivation towards an action at any time would be determined by his perception that a certain type of action would lead to attainment of a specific goal. Vroom's model is built around the concept of value, expectancy and force. The basic assumption is that the choice made by a person among alternative courses of action is lawfully related to psychological events occurring contemporaneously with the behaviour. Vroom's concept of force is basically equivalent to motivation and may be shown to be the algebraic sum of products of valences multiplied by expectation e.g.

<p align="center">Motivation (force) = Valence x Expectancy</p>

There are three variables and they have high positive values to imply motivated performance choices. If any one of the variables approaches zero, the probability of motivated performance approaches will be zero. Valence is the strength of an individual's preference for a reward and instrumentality denotes and individuals estimate that performance will result in achieving the reward. Valence may be used as an incentive, attitude, and expected utility. In order for the valence to be positive for individual, they must prefer attending the outcome to not attending it, otherwise the valance will be zero which will refer to non-attainment of the goal.

Another factor which influence motivation is expectancy that is the probability that a particular action will lead to the outcome. Expectancy is different from instrumentality input into valence. It differs from instrumentality in that it relates to first level outcomes whereas instrumentality relates first and second level outcomes to each other. Thus, expectancy is the probability that a particular action will lead to a particular first-level outcome. The strength of motivation to perform a certain act will depend on the sum of the products of the values for the outcomes times of expectancies. Therefore, overall it can be said that the combination that produced the strongest motivation comprises high positive valence, high expectancy and high instrumentality. If all three are low, the resulting motivation will be weak. In brief, Vroom's model attempts to explain how individual's goal influences his efforts.

5. Alderfer ERG Theory

This theory of motivation has been developed by Clayton Alderfer as an extension of Maslow's need hierarchy theory. It was considered as reformulation or

refinement of Maslow's need theory. This theory states that employees attempt to meet a hierarchy of existence, relatedness and growth needs. If the efforts to seek one level of needs are defeated, individual would regress to lower level of needs. Alderfer classified needs into three categories as characterized by its name as ERG where 'E' stands for existence needs, 'R' stands for relatedness needs and 'G' stands for growth needs.

- **Existence needs:** They refer to all physiological and safety needs of an employee. Thus, existence needs group physiological and safety needs of Maslow into one category as these have similar impact on the behaviour of the individual.

- **Relatedness needs:** The**y** refer to all those needs that involve relationship with other people whom the individual cares. Relatedness needs cover Maslow's social needs and that part of esteem needs which is derived from the relationship with other people.

- **Growth needs:** They refer to involve employees making creative efforts to achieve full potential in the existing environment. These include Maslow's self-actualization need as well as that part of the esteem need which is internal to the individual like feeling of being unique, valuable for the growth of the organization.

Check Your Progress

5. Name any two important theories of motivation.

6. What are the two factors in Herzberg's two-factor theory?

7. Who developed the ERG theory of motivation?

10.5 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Learning is the process by which an activity originates or is changed by reacting to an encountered situation, provided that the characteristics of the change in activity cannot be explained on the basis of native response tendencies, maturation or temporary states of the organism.'

2. The learning process is a mental and habit forming process.

3. The term 'motivation' has been derived from the Latin word movere, which means to move. Motivation may be explained as the process of stimulating people to action to accomplish desired goals.

4. The degree of motivation can only be observed through action and performance of employees.

5. The two important theories of motivation are Maslow's need hierarchy theory and Herzberg's two factor theory.

6. The two factors in Herzberg's two factor theory are hygiene factors and motivator factors.

7. The ERG theory of motivation has been developed by Clayton Alderfer as an extension of Maslow's need hierarchy theory.

10.6 SUMMARY

- Learning is the process by which an activity originates or is changed by reacting to an encountered situation, provided that the characteristics of the change in activity cannot be explained on the basis of native response tendencies, maturation or temporary states of the organism.'

- The term 'motivation' has been derived from the Latin word movere, which means to move. Motivation may be explained as the process of stimulating people to action to accomplish desired goals.

- Motivation is a complex task because the factors that motivate employees to work are complicated. Financial incentives may be important for some workers and non-financial incentives may be important for others.

- Motivation causes goal directed behaviour. The needs of individuals serve as driving force in human behaviour. The management tries to govern the behaviour of employees by satisfying their needs.

- Incentives in terms of cash emoluments, fringe benefits, security of job tenure, and conditions of services are some of the financial techniques which may be adopted by management to motivate the employees.

- A number of theories have been developed by keeping in view the importance of motivation on the working behaviour of employees as well as the productivity.

- Influencing human behaviour requires knowledge of various types of needs and wants of human beings working in the organization. To motivate the employees, a manager has to identify their needs and satisfy them.

- Managers use various monetary and non-monetary incentives to satisfy the above mentioned needs of their subordinates and to motivate them.

- Herzberg was a behavioural scientist who advocated that the employee's motivation is the outcome of their job satisfaction.

- Though Maslow and Herzberg have different approaches towards explaining motivational philosophy and process; yet there seems to be a great similarity between the two theories of motivation.

- Douglas McGregor, a behavioural scientist, has developed approach to manage and motivate on the basis of various assumptions relating to human behaviours. It has been formulated as theory X and theory Y.

- According to Vroom's Valence-Expectancy theory, a person's motivation towards an action at any time would be determined by his perception that a certain type of action would lead to attainment of a specific goal. Vroom's model is built around the concept of value, expectancy and force.

- The ERG theory of motivation has been developed by Clayton Alderfer as an extension of Maslow's need hierarchy theory. It was considered as reformulation or refinement of Maslow's need theory. This theory states that employees attempt to meet a hierarchy of existence, relatedness and growth needs.

10.7 KEY WORDS

- **Learning:** It means the acquisition of knowledge or skills through study, experience, or being taught.

- **Motivation:** Motivation represents an unsatisfied need which creates a state of tension or disequilibrium, causing the individual to move in a goal directed pattern towards restoring a state of equilibrium, by satisfying the need.

- **Incentives:** An incentive is something that motivates an individual to perform an action.

- **Turnover:** Turnover is an accounting term that calculates how quickly a business collects cash from accounts receivable or how fast the company sells its inventory.

10.8 SELF-ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What is the relationship between learning and behaviour?
2. What are the motivational techniques used by managers in an organization?
3. Discuss Vroom's Valence-Expectancy theory.
4. What do you mean by Alderfer ERG Theory?

Long-Answer Questions

1. Describe the process of learning.
2. 'Motivation is the basis of management process'. Discuss and define motivation and explain its significance in management with examples.
3. Discuss the importance and nature of motivation.

4. Explain Herzberg's two factor theory of motivation. Are hygiene factors stated in Herzberg's theory really maintenance factors, discuss in the Indian business scenario?

5. State in detail the McGregor's Theory X and Theory Y. Which theory of McGregor's is best suited for an Indian production unit?

10.9 FURTHER READINGS

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UNIT 11 GROUP LEVEL BEHAVIOUR 1

Structure

11.0 INTRODUCTION

In general, a number of people together at a given place and given time can be considered a group. People in a bus or the same compartment of a train or students in a class are all known as groups. However, from an organizational point of view, a group has a different meaning and definition. According to Marvin Shaw, 'A group is two or more persons who are interacting with one another in such a manner that each person influences and is influenced by each other person.' There are two key elements in this definition that are essential. First is the 'interaction' among group members. For example, co-workers may work side by side on related tasks, but if they do not interact with each other, they are not a group in the organizational sense. The second element is the influence of one group member on every other group member. This means that the group members are mutually dependent with respect to the attainment of one or more common goals.

11.1 OBJECTIVES

After going through this unit, you will be able to:

- Define groups
- Discuss the stages of group formation
- Examine the factors that affect group behaviour

11.2 CONCEPTS OF GROUPS

A group has a certain syntality which is developed further in an organisation to achieve group synergy. The origin of groupism has an interesting history. A group is defined as 'two or more interacting and interdependent individuals who have come together to achieve particular objectives'. An individual will be unable to perform all the required activities, and group formation is inevitable to achieve organisational objectives. Groups may therefore be formed and accepted by an organisation. Groupism may also be informal, that is, not recognised but functioning in the organisation. Sometimes, informal groups are more effective in an organisation. Group dynamics is essentially used to increase the productivity and profitability of an organisation and group behaviour is different from individual behaviour. Group behaviour helps achieve higher productivity than the sum of individual performances because of group personality which is known as syntality. Groups have a separate identity. They are given more importance in organisational behaviour because group personality or syntality has synergy, i.e. higher output than that of the sum of individual output. A group thinks, decides, sets goals and tries to act upon these to achieve the group goals. Group behaviour has three dimensional studies, viz. the basis of the foundation of the group, intra-group behaviour and inter-group behaviour.

Group Formation

Group formation has certain objectives. The purpose behind group formation may be task achievement, problem-solving, proximity or other socio-psychological requirements. Group formation is based on activities, interactions and sentiments.

Task Accomplishment

The basic purpose of group formation is the achievement of certain objectives through task performance. Individuals come closer in order to understand the tasks and decide on the procedures of performance. In any organisation, task accomplishment is the reason for which different groups such as an engineering group, marketing group, foreman's group and personnel group are formed for achievement of the organisations' goals. When an organisation faces some procedural difficulties, concerned groups discuss them and evolve new techniques of production, marketing and other functions.

Problem Solving

When people foresee or face certain problems, they unite to solve the problems. Unity has strength. A group provides strength to members who are willing to challenge any problem. Group behaviour gives more strength to come down heavily on problems.

Proximity

People form groups because of proximity and attraction towards each other. The group formation theory is based on propinquity, which means that individuals affiliate because of spatial or geographical proximity. They interact frequently with each other on many topics, because this interactive communication is rewarding.

Socio-psychological Factors

Sentiments and action-uniformities bring people closer. They also form groups for safety, security and social achievements. People cooperate with members of the group on social as well as economic grounds to reach satisfactory levels.

People form groups basically for activities, interaction and due to sentiments. People living in proximity frequently discuss their problems. They try to reduce their tensions and achieve satisfaction. Individuals interest each other only when they have common attitudes and sentiments. People with diverse attitudes form groups under certain compulsions to meet unexpected problems. Employees form unions to ensure the safety and security of jobs. Outside the factory, they form groups for religious, social, cultural and political activities.

11.3 STAGES OF GROUP FORMATION

Group development has been studied to find out the purposes behind development. Different groups require different lengths of time for development. The development structure is heavily influenced by the nature of groups. The various stages of group development are **forming, storming, norming, performing** and **adjourning**. All the groups may not accept the same order of group development.

The *first stage* is *forming*, wherein the group decides its own purpose, structure and leadership. Members decide what types of behaviour are acceptable. The membership is increased till the group is finally established. Individuals are brought together for the first time and a communication pattern is developed. The interdependence of members is decided as per the structure and goals of the group. They decide on plans of future action involving discussions on formulation of group goals and evaluating the resources for achieving the goals.

The *second stage* of group development is *storming*, wherein members storm their views. They put forth their views forcibly with strength, and this evidences interpersonal conflicts. Many problems are brought to the group for discussion and solution. Many conflicting views may be expressed. Authorities and supervisors are frequently criticised for various reasons. However in an educated group, people consider the views of others with patience. They arrive at unanimous decisions with constructive attitudes. A group develops syntality and gets synergy if the storming stage is actively smoothened. On the contrary, the group will not advance if the members continue storming and conflicting with each other.

The *third stage* of group development is *norming*, wherein members develop a close relationship and demonstrate cohesiveness. Members enjoy belonging to the group and develop synergy. A strong sense of group identity and a camaraderie is developed. The group structure is solidified and interpersonal relationships are developed with increased cohesiveness and sharing of ideas. It increases the positive behaviour and strong feeling of development among members.

The *fourth stage* is the *performing* stage. The group performs its functions to achieve the desired objectives. It is fully functional and operational. This stage is directed towards the accomplishment of group goals. It explores the action to be taken and decides on innovations. Satisfactory performances and achievement of group goals are observed under this stage.

The *fifth stage* is the *adjourning* stage of development when the group is dissolved. The adjournment stage is generally undertaken after completing the task, although the group may be adjourned even before completing the task, due to misunderstanding and storming. Mutual friendship is lost, depression is observed and the group is wrapped up with activities. Such adjournment is undesirable for both individuals and the organisation. The group objectives should be fulfilled before adjournment. Leaders play a great role in the continuation and adjournment of the group. Dynamic leaders always try to review and strengthen the group activities for the development of their people.

11.3.1 Group Process

Group process includes the decision making process, leadership behaviour, power, interactions, conflicts and so on. Group process may provide group synergy and group loafing , depending upon how it is arranged and directed. Group synergy gives more results than the sum of individual performances. For example, if two employees produce two units separately, they can produce five units when performing together in a group. The production of one extra unit is on account of the group personality known as syntality. On the contrary, group loafing or social loafing produces less than the sum of individual performances. Social loafing is negative synergy.

Group process tries to gain group synergy, which is possible with the proper arrangement of the the work process. The skills of each of the group members are used to the maximum for getting the benefit of group working. Diverse skills, mutual interests and meaningful suggestions are possible in group process. Social facilitation occurs in a group. One member may help other members while they are performing a job. They enjoy working together and do not feel tired at an early stage, because of mutual interest and understanding. People learn with each other in a group. Group process should be designed in such a way that members get proper training and motivation.

NOTES

Check Your Progress
1. Define groups.
2. List the various stages of group development.

11.4 WORK GROUP BEHAVIOUR

Group behaviour depends on multiple factors which may be organisational conditions, group member resources, group structure, group status, group composition, group process, group tasks, group decision-making, group cohesiveness and group thinking. As a result of the combinations of different factors, the performance of an organisation and the satisfaction of its employees are influenced. Many groups are successful, while others are unable to achieve the objectives because of the varying foundations of the groups. The study of the foundations of groupism reveals the variables and their interrelationships in group behaviour influencing performance and satisfaction.

11.4.1 Factors that Affect Group Behaviour

Groups work in society which is composed of multiple and diverse factors. Many factors are allied to the organisation and others are alien to it. Group behaviour is greatly influenced by the conditions of the organisation within which the groups perform. The organisational conditions include organisational strategy, authority, structure, formal regulations, organisational resources, the personnel selection process, physical work setting, organisational culture, performance evaluation and reward system and the social and economic conditions of the country.

Organisational strategy   Organisational behaviour depends mainly on the organisational strategy. If the organisational strategy is to help the supervisor on all fronts, the employees will be directed towards that goal. Similarly, the behaviour of employees should be such as to reduce costs, improve quality, expand the market and so on. The strategy of an organisation influences the power of various groups. The willingness of the top management to allocate resources influences the various activities of the organisation and the behaviour of employees is influenced accordingly.

Authority structures   The authority structure influences the behaviour of various cadres, as it stipulates power and authority to different cadres of management. The hierarchical relationship is developed to exercise their respective powers and authority. Higher authority has more power and lower authority is vested with less power. The nature of the authority structure influences employee behaviour.

Regulations   The rules and regulations developed for directing employees' behaviour have been accepted as the guiding factors of behaviour. Policies,

procedures and programmes are designed to motivate employees. Formal regulations have resulted in standardised behaviour. Informal rules create confusion and contradictions.

Resources   The resources of an organisation are used for achieving organisational goals. Many times, employees feel frustrated because of the non-availability of adequate and proper resources. High quality raw materials, tools and techniques make employees interested in work performance. Employees feel satisfied if they are given quality raw materials for turning out quality products. Similarly, the absence of inadequate supply of raw materials, machines and money discourages the employees' performance.

Selection process   Merited employees are work-oriented. Employees getting appointments or promotions by canvassing are giving more importance to political considerations. They are not interested in the organisation's development. The selection process should be judicious and proper for achieving the desired behaviour from the employees.

Physical work setting   The work structure has an important bearing on behaviour. The arrangement of work, machines, equipment and size is specially considered under work setting. If raw material is placed very far away from the production site, employees get opportunities to waste time. If the supervisor asks them to work properly, they will blame the arrangement of raw materials and the shortage of raw materials for delays in production. Work setting presents barriers as well as opportunities for improving work behaviour.

Organisational culture   Work culture includes work behaviour. An indifferent attitude on the part of the management creates indifferent behaviour. Every organisation has its own culture. Employees behave as per the existing culture of the organisation. The importance of honesty and integrity is realised in big organisations. The old values and traditions are practised for maintaining positive behaviour. The management has a great role to play in inculcating organisational culture.

Performance evaluation and reward   The systems of performance evaluation and reward have a great impact on employee behaviour. Equitable distribution of rewards encourages employees and satisfies them. When employees are appreciated for their additional performance, they are highly motivated to demonstrate their capacities and capabilities. On the contrary, partial rewards tend to discourage employees causing them to resort to unethical practices. Frustration mars the development of an organisation. The behaviour of individuals and groups is channelised through performance evaluation and reward.

Social and economic conditions   An organisation is influenced by social and economic conditions. In a developing economy, transitional upheavals are witnessed, causing behavioural instability. A developed economy witnesses stabilised behaviour which is predictable and preventable. The Indian economy is presently undergoing a social and economic change and the country is facing diverse behaviour. Some

people are highly ethical and honest, while others are purely materialistic. Many honest employees face recognition problems. Dishonesty and flattery are rewarded, and this creates imbalances in the mind. Social and economic conditions therefore influence the working of an organisation.

Group Member Resources

The members of a group have potential behaviour. An individual's qualities, abilities, characteristics and expectations have a great influence on group behaviour.

Qualities Individual qualities have a strong influence on interaction among group members. The qualities and traits of an individual decide his way of behaviour. Democratic, defensive and submissive attitudes have a positive impact on group behaviour. Similarly, authoritarian, offensive and abrasive outlooks create distrust among the members of a group. Extroversion and dominance have an unhealthy impact on group behaviour. Self-reliance, introspection, sociability and helpful attributes of employees create a congenial atmosphere in the organisation.

Abilities Expressed capacity is ability. A talented employee demonstrates high performing abilities. Trained, experienced and highly motivated employees can perform better because they develop high abilities for task performance. Abilities indicate what the individual is able to do and how well he can interact with group members. The relationship between abilities and performance is positive. Employees having more abilities perform the task in a better manner. They behave well within the group and contribute significantly to the development of the organisation. If the abilities of these employees are accepted, they tend to contribute more happily to the organisation. Task-related and personality-related abilities have shown positive contributions to group behaviour.

Personal characteristics Personal characteristics such as age, sex, physical features, personality, appearance and mental aptitude have an impact on group behaviour and performance. An aged person is found more competent in group interaction than a younger person. A more pleasing atmosphere is created with pleasing faces. Mentality and spirituality have a certain impact on group behaviour. The combined impact of personal characteristics may be positive, although the impact of a single characteristic is not accurately measurable. Positive attitudes have a positive impact on group performances.

Expectations Employees' expectations have always been controlling factors of behaviour. High hopes lead to poor performances, as high hopes are not fulfilled by management. Similarly, if the employees expectations are fulfilled, they get more satisfaction. Expectations of employees influence interpersonal relationships, rewards and performances. Unsatisfied expectations or ambiguous expectations cause frustration, disappointment and low turnover. Proper guidance, autonomy and feedback lead to proper behaviour. Employees' expectations should not only be linked with performance, but with the following of standard rules, procedures and policies. It is expected that employees will follow the organisational policies and practices.

Group Structure

Group structure is the framework of a group which has greater influence on the behaviour and interaction of members of a group. Group structure, as its outer framework, and inner relationship are guiding and controlling factors of behaviour. Group structure has different variables such as interpersonal relationships, roles played, norms, group status, group size and social density.

Interpersonal relationships Every group has a leader whose task is to guide and control group activities. The nature of the group leader and the formal relationship between the leader and the subordinates determines group behaviour. A sober and serious leader develops a congenial atmosphere. The formal relationships between subordinates and their superior are strengthened. This relationship plays a crucial role in organisational performance and behaviour. The success of group member resources depends on the framework of the group structure. The interpersonal relationship influences interaction, expectation and the performance of the group. A particular structure helps or inhibits the interaction of members. Reinforcement of relationships helps in moulding proper behaviour and achieving better performances. Expectation is shaped and moulded with interpersonal relationships.

Group structure develops a particular pattern of behaviour and interaction of group members. Status, norms and roles are designed as per the forms of group structure. Many mediating variables such as formal structure and role structure have a great impact on group members' interaction and performance.

Roles All the employees and group members play their respective roles as per their positions. They not only behave in a particular manner, but expect specific behaviour from others. Individuals in the group are assigned certain jobs, positions and titles. They are expected to perform certain roles. The perceived role is the role expected in practice by the individual himself. A perceived role may be inaccurate. A enacted role is the way he actually behaves. The expected role is usually not the perceived role because of role ambiguity, lack of clarity and uncertainty. Role conflict differentiates created roles from perceived roles. Job duties, authority and responsibility are role-factors which influence behaviour. Distorted role-behaviour is observed when the expected role, perceived role and enacted role are differently understood in reality, although theoretically they are the same. The expected role is not properly perceived due to a lack of clarity regarding job duties, authority and responsibility. Role ambiguity is also caused by different factors. It is caused by the lack of clear job description. An individual or employer may swim or sink when his enacted role is different from the expected role. Role behaviour at every level of management should be well defined and described in terms of occupational levels, individual characteristics and functional features so as not to create role ambiguity.

Norms Group structure incorporates certain norms to be followed by group members. Norms are acceptable standards of behaviour in a group. Members of

a group are allowed to act, interact and perform their functions as per established rules and standards of behaviour. Group members learn necessary behaviour for the effective performance of group activities.

Form of the norms The norms are traditionally accepted rules of behaviour which are developed through explicit statements, critical events, primary and carry over behaviour. Explicit statements made by group members become norms of behaviour if these norms are accepted by them. For example, if it is stated by the supervisor that the employees would not be allowed to have guests visit them during working hours, it may become a norm of the organisation. However, if the members resist this statement and arrive at the accepted norm that guests will be allowed to visit them only thrice in a month, there will be this new norm. A critical event in group behaviour may also decide the norm to be followed. For example, if a passerby is injured while standing near the machine on a particular date, it will become a norm of the factory that no one should stand near the machine. Primacy helps development of group norms. Initial behaviour accepted by the group members forms the norms of behaviour. If the organisation offers tea at an interval of three hours in the office, it becomes a norm of the organisation. In case tea is not offered by the organisation, employees will go out of the organisation for tea. Carry over behaviour from past experience may form part of behavioural norms. Members of the group are expected to behave in a given fashion which becomes the norm.

Conformity The conformity decides the degree of use of norms. Group success depends on the conformity of norms which is the acceptable degree of norms by the employees. The reasons for a lower degree of conformity are diagnosed to develop the acceptibility of a high degree of norms. There are four variables influencing conformity. Intelligence and authoritarian attitudes are negatively correlated to conformity. Highly intelligent people do not follow all the norms, whereas people of submissive nature follow norms in many cases. Situational factors influence conformity. The group size, group structure and group interaction have positive impacts on the conformity of norms. Stimuli are important factors for conformity. Intra and inter group relationships influence members to conform to the norms. Congenial relations help in higher conformity, whereas disturbed relations cause the disregarding of norms. The leadership styles of supervisors and the attitudes of foremen have a significant impact on conformity. Voluntary conformity is a welcome step under group behaviour. If a member does not conform to the norms, he is persuaded and pressurised by the group to follow the norms. In case he does not follow the norms, he is punished or avoided, depending upon the importance of the norms.

If an employee is proved to have rebelled against the norms, he is excluded from the group or sent out of the organisation to prevent other employees from being rebellious. It is important to remember that it may not be possible to adhere to norms always as some employees who are very creative and innovative may be different by nature.

Group status Status is a defined position or rank. Status may be given to an individual, group or institution. It is a socially accepted position given to a person by others. Members of a group are recognised by their status, Group members are proud of the status of their group and organisation. A member can understand his role and rights through the status of his group. Status is a significant motivator. It influences the behavioural patterns of employees. Within the organisation, employees enjoy their respective status which is based on position, title, wage level, seniority, skill and education. An employee is given status because of his personality, work experience, skill, age, education and expertise. People are known by their position or status. For example, professors, doctors, engineers and foremen are known by their positions in society. It symbolises their authority and responsibilites.

Status has a direct impact on group behaviour because of status congruence, that is the agreement of behaviour with the status. A professor is expected to be a role model. A doctor is expected to be caring and courteous. Group members have status congruence towards achievements of group objectives. Status conflict is witnessed in those cases where status relations are not properly defined and their authority and responsibilities are not correctly delineated.

Type of status Status may be formal and informal. Formal status is given by a particular group. The manager is given an award by the company and he enjoys this awarded status throughout his career. Status is attached to an impressive title, high pay, preferred work style and so on. Status hierarchy, organisational views and employees' respect are attached to formal status. Education, experience and skill are linked with status. People accept informal status at large. Social or political leaders are examples of informal status.

Status and norms People of higher status are given more autonomy than people of lower status. They are given more freedom to deviate from norms than any other people of the group and are in a better position to exert pressure. People of higher status care more about the achievement of the objectives than following norms. Lower status people are required to follow the norms, although they are not much concerned with the objectives.

Status and equity Status should be equitable, as otherwise it will create disequilibrium. Inequity creates incongruence. Pay and status incongruence have always caused dissatisfaction amongst employees. While providing status satisfaction, it must be clear that there should not be any inequity. Group members agree on status criteria, but they have conflicting opinions on status inequity.

Group size The size of the group has a positive impact on behaviour because of diverse decision and an adequate number of people in the group. A large group is more effective in achieving organisational objectives. It has given birth to synergy as a result in social loafing. People feel free when they work collectively, because they get a chance to relax while this is not possible during individual working. A large group encourages social loafing, i.e. a tendency to

extend less effort when working collectively. Many people are lazy and inept. They get a chance to reduce their efforts and disperse their responsibilities because they think that their contribution cannot be measured.

A small size group is more easily managed and can produce more qualitative goods. Small groups result in faster completion of work than proportionately higher groups. A smaller group is better at performing quality work. Members of smaller groups have more satisfaction than those of bigger groups. However, a very small group shows more tension and ignorance of the production process.

The impact of size on behaviour depends on the nature of the task. The size should be decided after considering the degree of interaction and satisfaction required in the group. In a decision-making group, odd numbers are preferred to decide on the majority opinion. In a very small group for example, three or five members alone may not arrive at an expert opinion. A group of seven or nine members is considered to be more effective and useful.

Social density Group behaviour depends on social density, which is the number of people at a particular place, location and system. The degree of interaction depends on the density and quality of group members. A specific location in a factory would be more appropriate than a general type of location. The plant layout has some influence on the density and consequently on the performance behaviour. If a large number of employees congregate at a place, no effective performance is feasible because of confusion and commotion. A definite amount of space must be provided between one employee and another employee. In an office, at least sixteen square feet is required for an effective performance. There is no definite rule for social density, but it should be decided based on the task, tool and techniques. The basic purpose is to avoid crowding or confusion. Stress and tension caused by social density should be avoided. Similarly, too much distance between one employee and another employee causes unnecessary delay in performances. Proximity must be decided upon as per the needs of the organisation. For example, in technical units less stress is noted in proximity, whereas in offices more wastage of time is observed under close proximity.

Group Composition

Group composition, i.e. the nature of the members of the group in terms of age, skills, knowledge, personalities, opinion and so on, has a great impact on the behaviour and performance. Heterogeneous groups consisting of dissimilar individuals and diverse abilities achieve performance. Cultural diversity brings diverse views and attitudes to improve efficiency. Heterogenous groups perform more effectively than homogeneous groups. Group diversity is converted into cohorts after a lapse of three to four months of working together. Cohort means common attribute. For example, women workers develop a common understanding while working in the same organisation. Cohort people enjoy working in the same organisation and working together. A diverse group has positive and negative impacts, depending upon the nature of the task.

A heterogeneous group gives a high performance because members are motivated by other groups. Problems are solved through diverse approaches because of multiple choice. Each group tries to maintain its own dignity and culture by demonstrating higher performance. The work culture becomes unique when everybody becomes busy attempting to achieve a maximum output . However, diversity receives unification by higher authority, otherwise it would create conflicts. Composition management is essential to get the maximum benefit out of heterogeneous groups.

Check Your Progress

3. List some of the factors that affect group behaviour.

4. What is role perception?

5. What is social density?

11.5 IMPLICATIONS OF GROUP PROCESS FOR ORGANIZATIONS

One can see the implications of group process in organization through its advantages and disadvantages. In general it is expected that a group would tend to make more effective decisions similar to committees and task forces, than would any single individual. Some of the advantages of group decision making are summarised below:

1. Since the group members have different specialities, they tend to provide more information and knowledge. Also, the information tends to be more comprehensive in nature and the groups can generate greater number of alternatives. Thus, the decision that requires the use of knowledge should give groups an advantage over individuals.

2. Implementation of the decision is more effective since the people who are going to implement the decision also participated in the decision making process. This also increases the commitment of the people to see the implementation to success. It is important that the decision be accepted by all, because even a low quality decision that has acceptance can be more effective than a higher quality decision that lacks general acceptance.

3. The input from a large number of people eliminates the biases that are generally introduced due to individual decision making. It also reduces the unreliability of individual's decisions.

4. The participative style of decision making process builds up foundations as a training ground for subordinates who develop the skill of objective analysis of information and deriving of conclusions.

5. The group decision making is more democratic in nature, while individual decision making is more autocratic in nature. The democratic processes are more easily acceptable and are consistent with the democratic ideals of our society.

Disadvantages of Group Decision-Making

There are also certain drawbacks in group decision making processes. The group processes can negatively affect performance in a variety of ways. Some of the disadvantages of group decision making are:

1. The process is highly time consuming in terms of assembling the right group and usually a group takes more time in reaching a consensus since there are too many opinions to be taken into consideration. The time problem increases with the group size. Accordingly, the speed of arriving at a solution must be considered, when group decision making style is selected.

2. Some members may simply agree with the others for the sake of agreement since there are social pressures to conform and not be the odd-man out. Thus the desire to be a good group member tends to silence disagreement and favours consensus. The social pressures can be very strong, inducing people to change their attitudes, perceptions and behaviours.

3. Many times, participants in group decisions have their own personal axes to grind or their own interests to protect. These self-centered interests lead to personality conflicts that may create interpersonal obstacles that may diminish the efficiency of the process as well as the quality of the decision.

4. The decision made by the group may not always be in accord with the goals and objectives of the organization. This is specially true when the goals of the group and those of the individuals do not reinforce each other. This will result in decisions that are detrimental to organizational benefits.

5. The group members may exhibit "focus effect". This means that the group may focus on one or few suggested alternatives and spend all the time in evaluating these and may never come up with other ideas, thus limiting the choices.

6. The first solution arrived at is more likely to be the final solution even if it is less than optimal. Higher quality solutions, after the first solution has been accepted, have little chance of serious consideration. Groups are inclined to invest more and more in their initial decisions, simply to justify having made these in the first place.

7. The groups may shift either towards more risk taking or towards less risk taking than the individuals and either of the shift may be undesirable. Generally speaking, problems suitable for group decision making involve some degree of risk or uncertainty. But to take excessive risks is as bad as taking no risk at all. Studies conducted by Stones showed that groups tend to shift towards riskier decision making. This creates a dilemma. On the one hand, it can be

argued, that the groups will take riskier decisions than individuals because the responsibility for bad decisions on individuals within the group is so diffused that it encourages the group to take greater chances. This way, if the decision turns out to be a bad one, the responsibility for it is not traceable to any particular individual in the group. On the other hand, it is equally justified to believe that the groups make more conservative decisions because the group members check and balance each other and this results in caution and conservatism. A key factor that determines whether the group will move towards risk or caution is the initial inclination of the groups. This means that if the group was prone to risk originally, the group discussion intensifies this inclination. If the group starts with a conservative approach, the discussion tends to lead to caution. The initial approach would primarily depend upon the direction that the leader of the group takes.

8. Groupthink. Groupthink indicates a situation, where members' desire for complete consensus overrides their motivation to disagree with an argument or critically and realistically evaluate other available alternatives. This is specially true where the group enjoys a high degree of cohesiveness. According to Irving Janis who coined the word "groupthink", "high cohesiveness can in some circumstances be actively dysfunctional for the effectiveness of the group as a whole." According to E. Frank Harrison, defined simply, groupthink means that the more friendly and cooperative the members of a group, the greater the likelihood that independent critical thinking and objective moral judgment will be suspended in deference to group norms and in observance of group cohesiveness".

Check Your Progress

6. When do decisions made by a group do not coincide with the goals of an organization?

7. What does groupthink indicate?

11.6 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. A group is defined as 'two or more interacting and interdependent individuals who have come together to achieve particular objectives.

2. The various stages of group development are forming, storming, norming, performing and adjourning.

3. Group behaviour depends on multiple factors which may be organizational conditions, group member resources, group structure, group status, group composition, group process, group tasks, and so on.

4. Role perception is a set of activities or behaviour that an individual is supposed to perform.

5. Social density is the number of people at a particular place, location and system.

6. The decisions made by a group do not accord with the goals of an organization when the goals of the group and those of individuals do not reinforce each other.

7. Groupthink indicates a situation, where members' desire for complete consensus overrides their motivation to disagree with an argument or critically and realistically evaluate other available alternatives.

11.7 SUMMARY

- A group is defined as 'two or more interacting and interdependent individuals who have come together to achieve particular objectives.

- Group formation has certain objectives. The purpose behind group formation may be task achievement, problem-solving, proximity or other socio-psychological requirements.

- The various stages of group development are forming, storming, norming, performing and adjourning.

- Group behaviour depends on multiple factors which may be organisational conditions, group member resources, group structure, group status, group composition, group process, group tasks, group decision-making, group cohesiveness and group thinking.

- In general it is expected that a group would tend to make more effective decisions similar to committees and task forces, than would any single individual.

11.8 KEY WORDS

- **Group:** It refers to a number of people or things that are located, gathered, or classed together.

- **Groupthink:** It is the practice of thinking or making decisions as a group, resulting typically in unchallenged, poor-quality decision-making.

- **Role Expectations:** It is the behaviour expected by others from the employee.

11.9 SELF-ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What do you understand by group formation?
2. Write a short-note on group process.
3. What are the different variables of group structure?

Long-Answer Questions

1. Discuss the different stages of group formation.
2. Examine in detail the factors that affect group behaviour.
3. Discuss the advantages and disadvantages of group decision-making.

11.10 FURTHER READINGS

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BLOCK - IV

DEVELOPMENT, NATURE OF BEHAVIOUR

UNIT 12   GROUP LEVEL BEHAVIOUR 2

Structure

12.0 INTRODUCTION

In the previous unit, you learnt about groups and group formation. In this unit, you will learn about teams. A team is a group of people with a full set of complementary skills required to complete a task, job, or project. This unit will discuss the evolution of groups into teams, the different characteristics of effective teams, as well as discuss different issues in team building.

12.1 OBJECTIVES

After going through this unit, you will be able to:

- Discuss how groups evolve into teams
- Describe the different types of teams
- Examine the key issues in team building

12.2 DEFINITION AND OVERVIEW OF A TEAM

Team spirit allows the company to produce better products at lower costs. It helps individual employees to develop skills and experience. Many organizations

have developed useful teams for effective and efficient performances. Teams become more flexible and responsive under changing situations. They are developed, deployed and disbanded as per the needs of the organization. Employee-members of the team develop a positive attitude and involvement. Employee's morale and spirits are increased and maintained under team performance.

A team is different from a group. A group includes two or more individuals, who are interacting and interdependent, to achieve group objectives. A work group primarily shares information and decisions. They do not get synergy because they do not engage themselves in collective work, whereas a work team generates positive synergy as they perform the job collectively. They coordinate their efforts. A work team has collective performance, positive attitudes, individual and mutual understanding and complementary skills. Work groups only share information, as individuals are neutral. The team is more concrete than the work group. A team aims to increase performance and potential for the organization. Teams ensure organizational performance.

12.2.1 Evolution of Groups into Teams

The effectiveness of any organization depends upon effective teamwork. Effective teams evolve from effective group functioning in organizations, and it requires trust and support of individual members. If members do not trust or support each other, group meetings easily degenerate into fights and arguments with no cooperation at all (Dyer et al. 1990). For a group to evolve into a team, it is essential to reach to the performing stage. At that stage, the group needs to possess the following characteristics: agreement with the mission of the team, shared leadership, collective sharing of accountability, problem solving, and measurement of effectiveness by collective accomplishment (Katzenbach and Smith 1993). Some of the conditions essential for evolving a group into team are as follows:

Supportive organizational conditions: An organization needs to provide a supportive environment to help a group evolve into a team. Some of the conditions conducive to the evolution of teams include management's unconditional support to the team, team's support to the organizational goals, appropriate skills possessed by the team member to carry out activities of the team effectively and whether the organization can afford to postpone task accomplishment till members learn to work together (Smither 1991).

Skilled team members: The team's success depends upon the complementary skills possessed by the individual members. The set of skills that need to be possessed by the individual members comprises of *technical skills*, to be able to complete the job requirement; *problem-solving skills*, the ability to solve any problem at a given point of time; *decision-making* skills, the ability to take appropriate decisions to solve the problems; and *interpersonal skills* so as to develop better relationships with superiors, colleagues, and subordinates in the work environment. Other skills include skills of active listening, mutual influence, and constructive confrontation to establish common goals and collaborate to achieve them (Katzenbach and Smith 1993).

Common values: For cooperative and collaborative effort, it is essential that the team members possess some common core set of values to reinforce accountability. Such common values help members to listen and respond constructively to others, give the benefit of doubt, provide support, see the interest of others and acknowledge their contributions (Katzebach and Smith 1993).

Matching team roles and preferences: For managing a team effectively, there has to be prefect compatibility between the roles performed by individual members and the task in hand. A manager has to accomplish the goals by linking differentiated roles held by motivated team members (Davies 1990).

12.2.2 Cross Fuctional and Other Types of Teams

Teams are developed to achieve certain objectives. Therefore, they are classified into problem-solving teams, self-managed work teams and cross-functional teams.

Problem-solving teams Problem-solving teams join together for solving a problem. The discuss the problem and find solutions. They improve their work quality and work environment. They share ideas or offer suggestions on how to improve the work standard and solve the problem. Since they have jointly suggested some measures, they willingly implement those suggestions. They also share responsibilities as they implement the corrective actions.

Self-managed teams Self-managed teams collectively control their work, assignments, choice of procedures and so on. Such teams select their own members who evaluate the performance of each member. Supervisory staff is redundant under such an arrangement. In big business houses in India, teams sit together and take important decisions which are immediately implemented by them. They schedule the work, authorise the people and perform the job. They establish production targets, set pay scales and decide on training programmes. Self-managed teams have successfully demonstrated their capacities. They have achieved self-satisfaction. Quality employees remain with the organization and less qualified people have to leave their jobs, as they are not able to cope with the spirit of self-managed teams.

Cross-functional teams Members of cross-functional teams come from the same hierarchical level, but from different functional areas. A task force is one example of a cross-functional team. People from diverse areas who are of the same cadre join together to find out operational solutions. They develop new ideas and solve the problems. Members learn to work with diversity and complexity. They build trust and confidence.

12.2.3 Seventeen Characteristics of an Effective Team

The seventeen characteristics of an effective team are as listed below. An effective team is:-

1) Adaptable
2) Collaborative
3) Committed
4) Communicative

5) Competent	6) Dependable
7) Disciplined	8) Enlarging
9) Enthusiastic	10) Intentional
11) Mission conscious	12) Prepared
13) Relational	14) Self-improving
15) Selfless	16) Solution oriented
17) Tenacious	

Check Your Progress

1. What does a team aim to do?

2. List some of the different types of teams.

12.3 DESIGNING A TEAM

Irrespective of the reasons as to why people form or join groups, these groups typically go through a period of evolution or development. Most groups develop through the following stages.

- **Forming.** During the forming stages, individual members become acquainted with each other. They become aware of individual behaviours and observe the emerging dynamics of the group. It is a period of orientation when members explore acceptable and unacceptable behaviours and some group code of conduct is formed.

- **Storming.** In the storming stage, conflicts arise among members when they disagree or tend to exert dominance. Members often become hostile and may even want to change the ground rules made in the forming stage. Disagreements may arise over priorities, goals or methods. Coalitions or sub-groups may emerge within the group.

- **Norming.** Once the disagreements and conflicts are addressed and resolved, the team comes together in the norming stage. The group unity emerges as members establish common goals, norms and a sense of cohesion. Motivation and productivity begin to emerge as the sense of unity becomes stronger.

- **Performing.** In this stage, the team begins to function and moves towards accomplishing its goals. The members interact cordially with each other and direct their efforts towards the common goal. The group becomes more stable and structured.

- **Adjourning.** This is the stage applicable to temporary task groups and ad hoc committees. When their work is accomplished, the group wraps up its activities and the focus shifts from performance to closure.

Making Teams Effective

While informal work groups often develop feelings of close affiliation among members, formal work groups some times do not develop such loyalty. It is very important for management to develop, among the group members, such characteristics as dedication and cohesiveness.

To build an effective team, the management must provide an environment which is conducive to team work with an attitude which is understanding and supportive of team efforts and innovation. It is a real challenge to management to learn how to use groups more effectively.

Some of the factors affecting team effectiveness are shown as follows:

- **Individuals.** A group is as good as the individuals who form the group. If the individuals are dedicated and consciously aware of their roles **and** their responsibilities towards accomplishing their group and organizational objectives, then the group would be an effective group. It is necessary and important that all members must share the enthusiasm of group activities and group accomplishments.

- **Group size**. It is difficult to determine as to what the optimal group size is, but such a size would depend upon the complexity of the problems that a group is expected to address. However, in general, smaller groups are more effective than the larger ones. Research conducted by Cummings, Huber and Arendt has led to the following recommendations.

  — For complex problems requiring high quality decisions, use seven to twelve members under a formal and expert leader.

  — When consensus in a conflict situation is important, use three to five members without a formal leader.

  — When both quality and consensus are important, a team of five to seven members seems most appropriate.

It is important to have odd number of members in the group so that a majority decision can be reached and there is no deadlock.

- **Group norms.** Group norms are the informal guidelines of behaviour and a code of conduct that provides some order to group activities and operations. These guidelines are expected to be followed by all the group members. These unwritten expectations usually develop gradually as group members learn as to what behaviours are necessary for the group to function effectively. These group norms may be concerning attendance, performance, interpersonal interaction, dress code and so on. The groups enforce compliance with norms in many ways. They can reward people who comply with group norms by appreciating them, by listening to them in a respectful manner and by making them leaders of the groups. Also the groups can take negative actions against those persons who deviate form the group norms in the form of ridicule or by

"silent treatment" or by withdrawing privileges or by ultimate action of expelling them from the membership of the group.

- **Synergy.** Synergy simply means that two plus two equal five. To achieve synergetic effects, the collective performance must produce better results than the sum of individual performances. Accordingly, it is important that the "right" members join a given group. Managers need to recognize that such group synergism brings special advantages with regard to cost, market power, technology or operating skills.

- **Leadership.** Formal groups have managers or supervisors as their leaders. Informal groups usually select their leaders by consensus. In both types of groups the quality of leadership is highly influential on the quality of the group. The leader must be knowledgeable, patient and respectful to the group. He must give proper guidance to the group and support group efforts in not only achieving the organizational goals but also group goals as well as the individual goals within the group.

- **Cohesiveness.** Cohesiveness refers to the degree and strength of interpersonal attraction among members of the group. High degree of cohesion is highly motivating in achieving the group goals. Cohesiveness is identified by attitudes such as loyalty to the group, compliance with group norms, friendliness, a feeling of role responsibility for group efforts and willingness to defend the group against outside undesirable interference. The extent of cohesiveness depends upon many factors including the compatibility of individual goals with group goals. The more the members are attached to each other and the more the group goals align with their individual goals, the greater the group's cohesiveness.

12.3.1 Key Issues in Team Building

The performance of a team depends on the size of the work team, the abilities of members, allocation of roles and promotion of diversity, commitment, specific goals, leadership, social loafing, reward systems and mutual trust.

Size of teams   A smaller sized team increases the performance possibilities. A larger size does not help cohesiveness, commitment and mutual understanding. When a team is larger, groups are broken into sub-teams. The sub-teams perform the job better than a larger number of people in the team.

Abilities of members   Technical and managerial skills ensure the performance functions. More technically qualified people can perform the job in a more systematic and effective form. Managerial expertise helps to solve problems easily. Teams help feedback, conflict resolution and development of interpersonal skills.

Allocating roles   Teams have different needs which are to be fulfilled for the satisfaction of team members. Each member has to perform his roles which are allocated on the basis of personalities and preferences. Team members are allocated specific jobs and performances. The role may be that of a creator, imaginator,

explorer, thruster, comptroller, controller, reporter, linker and inspector. Each of these roles has to be performed by the members.

Commitment Team members have common and meaningful purposes of performances, direction and commitment. They spend sufficient time and effort for discussing and agreeing on the collectively made decisions.

Specific goals Specific goals clearly demonstrate functions which are measurable and realistic. Goals energise teams and facilitate clear communication. Innovative ideas are developed through goals.

Leadership Leadership is needed to achieve objectives through the high performance of the teams. Unified action requires defining and agreeing on a common approach to goal achievement. Each member contributes equally to performance. The leader decides on the schedule, skills and cooperation needed for team performance. He resolves conflicts and makes team members agree for common goal achievement.

Social loafing Social loafing is possible in group action because an individual gets opportunities to hide his skills. Individual action is not identifiable in group performance. A person who is not interested in the team performance can avoid action. Loafing is avoided only through developing a team spirit and determining of joint accountability. A team succeeds if social loafing is avoided by team members.

Reward systems The team decides on group-based evaluation or performance for rewarding team members. Individual contributions are not assessable. Team performance is appraised by developing a suitable reward system. Profit sharing and gain sharing are modified with context to the team performance.

Mutual trust Mutual trust is the backbone of team success. Mutual trust depends on competence, integrity, consistency, loyalty and openness. Great performances have been achieved through high mutual trust. It is well known that trust begets trust and distrust begets distrust. Therefore, it is essential to create and develop mutual trust for the success of the team. There is onerous responsibility on the leader to maintain mutual trust. He has to be a team player, fair, consistent, confident and competent. The mutual team spirit is also dependent on the members' qualities as mentioned above.

12.3.2 Team Wheel

A team wheel is a great way to showcase the strengths and opportunities – and potential challenges – for the team. It is a tool that uses a wheel with coloured dots to represent the wheel position of everyone on a particular team. This allows team members to quickly locate themselves on the wheel, as well as see how their position on the wheel relates to everyone else on the team.

12.3.3 Seven Steps of Intact Team Building

The seven steps of building a high performance team are as follows:

1. Setting Direction for a High-Performing Team
2. Gathering and Deploying Resources

3. Assembling the Team
4. Allocating Work and Prioritizing
5. Executing the Plan
6. Motivating People and Resolving Conflict
7. Developing the Team

Check Your Progress

3. What occurs during the forming stage?
4. What does the size of the group depends on?
5. What is a team wheel?

12.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. A team aims to increase performance and potential for the organization.
2. Teams can be classified as problem-solving teams, self-managed work teams and cross-functional teams.
3. During the forming stages, individual members become acquainted with each other.
4. The group size depends upon the complexity of the problems that a group is expected to address.
5. It is a tool that uses a wheel with coloured dots to represent the wheel position of everyone on a particular team.

12.5 SUMMARY

- Team spirit allows the company to produce better products at lower costs. It helps individual employees to develop skills and experience. Many organisations have developed useful teams for effective and efficient performances.
- Teams become more flexible and responsive under changing situations. They are developed, deployed and disbanded as per the needs of the organisation.
- The effectiveness of any organization depends upon effective teamwork.
- Teams are developed to achieve certain objectives. Therefore, they are classified into problem-solving teams, self-managed work teams and cross-functional teams.
- Most groups develop through the stages of forming, storming, norming, performing and adjourning.
- The performance of a team depends on the size of the work team, the abilities of members, allocation of roles and promotion of diversity, commitment, specific goals, leadership, social loafing, reward systems and mutual trust.

- A team wheel allows team members to quickly locate themselves on the wheel, as well as see how their position on the wheel relates to everyone else on the team.

12.6 KEY WORDS

- **Team spirit:** It refers ti feelings of camaraderie among the members of a group, enabling them to cooperate and work well together.
- **Cohesiveness:** It refers to the degree and strength of interpersonal attraction among members of the group.
- **Team wheel:** A team wheel is a tool that uses a wheel with coloured dots to represent the wheel position of everyone on a particular team.

12.7 SELF-ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. Discuss the different types of teams.
2. List the different characteristics of effective teams.
3. Write a short-note on team wheel.
4. List the steps of building a high-performance team.

Long-Answer Questions

1. How do groups evolve into teams? Discuss.
2. How can teams be made effective?
3. Examine some of the key issues in team building.

12.8 FURTHER READINGS

Chandan, J. S. 2006. *Organizational Behaviour* (3rd Ed.). New Delhi: Vikas Publishing House Pvt. Ltd.

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UNIT 13   GROUP LEVEL BEHAVIOUR 3

Structure

13.0 INTRODUCTION

This unit will discuss leadership and its theories. Leadership is the art of motivating and influencing subordinates to perform their duties 'willingly' and effectively to achieve the set organizational goals. It is important that the followers 'willingly' follow their leader. A true leader motivates the followers to follow and induces a belief in them that they will gain by the policies of the leader. A dictatorship under which the subordinate have to perform, would not be considered as true leadership.

13.1 OBJECTIVES

After going through this unit, you will be able to:

- Discuss the role of leadership in business
- Elaborate on the various theories of leadership—behavioural, contingency and charismatic
- Examine some of the new theories on leadership

13.2 OVERVIEW OF LEADERSHIP

Leadership can be defined as a process in which a person tries to influence a set of individuals in the pursuit of achieving individual, group, and organizational objectives. Effective leaders help groups of people define their goals and find ways to achieve them (Selznick 1957).

Leadership is not confined to people who occupy top positions in organizations. Leadership is needed at all levels in an organization and can be displayed even by a person who has not been assigned a formal position in the organization. The ability to lead others effectively is a rare quality. It becomes more difficult at very senior positions as it requires the interplay of lots of different skills. One manifestation of this problem is that companies in search of new leadership seek out a select group of brand-name executives (Barrett and Lavella 2000).

13.2.1 Role of Leadership in Contemporary Business

To gain a better insight into leadership, it is important to differentiate it from management. Broadly speaking, leadership has more to do with the interpersonal aspects of the job, while management is more concerned with planning, organizing, and controlling. Leadership deals with change, inspiration, motivation, and influence.

According to John P. Kotter (1990), managers must know how to lead as well as manage. Management can be differentiated from leadership in the following ways:

Management is more scientific and formal than leadership. It is based on explicit set of tools and techniques that are used in different situations. On the contrary, leadership involves having a vision of where to take the organization from its present state and influence members to live up to that vision.

Leadership requires voluntary cooperation and teamwork by means of influence, persuasion, and charisma. Management relies on control as a mechanism to influence people. Leadership may produce a dramatic change such as bringing out an innovative product; management is more likely to produce a predictable change. Leadership may result in transforming an organization. Management only maintains the status quo.

In the light of the above differences, it can be concluded that a leader is an inspirational figure and the manager is a bureaucrat caught up in his status quo. A description of what managers and leaders do in an organization will help us to understand the differences more clearly.

What Does a Leader Do?

While the manager works to carry out the aims of the organization, the leader serves to create new aims and initiate new courses of action. The leader challenges the status quo, in the most positive and diplomatic of ways, in order to continuously improve. It is the leader we turn to when we feel that "good enough" is not enough. A leader has certain characteristics that distinguish him from a manager. These are as follows:

1. **A leader works with others to make the difference:** Leaders strive to make a difference. They are willing to make sacrifices and to inspire others to do the same. When John F. Kennedy inspired Americans to give up their

lifestyle and join the Peace Corps, he admitted he was asking them to accept the "toughest job you'll ever love." Similarly, when Mahatma Gandhi encouraged people to take the path of non-violence (ahimsa), he was creating a difference in the whole nation and the society.

2. **A leader creates something of value that did not exist before:** When a person creates a leading edge or does something that has not been tried earlier and it stands out by virtue of being first or being different, he is exhibiting the traits of a leader.

3. **A leader exhibits positive energy:** There are certain individuals who exude confidence and possess magnetic personalities that make people gravitate towards them. Such individuals easily lead others by virtue of their passion for accomplishment, charisma, and enthusiasm.

4. **Leaders encourage change:** Through his commitment to action, the leader treads virgin territory. He spots vacuums and works to fill them. He sees what is invisible and inspires others to make the ideal real. Leaders know that change is progress. They know that they must take an "I'll go first" approach to convince others that change is not only necessary, but it can be good.

Check Your Progress

1. At what levels should leadership be confined?
2. Differentiate between managers and leaders.

13.3 THEORIES OF LEADERSHIP

In this section we would discuss various theories of leadership in detail.

Behavioural Theory of Leadership

The behavioural theory studies leadership by looking at leaders in terms of what they 'do'. This is in contrast to the trait theory that seeks to explain leadership in terms of who the leaders 'are'. Thus, according to the behaviour theory, leadership is shown by a person's acts more than by his traits. The leadership effectiveness is determined in terms of leader–subordinate interaction and outcome. Research studies conducted by Katz, Maccoby and More suggested that leadership behaviour should be defined along an employee-centred dimension and a production-centred dimension complementing each other so that the employee's performance and productivity is enhanced.

Further in-depth investigations into this approach have been conducted at the Ohio State University. These studies isolate two particular factors affecting the leadership dimension. These are as follows:

(i) **Consideration:** It refers to the extent to which there is a rapport between the leader and the group, mutual warmth and trust, a concern for the needs of the members of the work group, an attitude that encourages participative management, two-way communication and respect for the feedback of the followers.

(ii) **Initiating structure:** It refers to the extent to which a leader is task oriented and his ability and concern in utilizing resources and personnel at an optimum level. It involves creating a work environment so that the work of the group is organized, coordinated, sequential and organizationally relevant. It ensures that people know exactly what is to be done and how it is to be done. The structure involves having the leader to organize and define the role each member is to assume, assign tasks to them and push for the realization of organizational goals.

One advantage of this theory is that these two dimensions of leadership behaviour are tangible and observable and do account for a major part of the leader behaviour. Even though a causal connection of these two dimensions with performance has not been clearly demonstrated, their relationship to leadership effectiveness has been quite obvious.

13.3.1 Contingency Theories of Leadership

The contingency theories state that an analysis of leadership involves not only the individual traits and behaviour but also a focus on the situation. The leadership behaviour is used in combination with work groups contingencies to predict performance outcomes.

1. Fiedler's Contingency Theory

Fred Fiedler was one of the earliest proponents of a leadership model that explicitly accounted for situational factors. He proposed, in 1967, a theoretical explanation for interaction of three situational variables which affect the group performances. These three variables are (i) leader-member relations, (ii) task structure and (iii) leader's positional power. These variables determine the extent of the situational control that the leader has.

(i) **Leader–member relations:** This relationship reflects the extent to which the followers have confidence and trust in their leader and his leadership ability. A situation in which the leader–member relations are relatively good with mutual trust and open communications is much easier to manage than a situation where relations are strained.

(ii) **Task structure:** It measures the extent to which the tasks performed by subordinates are specified and structured. It involves clarity of goals, as well as clearly established and defined number of steps required to complete the task. When the tasks are well structured and the rules, policies and procedures clearly written and understood, then there is little ambiguity as to how the job is to be accomplished.

(iii) **Position power:** This refers to the legitimate power inherent in the leader's organizational position. It refers to the degree to which a leader can make decisions about allocation of resources, rewards and sanctions. Low position power indicates limited authority. A high position power gives the leader the right to take charge and control the situation as it develops.

The most favourable situation for the leader then would be when the leader group relations are positive, the task is highly structured and the leader has substantial power and authority to exert influences on the subordinates. The leadership model proposed by Fiedler measures the leadership orientation and effectiveness with a differential type of attitude scale which measures the leader's esteem for the 'least preferred co-worker' or LPC as to whether or not the person the leader least likes to work with is viewed in a positive or negative way. For example, if a leader would describe his least preferred co-worker in a favourable way with regard to such factors as friendliness, warmth, helpfulness, enthusiasm, and so on; then he would be considered high on LPC scale. In general, a high LPC score leader is more relationship-oriented and a low LPC score leader is more task-oriented.

One of the basic conclusions that can be drawn from Fiedler's contingency model is that a particular leadership style may be more effective in one situation and the same style may be totally ineffective in another situation. Also, since a leadership style is more difficult to change, the situation should be changed to suit the leadership style. The situation can be made more favourable by enhancing relations with subordinates, by changing the task structure or by gaining more formal power that can be used to induce a more conducive work setting based upon personal leadership style.

2. Path-Goal Theory

The path-goal theory of leadership, as proposed by House and Mitchell, suggests that the effectiveness of leaders can be measured from their impact on their subordinates' motivation, their ability to perform effectively and their satisfaction with their tasks. This model emphasizes that the leader behaviour be such as to compliment the group work setting and aspirations so that it increases the subordinate goal achievement level and clarifies the paths to these goals.

This approach is based upon the expectancy theory of motivation and reflects the worker's beliefs that effort would lead to successful outcomes. The leader sets up a clear path and clear guidelines through which the subordinates can achieve both personal and work-related goals and assists them in achieving these goals. This will make the leader behaviour acceptable and satisfying to subordinates, since they see the behaviour of the leader as an immediate source of satisfaction or as a source of obtaining future satisfaction.

This approach is largely derived from the path-goal approach to motivation. To motivate workers, the leader should:

(a) Recognize subordinate needs for outcomes over which the leader has some control

(b) Arrange for appropriate rewards to his subordinates for goal achievement

(c) Help subordinates in clearly establishing their expectations

(d) Demolish, as far as possible, the barriers in their path of goal achievement

(e) Increase opportunities for personal satisfaction which are contingent upon satisfactory performance

3. Life-Cycle Theory

The life-cycle theory of leadership has been developed by Paul Hersey and Kenneth Blanchard. The model focuses on the maturity of the followers as a contingency variable affecting the style of leadership. The maturity of the subordinates can be defined as their ability and willingness to take responsibility for directing their own behaviour in relation to a given task. The level of such maturity would determine the leader's emphasis on task behaviours (giving guidance and direction) and relationship behaviour (providing socio-emotional support). 'Task behaviour' can be defined as the extent to which the leader engages in spelling out the duties and telling people what to do, how to do it, when to do it, where to do it and who is to do it. Task behaviour is characterized by one-way communication from the leader to the follower and this communication is meant to direct the subordinate to achieve his goal.

The life-cycle theory of leadership requires that leaders attend to the demands of the situation as well as the feelings of the followers, and adjust their styles with the changing levels of maturity of the followers so as to remain consistent with the actual levels of maturity.

4. Vroom-Yetton Model

This leadership model is normative in nature for it simply tells leaders how they should behave in decision-making. The focus is on the premise that different problems have different characteristics and should, therefore, be solved by different decision techniques. The effectiveness of the decision is a function of leadership that ranges from the leader making decisions himself to a totally democratic process where the subordinates fully participate, and the contingencies of the situation that describe the attributes of the problem to be dealt with. For a successful leader, it is imperative to know the best approach to solving the problem at hand and to properly know how to implement each decision-making technique as and when required.

The model indicates that the decision reached should be high in quality, should be accepted by the people who have to implement it and should be time-efficient. Studies performed to test the validity of this theory concluded that the participative and democratic style of leadership was more appropriate and

successful at higher levels of organization, whereas the directive decision-making style was better utilized at lower levels.

There are three variables that affect the performance of the leader, in terms of his capacity as a decision-maker. These variables are: the quality of the decision, the degree of acceptance of the decision by the subordinates and the time required to make the decision.

Since the high quality of the decision as well as the high degree of acceptance of the decision by the subordinates are crucial to the successful implementation and outcome of the decision, Rao and Narayana suggest that leaders should select a decision-making style that is appropriate and most effective in a given situation. In this regard, they should address the problem by asking seven questions. The first three questions relate to the quality of the decision and the rest of the four questions relate to the decision acceptance by the subordinates. These questions are as follows:

1. Is there a quality requirement such that one solution is likely to be more rational than another?

2. Do you have sufficient information to make a high-quality decision?

3. Is the problem structured?

4. Is the acceptance of decisions by subordinates critical to effective implementation?

5. If you were to make a decision by yourself, is it reasonably certain that it would be accepted by your subordinates?

6. Do subordinates share the organizational goals to be obtained in solving the problem?

7. Is conflict among subordinates likely in preferred solutions?

The answers to these questions would determine a particular decision-making style to be adopted by the leader.

13.3.2 New Leadership Theories

Recently, several approaches have been developed by different authors to make leadership effective. The important approaches are Leader Member Exchange (LMX) Theory, Leader Participation Model, Attribution Theory of Leadership, Charismatic Leadership Theory, Transactional Leadership and Transformational Leadership.

Leader Member Exchange (LMX) Theory

The Leader Member Exchange Theory indicates that a leader establishes a special relationship with his subordinates. In a group, all the members are trusted equally although they get disproportionate attention. Some of the subordinates get special privileges while others are paid less attention and may be considered as out of

group members. Superior-subordinates have formal authority interactions. The leader categorises some members of the group as inner members and other members as outer members. This 'in' and 'out' group is relatively stable during the course of organisation behaviour. Members who are treated 'in' the group behave properly, perform better, get more satisfaction and so on. Other members of the group try to come within the 'in' group. The Leader Member Exchange theory motivates the employees personally. The leader takes personal care of the employees. The members who are not highly regarded by the leader feel dissatisfied. They try to know the likings and dislikings of the leader and behave accordingly. This theory motivates only a few members of the group while other members are frustrated, and may create some problems to the leader. LMX has to be used cautiously.

Leader Participation Model

The Leader Participation Model relates to the leadership behaviour and participation in activities. Under the task structure, a leader has to assign several structures to different employees and guide them too. His role becomes important when non-routine functions are involved and the employees require spot guidance. The leader has to perform the employees' job to demonstrate an effective functioning. Similarly, the subordinates are required to participate in the decision-making process. Participation is done through a set of rules which provide the form and amount of participation.

Victor Vroom and Phillip Yetton have given seven contingencies by making 'Yes' or 'No' choices and five alternative leadership styles. Later on, some authors have extended the contingency variables to 12, i.e. Quality Requirement, Commitment Requirement, Leader Information, Problem Structure, Commitment Probability, Goal Congruence, Subordinate Conflict, Subordinate Information, Time Constraint, Geographical Dispersion, Motivation Time and Motivation Development. Leaders can use decision trees to select the leader style. It demonstrates that leadership is situational and not personal. It varies from situation to situation. The leader adjusts himself according to the needs of a situation. Self-monitoring is an important element of the leader participation model.

The situation and not the person is important. It makes a leader behave differently. He may be autocratic, consultative and a group performer based on the needs of the situation. A leader makes his own decision under an autocratic situation and takes the assistance of his subordinates under a consultative situation. The leader shares the problem with his subordinates in a group behaviour. The leader participation model is purely situational. A leader must be flexible and adaptable in his behaviour to achieve success in every situation.

Attribution Theory of Leadership

The Attribution Theory of Leadership is related to perception, i.e. how people view the leader. People establish and develop perception with cause and effect. How a leader behaves has a long-lasting impact on the followers. The event

happening is attributed to some causes. The attribution or assigning of a cause to an event gives birth to the attribution theory. The followers attribute many happenings to leadership. If a country faces an acute inflation, it is attributed to the ruling party. It is known here that this attribution may be real or unreal. Just the attribution of inflation to a government is not always correct because there may be other causes of inflation. The attribution theory implicitly explains that a leader should have intelligence, influence, personality, verbal skills, perseverance, understanding and so on to have an effective influence on the followers. Employees perceive good leaders as those who are high structured (production-oriented) and have high relations (people-oriented). People perceive such leaders best as in all situations. In an adverse situation, they do not blame the leader because they have perceived him as the best leader because of his high–high orientation, i.e. high structured and high initiated. If such leaders fail, employees attribute the failure to the situation and adverse conditions. Similarly, attribution theory makes the low–low- oriented leaders always responsible although he is not responsible for failure, because of adverse conditions.

Once a leader is attributed as fully committed, competent, steadfast and consistent, he is always highly regarded by his followers. The attribution theory is based on the perception of the employees. The perception process should be kept in mind while developing leadership. Perception makes a leader highly regarded or vice versa. Employees perceive their leader as heroic if he takes up the challenges of difficult and unpopular causes through a firm determination, persistence and knowledge.

Charismatic Leadership Theory

Followers attribute heroic or extraordinary abilities to their leaders whom they regard as outstanding. A leader should demonstrate those behaviours which are liked by his employees / subordinates. He should be able to distinguish those qualities which are related to charisma from those which are concerned with non-charisma. He should imbibe charismatic qualities. Referent leaders are models for developing charismatic qualities, viz. extremely high confidence, dominance and strong convictions. It has been established that charismatic leaders are those who have a compelling vision, effective communication of the vision to workers, consistency in pursuit of the vision, and who capitalise their own strength and convert the threats into opportunities. Many other authors have given the attributes of charismatic leaders. For example, a leader should idealise the goals to be achieved, develop a strong personal commitment to achieve the goal, have unconventional assertiveness and self confidence and sharpen the quality of radical change. Charismatic leaders are willing to take personal risks, incur high costs and may sacrifice themselves to achieve the vision. Their behaviour should not be unconventional and counter to established norms. They evoke surprise and bring radical change rather than preserve the status quo. The environmental constraints are converted into favourable situations to achieve the vision.

Transactional Leadership

The leader directs his subordinates toward the achievement of goals under the transactional leadership. The goal-oriented leadership has already been discussed in this chapter under behavioural, path goal and participative models. The leader clarifies the roles to be played by the subordinates while performing their respective tasks. It emphasises on effort and performance. The leader guides and motivates his followers to achieve the organisational goals.

Transformational Leadership

Leaders having a transformational leadership develop their subordinates. They are motivated to transcend their self-interest for the good of the organisation. The leader pays attention towards the developmental needs of individual subordinates. The transformational leadership excites, arouses and inspires the subordinates to put an additional effort to achieve the goals of the organisation. It is built on top of the transactional leadership. It means that this leadership develops people for achieving the organisational goals. The subordinates are made high performers and developed employees. It leads to higher productivity and higher employee satisfaction. The charismatic and attribution theories are more of transformational leadership. Transformational leadership has four important features, viz. individualised consideration, intellectual stimulation, inspiration and charisma. It has been proved that this leadership is more effective than the transactional leadership.

Check Your Progress

3. What does 'pathgoal' theory emphasize upon?

4. Who developed 'life-cycle' theory? What does the theory propose?

5. What is the attribution theory of leadership related to?

13.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Leadership is not confined to people who occupy top positions in organizations. It is needed at all levels in an organization and can be displayed even by a person who has not been assigned a formal position in the organization.

2. While managers works to carry out aims of the organization, the leader serves to create new aims and initiate new courses of action.

3. The path-goal theory of leadership emphasizes that the leader behaviour be such as to compliment the group work setting and aspirations so that it increases the subordinate goal achievement level and clarifies the paths to these goals.

4. The life-cycle theory of leadership has been developed by Paul Hersey and Kenneth Blanchard. The model focuses on the maturity of the followers as a contingency variable affecting the style of leadership.

5. The attribution theory of leadership related to perception, that is, how people view the leader.

13.5 SUMMARY

- Leadership can be defined as a process in which a person tries to influence a set of individuals in the pursuit of achieving individual, group and organizational objectives.

- The behavioural theory studies leadership by looking at leaders in terms of what they 'do'. This is in contrast to the trait theory that seeks to explain leadership in terms of who the leaders 'are'.

- The contingency theories state that an analysis of leadership involves not only the individual traits and behaviour but also a focus on the situation. The leadership behaviour is used in combination with work groups contingencies to predict performance outcomes.

- The path-goal theory of leadership emphasizes that the leader behaviour be such as to compliment the group work setting and aspirations so that it increases the subordinate goal achievement level and clarifies the paths to these goals.

- Recently, several approaches have been developed by different authors to make leadership effective. The important approaches are Leader Member Exchange (LMX) Theory, Leader Participation Model, Attribution Theory of Leadership, Charismatic Leadership Theory, Transactional Leadership and Transformational Leadership.

13.6 KEY WORDS

- **Leader:** It means the person who leads or commands a group, organization, or country.

- **Charismatic:** It refers to a special power that some people have naturally that makes them able to influence other people and attract their attention and admiration.

- **Transactional:** Something that is related to the conducting of business, especially buying or selling.

- **Transformational:** It means the act or process of transforming.

13.7 SELF-ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What is the role of leadership in contemporary business? Discuss.
2. What do you understand by the 'charismatic leadership theory'?
3. What is the normative leadership model?
4. Write a short-note on the attribution theory of leadership.

Long-Answer Questions

1. Describe the behavioural theory of leadership.
2. Explain the basic assumptions of contingency theories of leadership.
3. Examine some of the new theories on leadership.
4. Describe the path-goal theory of leadership.

13.8 FURTHER READINGS

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UNIT 14 POWER, POLITICS AND CONFLICT

Structure

14.0 INTRODUCTION

Power and politics are the words that have negative connotations in society. We are uncomfortable with the concept of power. Our perception of power is that it manipulates people and this idea does not go well with us. It is meant to extract compliance and enforce obedience and this conflicts with our democratic culture of freedom and rights. Politics is closely related with power, for only powerful people can play politics and get away with it.

Power is defined as the "possibility of imposing one's will on the behaviour of others." The essence of power is control over the behaviour of others. Power is also a reflection of influence that one person may have over others.

14.1 OBJECTIVES

After going through this unit, you will be able to:

- Discuss power and politics in an organization
- Describe the organizational factors for creating politicking activities
- Discuss the different types of conflict situations.
- Examine the different strategies of negotiation
- Describe the different characteristics of organizational culture

14.2 POWER AND POLITICS

Power is the capacity to influence others. Power is the potential that becomes effective for a management and develops dependency relationship. It provides the discretion to behave differently. Power increases the potential capacity to influence others and creates the dependency of the person who is being influenced by the power possessor. Managers or business leaders are given power to manage the organization. Dependency is another form of power. The person who is dependent on another is influenced by the latter's power. It is also observed that the power-holder has the discretion of choices within the power premises. It does not however provide unlimited capacity to influence others. In a business organization, power is used to achieve organizational goal. The leader influences the employees and makes them dependent on his advices for achieving the goal. He prescribes the job design, job rotation, group norms, rules and regulations for attaining the group goal through facilitating the employees to perform their respective jobs.

It has been observed that in an organization leaders who understand or know how to use power are more successful than those leaders who are unwilling to use their respective power. The impact of power is assessed by the leaders who effectively use them in managing an organization. Power has been properly laid down in many organizations to avoid its misuse. When power is legitimised, it becomes authority.

Bases or Sources of Power

Power comes from a sources or base. It comes in a particular form and is utilised in a specific manner. Social psychologists John French and Bertram Raven have described five bases or sources of power, which are coercive power, reward power, legitimate power, expert power and referent power.

(a) Coercive Power

In India, employees are unwilling to work on their own unless they have a certain fear of punishment. It needs a strong directive behaviour. Coercive power is necessary to effectively engage the labourers. Coercive power is based on fear. Many illiterate employees act out of fear of negative results that might occur if they fail to comply with the given instructions. Coercive power rests on the application of physical sanctions such as the infliction of pain, generation of frustration and restriction of movement. If employees are unable and unwilling to perform, they are fired, transferred, demoted and so on. They avoid this unpleasant treatment by following the orders of their bosses.

Coercive power is helpful to get things done easily by the supervisors and managers. But, they misuse it to achieve personal gains. Therefore, it is said that coercive power is most often used, most often condemned and most difficult to control as it is the power to hurt others. This power has a negative reinforcement. It is generally used for the lay person. Coercive power has a psychological impact on others.

(b) Reward Power

Employees demonstrate a readiness to work for achieving some reward. The superior has the power to reward outstanding performers. It is just the opposite of coercive power. In this case, people work for getting a reward, recognition and repute. It is highly useful for improving the supervisor's behaviour. It helps the growth of employees who comply with the wishes or directives of seniors for getting positive benefits.

Reward power is anything that the other person values, e.g. money, favour, promotion, interest, friendly treatment, important information and so on. While coercive power is negative reinforcement, reward power is positive reinforcement. For example, if one can give something of positive value or avoid negative results to the employees, he has the reward power over the employees. Managers are given several forms of reward power such as the power to increase pay, grant promotion, praise, recognise, create a friendly atmosphere and so on.

(c) Legitimate or Position Power

Legitimate power arises because of the position of the employees. A manager is in a position to induce compliance or influence the behaviour of the employees by virtue of his position. It is the power which is received by the person because of his position or due to the formal hierarchy of an organization. Legitimate power is authority because the definition of authority is legalised and legitimised power. The authority is well-accepted by the employees. They recognise their boss as having the authority of sometimes positive and sometimes negative reinforcement. Authority or legitimate power has coercive as well as reward power by virtue of position, but coercive power in its own form as described above need not have a position. Similarly, reward power in abstract form need not have a position. People exercise coercive or reward power by virtue of personality and not by virtue of position. Sometimes, these coercive and reward powers are debatable. But, in the case of position power, the manager is legally authorised to exercise coercive or reward power. People achieve power by legal authority and are given the position to exercise the power. Higher position has power over lower position.

(d) Expert Power

Expert power depends on knowledge and expertise. If a person possesses the expertise and others recognise his expertise, the former has expert power over others. Expert power is well regarded by employees for their effective performance. An individual possessing expert power is credible, trustworthy and relevant. He is in a position to exhibit his tangible knowledge to others. He is required to demonstrate physically his expertise knowledge to others. Credibility, trustworthiness and relevance are the basic components of expert power. Credibility helps in exercising of expert power. A person's specialisation, technical skills and other relevant knowledge are well-accepted and are given credit to by the employees. He is required to guide the juniors on technical performances which

are really guiding factors for the development of employees. Trustworthiness depends on the reputation of being honest and straight-forward. A trustworthy person can exercise expert power which is easily accepted by the employees. Relevance of time, person and energy is important for expert power. Persons having no position can effectively use expert power and influence others by their expertise knowledge.

(e) Referent Power

Referent power depends on personal traits. It is developed out of admiration for the person. The person possessing referent power becomes a model to be followed by others. Many times, referent power-holders have a charisma by which a large number of persons are influenced. It is well known that film personalities, moral philosophers, social workers and also management referent people have been accepted as possessing referent power. Persons having a domineering personality and pleasing faces are regarded as having referent power. Management people have to develop the referent power by developing their integrity and honesty. A referent player, a reputed singer and a regarded philanthropist are examples of people having referent power. Individuals with a pleasing personality in management become referent power-holders. The managers have to be all-rounders and develop a sound personality to possess referent power.

Politics

Organizational politics is different from the government-oriented politics in that it emphasises the role of a person in an organization. Employees have a certain role to perform in every organization. When this role is exercised to influence others, it becomes politics. In simple words, politics is the use of power to influence the decision-making process in an organization. The political system in an organization influences the behaviour of employees. The political system is decided based on how managers use their power in an organization. The power using process becomes the political system. The goal and organizational functions are also influenced by a set of political systems or process of the organization. The disadvantages and advantages of political process are also discussed. For example, leaking out secret information is the disadvantage of the political process. There may be legitimate and illegitimate behaviour. Legitimate behaviour refers to the advantage of a political system. It may be a chain of command, forming coalitions, adherence to rules and regulations. On the contrary, illegitimate political behaviour violates the rules and regulations, e.g. damaging the property, making adverse remarks about the managers.

Politics in an organization is a factual reality. An organization is full of diverse values, goals and interests. There are potential conflicts in every organization. Resource allocation creates conflicts. Interests, goals and ego conflicts are sources of politics. People try to achieve these points for self-satisfaction, which creates politicking activities. The politicking may be overt and covert. Employees influenced by outsiders' behaviour such as that of a political leader is an example of overt

behaviour. The internal factors creating politicking activities are known as covert politics. Apart from the covert and overt factors creating political activities, individual and organizational factors are more important politicking.

Individual and Organizational Factors

Individual factors include high march, internal locus of control perceived job designs, expectations and self-monitoring. Personality traits, personal needs and other factors create political behaviour. Employees interested in self-monitoring and high march are engaged in political behaviour. Self-monitors are more sensitive to social cues and thus are skilled in political behaviour. They maintain alliances with powerful people, manipulate information, make a quick showing, avoid decisive engagement and take counsel with caution for power acquisition. Many employees adapt the divide and rule policy, embrace the powerful and demolish the weak and wait, see and then attack policies for acquiring power.

Employees having a higher locus of control can manipulate situations in their favour. Similarly, high machiavellian people can control power in their favour. People interested in power use politics to gain it for self-interest. Expectations of success of any action leads to politicking activities. Persons hoping for success in an organization resort to illegitimate means to gain power. Scarcity of skilled labour provides more political power even to the person who has scarce knowledge. Experienced and politically sound employees have more opportunities of increasing politics.

Organizational factors are more effective for creating politicking activities than individual factors because a large number of employees are taken into confidence for any activity. Organizational factors include role, situations and culture of an organization, resources utilisation, opportunities for promotion, trust, performance evaluation, and so on.

Role   The role played by cadre people influences the politicking activities because of their differences in opinion. Managers having a strong support create some problems. The differences of role foster politicking functions in an organization. Role ambiguity of managers has a wide impact on the politics of an organization because the behaviour of employees is not clear in this case. Visibility and transparency will not create politics whereas their absence provides more chances of politicking activities.

Situation and culture   Certain situations and culture create politics. Cultural differences in an organization may encourage politicking activities. They may create a low trust, unclear performance and high pressure of work. Culture helps to develop employees and managers.

Resources utilisation   Resource utilisation emphasises the departmental goals for which the departmental heads want maximum resources for their department. This creates politics and some departments are given more favours than others. Employees and managers engage in political actions to safeguard the interests of their respective departments.

Opportunities for promotion Promotion opportunities invite politics. Competition creates politics. Promotion avenues offer competition. People wish to gain favour by hook or crook and gain promotion. This influences the resultant decision.

Trust A lack of trust creates politics. Illegitimate tactics are applied to influence the seers and peers. Absolute trust decreases the scope for politics. Trust reduces misunderstanding.

Performance evaluation The methods of performance evaluation have an impact on politics in an organization. The time of performance and the delay in appraisal depend on the political system. Subjective evaluation creates politics.

Check Your Progress

1. What do you understand by power in an organization?

2. List the different sources of power.

3. What is the relationship between trust and politics?

14.3 CONFLICT

A conflict is actually an outcome of human behaviour, and today it forms an integral part of the human life. Wherever there is interaction, there is conflict. A conflict can be defined in many ways and can be considered as an expression of hostility, negative attitudes, antagonism, aggression, rivalry and misunderstanding. It is also associated with situations that involve contradictory or irreconcilable interests between two opposing groups. A conflict may be defined as a disagreement between two individuals or two groups. In the process, each individual or group tries to convince the other one and tries to gain acceptance over its own set of objectives and views over the others.

Conflict must be distinguished from competition, even though sometimes intense competition leads to conflict. Competition is directed towards obtaining a goal and one group does not interfere with the efforts of another group, while conflict is directed against another group and actions are taken to frustrate the other group's actions towards goal achievement.

Types of Conflict Situations

Since conflict has both positive and negative connotations and consequences, it must be looked into and managed for useful purposes. The management must survey the situation to decide whether to stimulate conflict or to resolve it. Thomas and Schmidt have reported that managers spend up to 20 per cent of their time in dealing with conflict situations. Hence, it is very important that managers understand the type of conflict that they have to deal with so that they can devise some standardized techniques in dealing with common characteristics of conflicts in each type of category. There are five basic types of conflicts. These are as follows:

1. **Conflict within the individual:** The conflict within the individual is usually value related, where the role playing expected of the individual does not conform with the values and beliefs held by the individual.

2. **Interpersonal conflict:** Interpersonal conflict involves conflict between two or more individuals and is probably the most common and most recognized conflict. This may involve conflict between two managers who are competing for limited capital and manpower resources.

3. **Conflict between the individual and the group:** All formal groups and informal groups have established certain norms of behaviour and operational standards that all members are expected to adhere to. The individual may want to remain within the group for social needs but may disagree with the group methods.

4. **Intergroup conflict:** An organization may be described as a well-developed network of different teams, groups, sections and departments. The conflicts generally do not arise due to personal reasons. However, the different organizational factors which are integral to an organizational structure have a greater role to play in this respect.

5. **Inter-organizational conflict:** Conflict also occurs between organizations that in some way are dependent on each other. An example of this type of conflict is the one existing between a buyer and a supplier organization.

14.4 NEGOTIATION

Negotiation may be described as a process involving conduct of joint decisions. This is required to be done when the two involved parties have differing views or opposite preferences. Negotiation has special significance in situations of conflict, whether it is conflict between union and management in organizations or between countries such as India and Pakistan, where negotiations may be required to resolve the conflict over Kashmir. Conflicts and disagreements are likely to arise in work settings over such diverse matters as wages, performance evaluation, working conditions, job assignments, work schedules, and so on.

In any type of negotiations, two important goals must be considered. One goal involves substance and the other involves relationships. Reaching agreement on wage increases would be achievement of substance goal. The relationship goal deals with the outcomes that relate to how well the negotiating parties are able to work with each other, once the negotiation process has been concluded. An effective negotiation occurs when substance issues are resolved without negatively affecting the working relationships. In most organizations in America, the union and management remain in good and cordial relationship after the fight is over.

Negotiation Strategies

Many different models of negotiation have been put forward by theorists and practitioners, but they generally follow one of the two approaches. One is known

as the 'distributive negotiation', and the other is known as the 'integrative negotiation'. The distributive negotiation is a zero sum game in which parties are in a state of competition, whereby each party seeks dominance over the other and tries to maximize its own self-interests. Since the self-interest is to get the most out of the available resources, and since the pool of the available resources is fixed, whatever one party wins the other party must lose. Integrative negotiation, on the other hand, is a collaborative model in which the parties seek to expand the range of possible outcomes, and thereby maximize their individual benefits by sharing in the collective efforts and results. For example, a union may get better wages and in response may produce more in terms of quantity and quality. In such a situation, both the union and the management wins.

Characteristics of distributive negotiations

A case of distributive negotiation can either be a hard one or a soft one. The hard distributive negotiation takes place when each party holds out for what it wants without any compromise. Many times such attitude leads to an impasse.

In a soft distributive negotiation, both parties follow the give and take policy, make concessions, compromise on some issues and reach an agreement that is realistic and acceptable. In general, one party asks for much higher benefits than it is willing to accept and the other party offers much less than it is willing to give. Then by negotiation and compromise, they agree on taking a middle path and then both parties are satisfied. This meeting point (midway) is somewhere in the 'bargaining zone'.

Distributive negotiation is a necessary way of resolving differences between parties with mutually exclusive goals. Parties to the negotiation will withhold as much information as possible to gain an advantage; and at the same time, they will try to get as much information from the opposing party as possible. Negotiators will generally have a very good idea as to what they are trying to accomplish and this is perhaps the most critical point of skillful negotiation. Negotiation should focus on realistic issues and not on egos about winning and not losing.

Characteristics of integrative negotiations

Integrative negotiation is a process in which the negotiating parties jointly work towards goals that are not mutually exclusive so that one party does not necessarily gain at the expense of the other. The approach of the parties is to work together to find out ways to utilize the resources in a best possible manner for the benefit of both parties. They engage in problem solving jointly to arrive at a mutual agreement that maximizes benefit to each party.

Third Party Role in Negotiations

Sometimes when parties are unable to reach a conclusive settlement on their own, or when some matters in the total package appear unresolved under current circumstances, a third party intervention may be required. The third party can either be an arbitrator or a mediator.

In mediation, a neutral third party tries to persuade both parties to adopt a give and take policy and reach a settlement. The mediator gives his/her reasons in a rational manner and encourages each party to respect the viewpoint of the opposing party. He/She does not have the power to enforce his/her decision. The approach involving the use of a mediator is generally used to resolve the issues between the management and the labour unions. In such situations, a common mediator who is acceptable to both the parties generally plays the role of resolving different issues involving the two parties. These mediators are trained to perform such role.

Check Your Progress

4. Distinguish between 'competition' and 'conflict'?

5. What are the two basic negotiation strategies?

6. What is meant by 'bargaining zone'?

14.5 STRESS

Stress has been defined by different authors differently. Stress is a dynamic condition in which a person is faced with constraint and strains. Stress is the discomfort of an individual. Emotional disequilibrium is stress. Real life disequilibrium will not take the form of stress unless it is realised from the heart and mind. In a wider sense, stress is discomfiture whether it creates problems or not. Stress does not always have a negative impact. It is also a source for deep inspiration to work. In that sense, stress is tension which leads to action and performance. Stress in its mild form leads employees to perform better but stress in its gravest form reduces the working capacities of employees. Beehr and Newman define job stress as "a condition arising from the interaction of people and their jobs and characterised by changes within people that force them to deviate from their normal functioning[1]". Stress makes people deviate from normal functions. It may take the form of inspiration as well as degradation depending on how the stress achiever realises the stress.

Stress should not be confused with anxiety or nervous tension and damaging functions. They occur as regular features in many cases and have no long-lasting impacts on the working capacities of the employees. Anxiety may remain purely psychological and may not cause any physical impact. Similarly, only physical impacts will not be stress unless it is felt by the mind and heart. The psychological and physical impacts are visible in the form of stress. Anxiety is the cause of stress but not stress itself. Similarly, stress is not simply tension. Unconsciousness is a nervous breakdown, but it is not stress, although stress may cause unconsciousness. Stress is not always bad. Distress is preventable. Stress may create anxiety, nervous tensions and damaging impacts but these are not stress itself.

Forms of Stress

Stress is understood by its different forms which may be either temporary or long-term, mild or severe.

The form of stress, if temporary and mild, cannot be distressing. One can recover from it easily. Many employees find stress merely superfluous but they suffer temporarily with such strenuous work. When an employee finds himself under a new and unknown situation with a different environment, he faces mild stress. He is unable to cope with the new situation. Conflicts take place and he becomes restless. When he becomes accustomed with the new situation and adjusts to it, the stress diminishes gradually. The forms of stress are mild, stiffer and chronic.

Milder form The milder form of stress is visible in digestive problems, high blood pressure, nervousness and inability to relax and insomnia.

Stiffer form If the stress is not prevented at the initial milder stage, it becomes the stiffer form.

Chronic form Chronic worry, insomnia, frustration, instability and uncooperative attitude are developed if stress is not checked initially. If high intensity stress continues for an extended duration, problems arise. An individual suffering from high intensity stress cannot cope with problems, as the human body cannot rebuild its strength for a longer period. Stress is removed by the body as it has the capacity of homeostasis. Long stressed body weakens people psychologically. This is known as Burn-out. The next chronic form of stress is Trauma.

14.6 CONCEPT AND FUNDAMENTALS OF CULTURE

Organizational culture is the accumulated tradition of the organizational functioning. It is based on certain values, norms and positive attitudes of an organization. Organizational environment becomes a culture if it is used for motivating people to avoid any friction and adopt the valuable tradition of the organization. Organizational culture is intangible and functions like invisible hands which guide the employees of an organization for better performance and more satisfaction. It influences everybody and is also influenced by everybody's thinking and action.

The success of any organization depends on its culture, as it is the invisible power governing the organization. When the thinking and action of the employees are institutionalised, organizational culture takes birth. It continues to guide for a better achievement. The employees and other people of an organization enjoy the culture which is immortal and invisible. Organizational culture is its strong soul which makes its functions possible and lively. With the accumulated value, it becomes extremely stronger. The organizational culture is viewed as the corporate image by the public. It enjoys market, production and financial functions. People are guided to decide what is right and what is wrong if the organizational culture is visualised, as spirited persons can easily decide what is correct and incorrect.

Characteristics of Organizational Culture

Several authors have given different features for organizational culture. They are assumptions and values, sharing of perception, risk taking, management attitudes, employees' inclination, team building, competitiveness and stability. The structure, autonomy and conflict are used for developing the culture of organizations. A combination of these factors is the organizational culture.

Assumptions and Values

Organizational culture includes the assumptions and values of an organization. These assumptions are believed explicitly. Workers, managers and the top management view the organizational culture in the same pattern, although they have different views individually. The behavioural pattern depends on certain invisible assumptions and their values.

Sharing of Perception

The people of an organization mutually agree on certain perceptions although they have different attitudes and beliefs. Their common beliefs and attitudes are part of the organizational culture. They share a common perception of the organization.

Risk Taking

Organizational culture is influenced by the degree of risk and challenges faced by the employees. The methods of recruitment and training decide the risk-taking factor. Internal and external environment have a close connection with the decision of risk-taking.

Management Attitude

The management's attitude has a direct impact on the behaviour of the employees. Subordinates are supported by the management for inculcating a healthy culture. The management's active interest and support are needed for the purpose. Employees develop a feeling of having received an adequate and equitable reward under a congenial atmosphere. The management with its focus on results, provides positive attitudes. Warm feelings of the superior make the employees happy and production-oriented. Managers are expected to exhibit precision and attention to people's problems.

Employees' Inclination

Organizational culture depends on the employees' inclinations which are influenced by their perception, learning and personality. If the employees take a positive view of the management's attitude, a people oriented climate is developed. The degree of confidence, tolerance and fellowmanship of the employees decides the culture of the organization. Training and management development programmes are part of the culture. Individual's satisfaction is part of a good culture.

Team Building

The management helps team building, cultural and behavioural characteristics are used for the development of a group. Behaviour of groups helps the accumulative nature of culture. More emphasis on team building helps cultural development.

Competitiveness

A competitive atmosphere helps in developing the culture. Intragroup, intergroup and individual competitiveness demonstrate the wider scope of culture. Their positive attitudes help build good behaviour. But, negative attitudes create conflicts. Aggressive attitudes destroy culture while supportive attitudes build good culture.

Stability

The stability in organizational function is referred to as a culture. Rules, regulations and officialisms are maintained without favouring any person. Impersonal approach has a direct impact on the behaviours of the employees.

Structure

The organizational structure is a part of culture. Bureaucratic and mechanic structures have a different culture than the democratic and organic structures. The feeling of one's responsibility and self-development are visible in the organization's climate. The degree of autonomy has a great influence on culture.

14.7 CONCEPT AND FUNDAMENTALS OF CHANGE

Change is a reality that individuals, groups, and organizations must constantly cope with in order to survive. Change is one of the most critical aspects of effective management. It is the coping process of moving from the present state to a desired state that individuals, groups, and organizations undertake in response to dynamic internal and external factors that alter current realities.

To a certain extent, all organizations exist in a changing environment and are constantly changing themselves. For example, according to Kiechel (1993), the world of business is thought to be changing in the following ways:

1. The average company will become smaller, employing fewer people.

2. The traditional hierarchical organization will give way to a variety of organizational forms, such as networks of specialists.

3. Technicians ranging from computer repair technicians to radiation therapists will replace manufacturing operatives as the worker elite.

4. A horizontal division of labour will replace the vertical division of labour.

5. The emphasis of many businesses will shift from making a product to providing a service.

6. Work itself will be re-defined with more emphasis on constant learning and higher order thinking.

Increasingly, organizations that emphasize bureaucratic or mechanistic systems are ineffective. Organizations with rigid hierarchies, high degree of functional specialization, narrow and hunted job descriptions, inflexible rules and procedures, and impersonal management cannot respond adequately to demands for change. Organizations need designs that are flexible and adaptive. They also need systems that both require and allow greater commitment and use of talent on the part of employees and managers.

Why is change important to managers and organizations? Simply stated, organizations that do not bring about change in timely ways are unlikely to survive. One reason for the accelerating rate of change is that knowledge and technology feed on themselves, constantly creating innovations at exponential rates. Few leaders would have envisioned in the mid-1990s the revolutionary impact the Internet and World Wide Web would have on business practices in the early twenty-first century.

The Importance of Change

Change will not disappear or dissipate. Managers and the enterprises they serve, be they public or private, service or manufacturing, will continue to be judged upon by their ability to effectively and efficiently manage change. Unfortunately, for the managers of the early twenty-first century, their ability to handle complex change situations will be judged over by the ever-decreasing time scales.

How can we manage change in such a fast moving environment, without losing control of the organization and existing core competencies? There are ways to manage such a change, as one would expect no easy answers and certainly no blueprints detailing the best practices. Designing, evaluating, and implementing successful change strategies largely depend on the quality of the management team, particularly the team's ability to design the organization in such a way as to facilitate the change process in a responsive and progressive manner.

14.7.1 John Kotter Model for Change

One of the best known change management models is John Kotter's eight-step model (Kotter 1995). It was first published in 1995 as an article in the Harvard Business Review. Subsequently, it was expanded in the form of a book titled *Leading Change.* The eight steps proposed by Kotter are presented subsequently. According to him, to successfully implement a change in an organization all the eight steps have to be followed in sequence. Skipping any one stage may cause an illusion of speed but does not result in the effectiveness or improvement in the organizations. The eight steps are:

Create a sense of urgency

This stage calls for studying the market trends and analysing the requirement for implementing the change in the organization. It also emphasizes the importance of identifying the problems and highlighting the opportunities available for change to be implemented.

Establishing a powerful group to guide the change

This involves identifying right kinds of people and trying to bring them together so that they can help steer this change programme. Also, enough power needs to be given to this group so that they can pursue the change effort.

Develop a vision

This stage entails developing a vision to bring about the change in the organization. Kotter proposes that this vision should be highly focused and stated in very simple terms so that everyone involved in the process accepts and understands it.

Communicate the vision

The vision created has to be communicated to all employees in the organization so that everyone is aware of it. Multiple channels such as brochures, word of mouth, meetings, and action should be used to communicate the vision.

Empower staff

For a vision to be converted into reality, it is important that hurdles in its direction need to be removed. Management is, therefore, expected to provide enough resources and autonomy to its employees to help them achieve this vision.

Ensure there are short-term wins

As people do not have the patience to wait for a longer duration to see the benefits of change, it is essential to bring in short-term wins in between as it helps to retain the motivation levels of employees. These wins also help support the need for change.

Consolidate gains

To let the process of change continue smoothly, management should continuously focus on removing organizational policies and processes that inhibit change and reward those who are engaged positively with the change. Attempts should be made to establish new, related change projects.

Institutionalize the change in the culture of the organization

Any change programme which has been carried out in the organization should get embedded in the culture of the organization and it should be linked to organizational performance and leadership. By this, it becomes a permanent component of the organization.

Check Your Progress

7. What is stress?
8. What is organizational culture based on?
9. What type of organizations cannot respond adequately to change?

14.8 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Power is a status for the management to manage the organization.
2. The different sources of power are coercive power, reward power, legitimate power, expert power and referent power.

3. A lack of trust creates politics. Illegitimate tactics are applied to influence the seers and peers. Absolute trust decreases the scope of politics. Trust reduces misunderstanding.

4. Competition is directed towards obtaining a goal and one group does not interfere with the efforts of another group, while conflict is directed against another group and actions are taken to frustrate the other group's actions towards goal achievement.

5. The two basic negotiation strategies are: (i) distributive negotiation, and (ii) integrative negotiation.

6. In a soft distributive negotiation, both parties follow the give and take policy, make concessions, compromise on some issues and reach an agreement that is realistic and acceptable. In general, one party asks for much higher benefits than it is willing to accept and the other party offers much less than it is willing to give. Then by negotiation and compromise, they agree on taking a middle path and then both parties are satisfied. This meeting point (midway) is somewhere in the 'bargaining zone'.

7. Stress is a dynamic condition in which a person is faced with constraint and strains.

8. Organizational culture is based on certain values, norms and positive attitudes of an organization.

9. Organizations with rigid hierarchies, high degree of functional specialization, narrow and hunted job descriptions, inflexible rules and procedures, and impersonal management cannot respond adequately to demands for change.

14.9 SUMMARY

- Power is the capacity to influence others. Power increases the potential capacity to influence others and creates the dependency of the person who is being influenced by the power possessor.

- Politics is the use of power to influence the decision-making process in an organization.

- A conflict can be defined in many ways and can be considered as an expression of hostility, negative attitudes, antagonism, aggression, rivalry and misunderstanding.

- Negotiation may be described as a process involving conduct of joint decisions. This is required to be done when the two involved parties have differing views or opposite preferences.

- Stress is a dynamic condition in which a person is faced with constraint and strains. Stress does not always have a negative impact. It is also a source for deep inspiration to work.

- Organizational culture is the result of the traditional functions of an organization. When the traditions are institutionalized, it becomes culture.

- Change is a reality that individuals, groups and organizations must constantly cope with in order to survive.

14.10 KEY WORDS

- **Stress:** It is a state of mental or emotional strain or tension resulting from adverse or demanding circumstances.
- **Negotiation:** It is the process of discussing something with someone in order to reach an agreement with them.
- **Organizational change:** It is about the process of changing an organization's strategies, processes, procedures, technologies, and culture, as well as the effect of such changes on the organization.
- **Trauma:** It means a deeply distressing or disturbing experience.
- **Legitimate power:** Power that arises because of the position of employees is known as legitimate power.

14.11 SELF-ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What is coercive power?
2. What is covert politics?
3. What do you understand by conflict?
4. What is the role of third parties in a negotiation?
5. Discuss the meaning and forms of stress.
6. What is the importance of organizational change?

Long-Answer Questions

1. Examine the different sources of power.
2. Discuss the organizational factors for creating politicking activities.
3. Describe the different types of conflict situations.
4. Discuss the different strategies of negotiation.
5. Describe the different characteristics of organizational culture.

14.12 FURTHER READINGS

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